



City Council Memorandum

Housing Authority Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR, CITY COUNCIL, AND HOUSING AUTHORITY MEMBERS **DATE: JUNE 5, 2018**

FROM: OFFICE OF HOMELESS SOLUTIONS **WARD: 2**

SUBJECT: NOTICED HEARING – DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE HOUSING AUTHORITY OF THE CITY OF RIVERSIDE AND RIVERSIDE HOUSING DEVELOPMENT CORPORATION TO PURCHASE AND REHABILITATE A HOUSING AUTHORITY OWNED FOUR-PLEX LOCATED AT 3343 FOURTH STREET FOR \$1; HOME INVESTMENTS PARTNERSHIP LOAN AGREEMENT BY AND BETWEEN CITY OF RIVERSIDE AND RIVERSIDE DEVELOPMENT HOUSING CORPORATION TO PROVIDE A HOME PROGRAM LOAN IN THE AMOUNT OF \$365,000 FOR THE PURPOSE OF REHABILITATING 3343 FOURTH STREET AS HOME ASSISTED UNITS FOR LOW AND VERY LOW INCOME HOUSEHOLDS

ISSUES:

Approve a Disposition and Development Agreement by and between the Housing Authority of the City of Riverside and Riverside Housing Development Corporation for the purchase and rehabilitation of an existing Housing Authority owned four-plex at 3343 Fourth Street in the amount of \$1, and a HOME Investment Partnerships Loan Agreement by and between the Housing Authority of the City of Riverside and Riverside Housing Development Corporation to provide a \$365,000 HOME Investment Partnerships Act Residual receipts loan to rehabilitate 3343 Fourth Street as HOME assisted units for low and very low income households.

RECOMMENDATIONS:

That the Housing Authority Board:

1. Conduct a public hearing in accordance with the California Health and Safety Code Section 34312.3 for the conveyance of 3343 Fourth Street to Riverside Housing Development Corporation for the sum of \$1;
2. Approve the Disposition and Development Agreement by and between the Housing Authority of the City of Riverside and Riverside Housing Development Corporation for the purchase and rehabilitation of an existing Housing Authority owned four-plex at 3343 Fourth Street in the amount of \$1;
3. Authorize the Executive Director, or designee, to execute a Disposition and Development Agreement and associated documents for the sale of Housing Authority owned property

located at 3343 Fourth Street for the sum of \$1, including making minor and non-substantive changes;

That the City Council:

1. Approve the HOME Investment Partnerships Loan Agreement by and between the Housing Authority of the City of Riverside and Riverside Housing Development Corporation to provide a \$365,000 HOME Investment Partnerships Act Residual receipts loan to rehabilitate 3343 Fourth Street as HOME assisted units for low and very low income households;
2. Authorize the City Manager, or his designee, to execute the HOME Investment Partnerships Loan Agreement by and between the City of Riverside and Riverside Housing Development Corporation, including all related documents necessary to rehabilitate a Housing Authority owned property located at 3343 Fourth Street, including making minor and non-substantive changes; and
3. Authorize a transfer of \$365,000 from the HOME Investment Partnerships Act Fund Unprogrammed Balance Account #2835200-453001 to the 3343 Fourth Street Project Account 2835200-453234.

BACKGROUND:

The former Riverside Redevelopment Agency acquired 3343 Fourth Street as part of a larger downtown infrastructure project in 2007. That infrastructure project never went forward. After exploring other development options, the parcel was transferred from the Redevelopment Agency to the Housing Authority for affordable housing development. RHDC approached the Authority in 2010 with an over-the-counter funding application to rehabilitate the four-plex. Staff analyzed the application and found it to be strong enough to consider a disposition of 3343 Fourth Street plus an additional rehabilitation loan that is the subject of this report.



DISCUSSION:

The Project will be completely renovated to current building codes. Façade elements will be preserved in accordance with the Downtown Historic District. When complete, the four-plex will have one studio unit reserved at 50% of Area Median Income (AMI) (or \$32,250 for a family of four in 2017); one studio unit reserved at 60% of AMI (or \$38,700 for a family of four in 2017); one one-bedroom unit reserved at 60% of AMI; and one two-bedroom unit reserved at 60% of AMI. All units will be reserved by legal covenant for a period of 55 years.

Proposed Deal Points

1. A \$365,000 HOME Investment Partnerships Act loan bearing 3% simple interest that will be repaid with residual receipts (profits above operating expenses for the Project) over a 55-year period;
2. Loan proceeds will be used to acquire property and pay for soft (design/engineering) and hard construction costs for completion of the Project;
3. Loan repayment to begin when the Project is occupied (at Certificate of Occupancy); and
4. Loan will mature in 55-years, and the units will remain affordable for the same period.

Financing

The estimated total development cost for the Project is \$440,000, which is broken down below:

Activity	Cost:
Land Acquisition	\$ 2,500 (\$1 plus closing costs)
Construction (w/contingency)	\$ 310,000
Professional Fees/Soft Costs	\$ 87,500
Developer Fee	\$ 40,000
Total Development Costs	\$ 440,000

The Development cost is expected to be financed through the following funding sources:

Sources of Funds	Funding Amount:
Bank Loan	\$ 75,000
City HOME Loan	\$ 365,000
Total Sources of Funds	\$ 440,000

The Community & Economic Development Director concurs with the recommendations of this report.

FISCAL IMPACT:

There is no fiscal impact to the General Fund. The City has \$2.7 million available in the HOME Investment Partnerships Act Fund Account 2835200-453001 to contribute towards development

costs. The \$365,000 loan will be provided at a simple interest rate of 3% with a 55-year term. The developer will repay the loan in annual payments equal to 50% of the Project residual receipts from the prior fiscal year.

Prepared by: Emilio Ramirez, Office of Homeless Solutions Director
Certified as to
availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer
Approved by: Alexander T. Nguyen, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Disposition and Development Agreement
2. HOME Investment Partnerships Loan Agreement
3. Presentation