



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 12, 2021

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: 2

SUBJECT: HOME INVESTMENT PARTNERSHIPS LOAN AGREEMENT IN THE AMOUNT OF \$2,000,000 WITH RIVERSIDE SUPPORTIVE HOUSING, L.P., AND A SUBORDINATION AGREEMENT WITH BANK OF AMERICA NA, TO FACILITATE CONSTRUCTION OF THE OASIS SENIOR VILLAS PROJECT, A 95-UNIT AFFORDABLE HOUSING PROJECT FOR VERY LOW-INCOME SENIORS LOCATED AT 2340 FOURTEENTH STREET

ISSUE:

Approval of a \$2,000,000 HOME Investment Partnerships Loan Agreement with Riverside Supportive Housing, L.P. and a Subordination Agreement with Bank of America, LP (Exhibit B) to facilitate the construction of the Oasis Senior Villas project, a 95-unit affordable housing project for very low-income seniors located at 2340 Fourteenth Street.

RECOMMENDATIONS:

That the City Council:

1. Approve a \$2,000,000 HOME Investment Partnerships Loan Agreement with Riverside Supportive Housing, L.P. to facilitate the construction of the Oasis Senior Villas Project, a 95-unit affordable housing project for very low-income seniors located at 2340 Fourteenth Street;
2. Authorize the City Manager, or his designee, to execute a HOME Investment Partnerships Loan Agreement with Riverside Supportive Housing, L.P., including making minor and non-substantive changes as necessary;
3. Approve a Subordination Agreement with Bank of America NA that places the Housing Authority's loan in second position to the bank's senior loan documents; and
4. Authorize the City Manager, or his designee, to execute a Subordination Agreement with Bank of America NA as the Project's senior lender, including making minor and non-substantive changes as necessary, such as a substitution of new finance figures and the project legal description to accommodate a new parcel map for the Project due to a street dedication.

BACKGROUND:

In February of 2019, the Housing Authority received an over-the-counter funding proposal from A Community of Friends, a California nonprofit corporation and general partner of Riverside Supportive Housing, L.P., for the Oasis Senior Villas (Project), a 95-unit affordable senior housing project to be located at 2340 Fourteenth Street in the Eastside Neighborhood. The Project will consist of 82 one-bedroom units and 13 two-bedroom units. The development will be a 100% senior community targeting very low-income senior citizens with half of the units set aside for seniors who are homeless and living with behavioral health conditions. Amenities will include a large community room with a computer room, fitness center, and community gathering and recreation space. Outdoor amenities may include a community garden, recreational opportunities, and barbeque/picnic area. A Community of Friends formed Riverside Supportive Housing LP as a project specific legal subsidiary to complete the Oasis Senior Villas Project, which is why the Riverside Supportive Housing, LP is signatory to the City's loan documents.

A rendering of the Project is shown below.



In December of 2020, the City Council approved Resolution R-23658 articulating a City commitment of \$2 million in support of State and Federal funding applications that were needed to fill the project's remaining subsidy gap.

DISCUSSION:

A Community of Friends submitted a funding application to the Housing Authority requesting \$2 million in financial assistance for the Oasis Senior Villas Project that will produce 93 affordable housing units for seniors and two manager units.

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

Sources of Funds	Funding Amount:
4% Tax Credit Equity	\$21,774,866
Permanent Loan	\$5,176,000
No Place Like Home	\$8,302,632
Veterans Housing and Homelessness Prevention Program (VHHP)	\$9,621,970
Federal Home Loan Bank	\$1,250,000
City Loan	\$2,000,000
Total Sources of Funds	\$48,125,468

The Project has also been awarded an allocation of Section 8 Housing Vouchers from the Riverside County Housing Authority. The City's \$2 million local support is critical to tax credits and other State housing allocations that are committed to the Project. In addition, the Project is fully entitled by the City and would help the City meet its Regional Housing Needs Assessment requirement.

Subordination Agreement: Bank of America, the Project's senior lender, is requesting the City to subordinate its \$2 million Deed of Trust to the bank's loan documents. The City's Regulatory Agreement (affordability document) on the Project is not subordinate and would be protected in the event of any potential project default (although the risk of default is very low). This monetary subordination is typical for senior lenders given that Bank of America will be both the construction lender for the Project and will be a permanent lender of approximately \$5.9 million. Some figures in the Subordination Agreement as presented are point-in-time estimates and will be replaced with permanent calculations when the Project closes financing. The Subordination Agreement is presented unsigned by the bank. Bank of America will have the corporate authority to sign the Subordination Agreement after the close of financing for the Project, estimated at mid-October of this year.

Proposed Deal Points:

1. A \$2 million City HOME loan bearing three percent (3%) simple interest that will be repaid with residual receipts (profits above operating expenses for the Project) over a 55-year period. Actual repayment amounts are subject to a tax credit investor agreement related to overall project financing.
 - a. The HOME loan funds will be used to reimburse the developer for property acquisition costs and pay for soft costs (design/engineering costs incurred not more than 24-months prior to Contract execution) and hard construction costs for completion of the Project;
2. The Project will contain 95 housing units with the following income breakdown

INCOME LIMIT (% of Area Median Income)	LIMIT FOR 2 PERSON HOUSEHOLD	LIMIT FOR 4 PERSON HOUSEHOLD	1BR/1BA	2BR/1BA	<u>Total Units</u>

30%	\$19,000	\$23,700	64	4	68
50%	\$31,600	\$39,500	0	5	5
60%	\$37,920	\$47,400	18	2	20
Manager's Unit				2	2

3. Forty-nine percent (49%) of the units will be reserved for Permanent Supportive Housing for persons earning at or below 30% of the Area Median Income coupled with case management to assist residents with achieving housing stability and self-sufficiency;
4. Loan repayment to begin when the Project is occupied (at Certificate of Occupancy); and
5. Loan will mature in 55-years, and the units will remain affordable for the same period.

Development Cost:

The estimated Project development cost is \$ 48,125,468. Project financing breaks down as follows:

Uses of Funds	Cost:
Land Acquisition (w/holding costs, taxes, and offsite improvements)	\$3,709,559
Construction (w/contingency)	\$33,826,582
Professional Fees/Soft Costs	\$7,217,208
Financing Costs	\$822,119
Developer Fee	\$2,550,000
Total Development Costs	\$48,125,468

STRATEGIC PLAN ALIGNMENT:

Funding for the Oasis Senior Villas Project aligns with **Strategic Priority 2 – Community Well-Being** and **Goal No. 2.1** to facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels. Development of Oasis Senior Villas also aligns with **Goal 2.3**, to strengthen neighborhood identities and improve community health and the physical environment through amenities and programs that foster an increased sense of community and enhanced feelings of pride and belonging citywide.

The Project aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The Housing Authority identifies priority development areas to meet

the greatest needs of residents in the City. Priorities are based on the City's Annual Action Plan for Federal Funding, 5-year Federal Funding Plan, and Housing Element; plans that are vetted in the City through Community Ward Meetings, post card surveys, and online. The information is gathered in specific focus groups and interviews with various organizations and service providers in the housing and community development field.

2. **Equity** – Pursuant to State law, the Housing Authority provides critical funding to build projects that ensure all eligible persons receive equitable access to housing with dignity, respect, and compassion regardless of the circumstances, ability, or identity.
3. **Fiscal Responsibility** – There is no fiscal impact to the City General Fund associated with this item. This item allows the City to utilize federal housing funds to create low-income housing to create economic stability for low-income City residents. The Authority's investment will realize a 20:1 return when the project is fully funded in October of this year.
4. **Innovation** – This project will allow the City to capitalize on new and changing funding sources in partnership with federal, state, and private partners to meet ongoing and changing needs of low- to moderate income members of the community.
5. **Sustainability & Resiliency** – The HUD Annual Action Plan describes the specific actions that will be undertaken using HUD entitlement funds to promote sustainable community and economic development and projects to encourage community engagement and resiliency.

FISCAL IMPACT:

The total fiscal impact of this recommendation is \$2,000,000. The funds are budgeted and available in the HOME Investment Partnership Fund, Unprogrammed Funds Expenditure Account number 2835200-453001 and, upon Council approval, will be transferred to the Oasis Senior Villas Project Expenditure Account number 2835200-450099.

Prepared by: Michelle Davis, Housing Authority Manager
Certified as to
availability of funds: Edward Enriquez, Chief Finance Officer/City Treasurer
Approved by: Kris Martinez, Interim Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments

1. HOME Investment Partnerships Program Loan Agreement
2. Subordination Agreement