

Development Committee Memorandum

City of Arts & Innovation

TO: DEVELOPMENT COMMITTEE MEMBERS DATE: JULY 19, 2018

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: 7

SUBJECT: HOUSING FIRST - DEVELOPMENT PROPOSAL FROM THE RIVERSIDE HOUSING DEVELOPMENT CORPORATION FOR A RESIDUAL RECEIPTS LOAN IN THE AMOUNT OF \$378,044 FROM THE HOME INVESTMENT PARTNERSHIPS PROGRAM TO FINANCE THE ACQUISITION OF LAND AND CONSTRUCTION OF A SINGLE FAMILY RENTAL OPPORTUNITY ON 0.18 ACRES OF HOUSING AUTHORITY OWNED PROPERTY LOCATED AT 10370 GOULD STREET

ISSUE:

Recommend to the City Council and Housing Authority Board to approve the development proposal from the Riverside Housing Development Corporation for a residual receipts loan in the amount of \$378,044 from the HOME Investment Partnerships Program to finance the acquisition of land and construction of a single family rental opportunity on 0.18 acres of Housing Authority owned property located at 10370 Gould Street.

RECOMMENDATION:

That the Development Committee recommend to the City Council and Housing Authority Board approval of the development proposal from Riverside Housing Development Corporation for a residual receipts loan in the amount of \$378,044 from the HOME Investment Partnerships Program to finance the acquisition of land and construction of a single family rental opportunity on 0.18 acres of Housing Authority owned property located at 10370 Gould Street.

BACKGROUND:

The Housing Authority purchased the land located at 10370 Gould Street with federal Neighborhood Stabilization Program funds as the property was foreclosed upon by Deutsche Bank in 2011. The property must be developed for affordable housing with 55 year affordability covenants.

DISCUSSION:

On March 8, 2017, the Housing Authority issued a Request for Proposal for the development of 10370 Gould Street (Site). The Housing Authority received three responses to the RFP. These proposals were reviewed and scored based on project concept, experience and qualification, financial strength, project readiness and development schedule, and affordability. Housing

Authority conducted subsequent interviews with the developers. Riverside Housing Development Corporation's (RHDC) proposal was identified as the most responsive to the RFP.

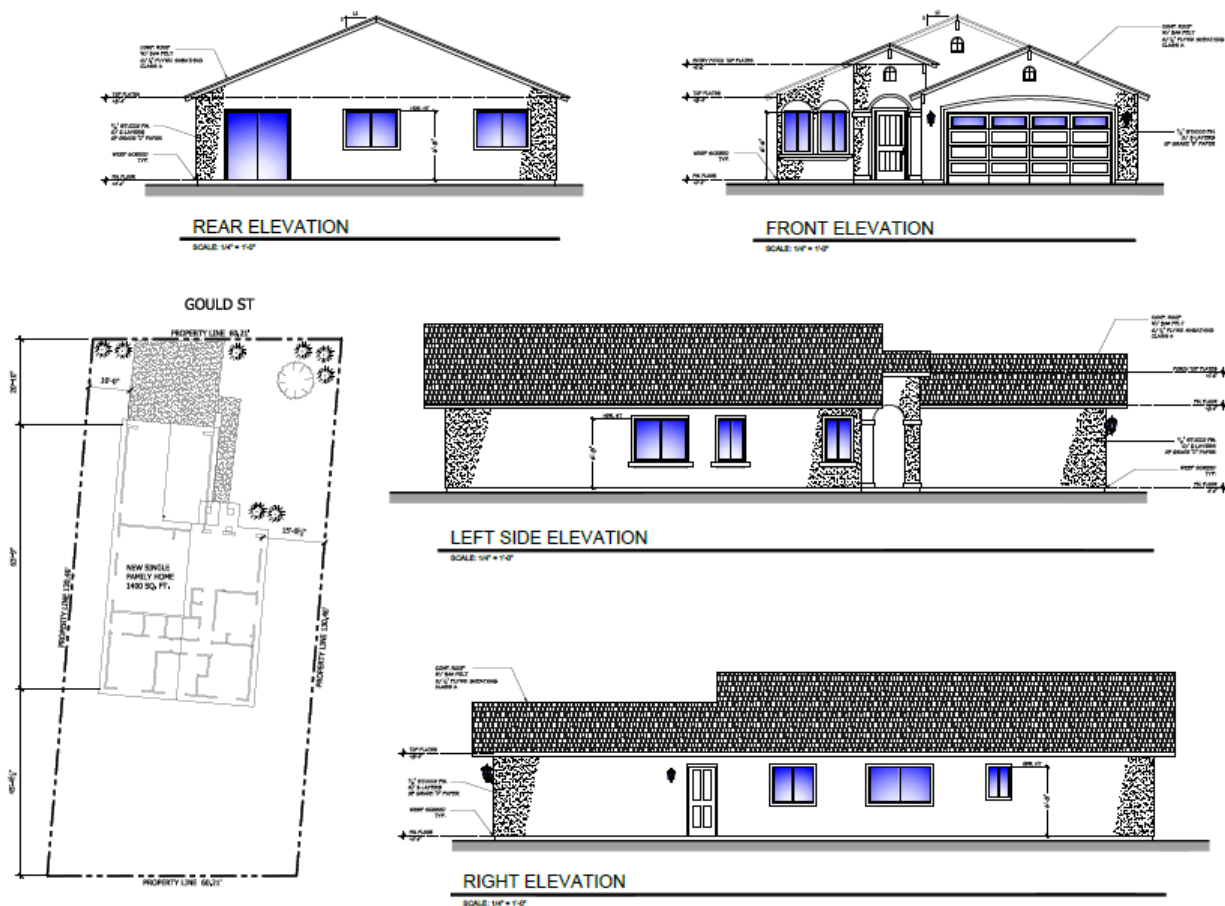
Subsequent to receipt of the first proposal from Riverside Housing Development Corporation, staff learned that the present zoning for the site (RR – Rural Residential) would not support the density envisioned in Riverside Housing Development Corporation's proposal. With consultation with the Planning Division, the Housing Authority requested that Riverside Housing Development Corporation resubmit the project with a lower density configuration. The second proposal for a single family house was reviewed by five City staff members, who found it responsive to both Site requirements and Housing Authority requirements. The Housing Authority and Riverside Housing Development Corporation decided to make this house a rental project, which is consistent with the neighborhood.

Development Proposal

Riverside Housing Development Corporation has proposed the following project as its response to the RFP:

1. Development of an approximately 1,400 Square Foot 4-bedroom, 2-bathroom house that will be rented to persons earning at or below 50% of Area Median Income (AMI), or \$33,700 for a family of four in 2018; and
2. Initial rents anticipated at \$665/Monthly.

A proposed unit layout and elevations are presented below:



Proposed Financing

As proposed, RHDC is will purchase the Site from the Housing Authority at a discounted value of One Dollar (\$1) in exchange for the provision of an affordable housing unit. The Site is currently valued at approximately \$54,887. In addition, RHDC is requesting approximately \$378,044 of the City's HOME Investment Partnerships Program funds for the development of the Site as a Community Housing Development Organization project.

The estimated total development cost is \$378,044, which a breakdown is provided below.

Uses of Funds	
Land Acquisition	\$2,500
Construction	\$280,394
Professional Fees/Soft Costs	\$55,150
Developer Fee	\$40,000
Total Development Cost	\$378,044
Sources of Funds	
RHDC Bank Loan	\$0
City HOME Loan	\$378,044
RHDC Contribution	\$0
Total Development Cost	\$378,044

The house will carry a deed of trust of approximately \$378,044 at a 3% simple interest that represents the value of the City HOME loan. The use of federal Neighborhood Stabilization Program (NSP) funds will require an affordability period for 55 years and the HOME Program will require a 20-year affordability period (concurrently). The developer would repay the loan in annual payments equal to fifty percent (50%) of the residual receipts for the prior fiscal year.

The Interim Community & Economic Development Director concurs with the recommended actions.

FISCAL IMPACT:

There is no fiscal impact to the General Fund. The \$378,044 in federal HOME Investment Partnerships Program funds are available in the HOME Unprogrammed Funds Account 2835200 - 453001 to provide RHDC with a development loan.

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

Attached: Presentation