



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: MAY 20, 2025**

**FROM: HOUSING AND HUMAN SERVICES      WARD: 2**

**SUBJECT: RESOLUTION AUTHORIZING THE SUBMISSION OF A JOINT APPLICATION BETWEEN THE CITY OF RIVERSIDE AND RIVERSIDE HOUSING DEVELOPMENT CORPORATION TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR UP TO \$35,000,000.00 OF HOMEKEY+ PROGRAM FUNDS FOR THE ACQUISITION AND CONVERSION OF 114 MOTEL ROOMS INTO STUDIO UNITS LOCATED AT 1590 UNIVERSITY AVENUE AND SUPPORT OPERATING COSTS FOR TEN YEARS AND A MEMORANDUM OF UNDERSTANDING WITH RIVERSIDE HOUSING DEVELOPMENT CORPORATION FOR SOFT FUNDING COMMITMENTS OF \$6,750,000.00 OF HOMELESS HOUSING, ASSISTANCE AND PREVENTION PROGRAM ROUND 3 AND 4 GRANT FUNDS, \$1,234,890.09 OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS, AND \$1,000,000.00 OF HOME INVESTMENT PROGRAM PARTNERSHIPS GRANT FUNDS TO CARRY OUT THE PROJECT – SUPPLEMENTAL APPROPRIATION**

## **ISSUES:**

1. Adopt a Resolution authorizing the City Manager, or designee, to submit a joint application between the City of Riverside and Riverside Housing Development Corporation to the State of California Department of Housing and Community Development for up to \$35,000,000.00 of Homekey+ Program funds for the acquisition and conversion of 114 rooms into studio units located at 1590 University Avenue and support operating costs for ten years; and
2. Approve a Memorandum of Understanding with Riverside Housing Development Corporation for soft funding commitments of \$6,750,000.00 of HHAP Round 3 and 4 for the Homeless Housing, Assistance and Prevention Program Round 3 and 4 grant funds, \$1,234,890.09 of Community Development Block Grant funds, and \$1,000,000.00 of HOME Investment Partnerships Program grant funds to carry out the project;

## **RECOMMENDATIONS:**

That the City Council:

1. Adopt a Resolution authorizing the City Manager, or designee, to submit a joint application between the City of Riverside and Riverside Housing Development Corporation to the State of California Department of Housing and Community Development for up to \$35,000,000.00 of Homekey+ Program funds for the acquisition and conversion of 114 rooms into studio units located at 1590 University Avenue and support operating costs for ten years;

2. Authorize the City Manager, or designee, to execute all necessary documents that may be required for submittal of the Homekey+ application, including making minor and non-substantive changes;
3. Approve a Memorandum of Understanding with Riverside Housing Development Corporation for soft funding commitments of \$6,750,000.00 of HHAP Round 3 and 4 for the Homeless Housing, Assistance and Prevention Program Round 3 and 4 grant funds, \$1,234,890.09 of Community Development Block Grant funds, and \$1,000,000.00 of HOME Investment Partnerships Program grant funds to carry out the project and authorize the City Manager, or designee, to accept and receive Homekey+ funds and to execute any documents necessary to secure such award and administer the grant;
4. Authorize the City Manager, or designee, to accept and receive the Homekey+ grant and administer the Homekey+ grant; and
5. With at least five affirmative votes, upon grant award of the Homekey+ grant award, authorize the Chief Financial Officer, or designee, to record an increase in grant revenue and appropriate expenditures in an amount up to \$35,000,000 in the Grants and Restricted Programs Fund.

#### **COMMITTEE RECOMMENDATION:**

The Housing and Homelessness Committee (Committee) met on April 28, 2025, with Chair Cervantes, Vice Chair Mill, and Member Robillard present, to consider the proposed Resolution authorizing the City Manager, or designee, to submit a joint application between the City of Riverside and Riverside Housing Development Corporation to the State of California Department of Housing and Community Development for up to \$35,000,000.00 of Homekey+ Program funds for the acquisition and conversion of 114 rooms into studio units located at 1590 University Avenue. Following discussion, the motion was made by Chair Cervantes to move the item to the full City Council for their consideration without recommendation, that was unanimously approved by members Robillard and Mill.

#### **BACKGROUND:**

On November 26, 2024, the California Housing and Community Development (HCD) released the Homekey + Notice of Funding Availability (NOFA), which is funded through Proposition 1 that was approved by California voters in March 2024. Proposition 1 includes the Behavioral Health Services Act (BHSA) and the Behavioral Health Infrastructure Bond Act (BHIBA). Homekey+ is the Permanent Supportive Housing component of the BHIBA.

Homekey+ will support the development of Permanent Supportive Housing individuals with mental health or substance use disorder challenges who are at-risk of or experiencing homelessness. Housing serves as the foundation for improved quality of life, health and mental health, as well as employment. According to the National Institute of Mental Health, it is estimated that more than one in five U.S. adults live with a mental illness. Building on the success of both Roomkey and approximately \$3.572 billion awarded over three rounds of Homekey, Homekey+ continues a statewide effort to sustain and rapidly expand Permanent Supportive Housing for persons experiencing homelessness. Like other programs administered by the State of California that serve people experiencing homelessness, Homekey+ requires the use of Housing First, which is an evidenced-based model that quickly and successfully connects individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry or

continued tenancy, such as sobriety, treatment or service participation requirements. With safe, affordable housing, and supportive services to address Behavioral Health Challenges, California's most vulnerable residents will have the foundation they need to thrive.

Under the Homekey + NOFA, \$1.11 billion is being made available for all other target population projects. Homekey + will provide up to \$200,000 in capital contributions per door with up to \$300,000 per door with a percentage local match contribution, up to the available \$8,984,890.09, and the total amount of operating award per assisted unit shall not exceed \$1,400 per month for the duration of the operating award. Eligible applicants include cities, counties, state and regional and local public entities and tribal entities. Eligible uses include acquisition and/or rehabilitation of motels, hotels, apartments, assisted living residences, commercial spaces and other buildings with existing uses that could be converted to PSH. Projects must be completed within 12 months from the date of the grant award letter. Homekey + applications are due by May 30, 2025, and awards announcements will start in June 2025.

### ***Coordinated Entry System – Community Que***

To be eligible for a permanent supportive housing unit, an individual must have been enrolled in the Coordinated Entry System by completing a Vulnerability Index – Service Prioritization Decision Assistance Tool (VI-SPDAT) by an outreach worker, shelter staff, and navigation center staff, which is a pre-screening method to quickly assess the health and social needs of an individual and match them with appropriate support and housing interventions. Once a service provider has assisted a client with obtaining their vital documents, they are moved to the Community Queue (Attachment 1) awaiting a housing intervention. As of May 5, 2025, there are 307 prescreened, preapproved individuals on the waitlist for permanent supportive affordable housing units, including **102 unhoused seniors at or over the age of 55 and an additional 32 adults between the ages of 50-54.**

### **DISCUSSION:**

**University Terrace Homes:** On February 24, 2025, the City received a proposal from Riverside Housing Development Corporation (RHDC), an experienced affordable housing developer and property manager, to submit a joint Homekey + application for the acquisition and conversion of 114 motel rooms into studio units that are located at 1590 University Avenue (Project) and to cover operating costs. RHDC is proposing to create 94 new permanent supportive housing units at 30% of area median income (\$21,500 for a one-person household) and 20 affordable housing units at 50% of area median income (\$35,900 for a one-person household). Eighteen (18) units will be reserved for individuals with mobility disabilities.

Tenants will be required to sign a 12-month lease.

The property will be gated like many other apartment complexes, have 24-7 onsite security, a social service coordinator and four (4) case managers. The property manager and maintenance staff will live onsite full-time.

These units will remain affordable for a 55-year period. The proposed community is called University Terrace Homes.

RHDC was established in 1991 and currently owns and manages over 1,400 units throughout the County of Riverside. As a Non-Profit developer, owner and manager, their main goal is to maintain the integrity and stability of affordable housing throughout the community. They have expressed interest in the creating more affordable housing in the local adjoining University and Eastside

communities, as they own and operate an affordable housing complex in Eastside and currently manage another 94 units near the proposed University Terrace Homes.

**The Quality Inn Today:** The Quality Inn owner has been trying to sell their property since 2023. The last major property improvement was done in 2018. Their nightly bed rate charged by the Quality Inn is near the lowest in the area:

Location	1 King Bed Room	1 Queen Bed Room	2 Queen Beds Room	2 Double Beds Room	Suite
The Mission Inn Hotel & Spa	\$333 - \$355	\$299	\$299 - \$355	N/A	N/A
Marriott Riverside at the Convention Center	\$248	N/A	\$203 - \$248	N/A	\$271
Hyatt Place Riverside Downtown	\$214 - \$225	N/A	\$214 - \$225	N/A	\$237
Hampton Inn Riverside Downtown	\$214 - \$225	N/A	\$208	N/A	N/A
Courtyard by Marriott Riverside UCR	\$183 - \$206	N/A	\$195 - \$217	\$183 - \$200	N/A
Raincross Hotel	N/A	\$134	N/A	\$134 - \$146	N/A
Santa Cruz Inn Riverside	N/A	\$132	N/A	\$142	N/A
Thunderbird Lodge in Riverside	\$134 - \$191	\$123	N/A	\$134	\$225
<b>Quality Inn Riverside near UCR and Downtown</b>	<b>\$107 - \$112</b>	<b>\$107 - \$112</b>	<b>N/A</b>	<b>\$119</b>	<b>N/A</b>
Motel 6 Riverside, CA - UCR East	N/A	\$89	N/A	\$96	N/A
Dynasty Suites Hotel Riverside	\$76 - \$80	N/A	\$91	N/A	N/A

During the period of 1/1/2024 – 4/26/2025, the property generated **97 calls for police services** that required **222 officers** to respond to the calls that range from 911 hang ups to grand auto theft to aggravated assault with a deadly weapon. The City Attorney's Office is currently working with RPD to review and identify extraordinary police responses related to The Quality Inn. Once complete, the Finance Department will review the findings and issue a demand to The Quality Inn for reimbursement of costs, in accordance with the Riverside Municipal Code.

The Quality Inn was identified as the perfect location for an affordable housing and permanent supportive housing community due to its size and location that is walkable to community-based healthcare services, employment opportunities, retail, banks, local transit, and other services. Surrounding businesses will also benefit from the increase of patrons coming from the proposed community. Adaptive re-use is not only a more economical option but also a more environmentally friendly alternative to new residential developments. For example, emissions associated with adaptive re-use projects are typically lower than those from new construction. Additionally, building new residential properties cost more per square foot compared to re-use. While converting hotels and motels into multifamily housing is not a new concept, the significant drop in occupancy and revenue during the pandemic has accelerated investor interest in these

conversions. This approach not only helps address the ongoing housing shortage but also contributes to the availability of more affordable housing options.

The proposed community will provide stability to the community and independent living and tenancy skills coupled with case managers who will complete individual service plans with residents and create smart goals to achieve housing stability, positive health outcomes and self-sufficiency.

If the City is successful in receiving a State grant for the hotel conversion the funds must be spent within 12 months starting 60 days from the date of grant award. RHDC is confident the hotel-to-affordable-housing conversion can be completed by the State's required deadline.

**Who May Be Served:** The hotel conversion will yield 114 studio apartments, each equipped with a small kitchen, separate bathroom, living area, and bedroom. All tenants must sign a 12-month lease and pay monthly rent, the same as any apartment complex.

Twenty of the units will be typical affordable housing units, with rent set at 50% of area median income (\$35,900 for a one-person household) with no requirement of previous homelessness, mental illness, or substance abuse. Tenants could be UCR students or area service workers, for example.

Ninety-four units will be affordable units with rent set at 30% of area median income (\$21,500 for a one-person household). To qualify for these units a tenant must have some documented mental health or substance use disorder challenges and are at-risk of or experiencing homelessness. This could include documentation of anxiety or depression, for example, or someone who in the past completed treatment at a substance abuse clinic and is getting their lives back on track. No treatment modalities will be provided on-site, but each tenant is assigned a case worker who helps the tenant find employment, manage finances, reconnect with family, and schedules any follow-up off-site counselling or clinic treatment needed to keep the tenant moving towards self-sufficiency.

The City will get clarification from the State on whether senior citizens can be prioritized for the Homekey+ units as they make up the fastest growing segment of newly homeless individuals. Seniors are also the most vulnerable of the homeless population.

A goal is to have the tenant progress to self-sufficiency, while living independent in permanent supportive housing. There is no time limit. A tenant may stay as long as necessary to progress forward provided rent is paid and the tenant gives no other reason for eviction.

**Other Cities in Riverside County with Project Homekey:** The Project Homekey program was first introduced in 2020 and many other California cities have already taken advantage of the program. Local examples include:

Applicant	Project Name	Homekey Award	No. of Units	Project Description
County of Riverside and TruEvolution	Project Legacy, Riverside	\$4,000,000 (Round 1)	19	Acquisition of six adjacent properties located on Brockton Avenue, 9th Street and University Avenue for Project Legacy. Tenants live at Project Legacy for up to 24 months, with the goal of

				transitioning to permanent housing after residents are equipped with skills to become self-sufficient.
County of Riverside and Riverside Community Housing Corporation	Mountain View Estates Phase III, Coachella Valley	\$7,250,000 (Round 1)	40	Replace mobile homes in a dilapidated mobile home park.
City of Riverside and Walden	Walden Scattered Site Interim Housing	\$5,250,000	25	Acquisition and rehabilitation of five (5) single-family homes for the use of transitional housing for the youth homeless population
County of Riverside	Vista Dorada, Corona	\$11,949,900 (Round 2)	40	Hotel/motel conversion acquisition and rehabilitation for permanent supportive housing
County of Riverside	The Springs Housing Navigation Campus, Palm Springs	\$19,059,202 (Round 2)	80	Modular living units and rehabilitation of two of the three existing warehouse buildings for services.

The State funded 94 projects with a total of 6,029 units totaling \$796,559,980 in Homekey Round 1 funding and 116 projects with a total of 6,863 units totaling \$1,954,851,054 in Homekey Round 2 funding.

**Permanent Supportive Housing in Riverside:** On March 13, 2018, the City Council approved the Housing First Strategy that placed a focus on immediate access to permanent supportive housing without preconditions and then supporting the individual or family by maintaining housing. Years of research have demonstrated that the Housing First approach is significantly more successful in reducing and preventing returns to homelessness, more cost-effective than previous traditional models, and more humane and compassionate, thereby allowing an individual or family to use its permanent home as a platform for stability and success. There are already successful permanent supportive housing developments operating in Riverside:

In December 2023, the City's Housing Authority completed the development of 10 permanent supportive housing units in Ward 1. These units are fully occupied and there have been no reports of problems associated with the development or the tenants.

In January 2025, Innovative Housing Opportunities completed the development of Aspire, a 32 permanent supportive housing community that serves transitional aged youth. These units just recently came online, and the property manager and case managers have been holding life skills workshops and resource fairs at the facility to help residents achieve housing stability and self-sufficiency.

The Sunrise at Bogart is expected to close on the project's financing in June 2025 and soon start construction of 22 permanent supportive housing units in Ward 7.

## **Project Budget**

The proposed development cost including acquisition cost for the University Terrace Homes is \$26,660,096. Eighteen units (18) will be ADA accessible and twelve (12) of these units will be available for individuals with hearing and vision disabilities. The operating costs for ten years is \$5,050,000, which brings the total project budget to \$31,710,096.

In the resolution staff is requesting Homekey+ grant funds up to \$35,000,000.00 (provides the ability to request more funding if needed) and \$8,984,890.09 from the City of Riverside from the following funding sources.

<b>Funding Source</b>	<b>Amount</b>
State Homeless Housing, Assistance and Prevention (HHAP) Round 3 and 4	\$6,750,000.00
Federal HOME Investment Partnerships Program	\$1,000,000.00
Federal Community Development Block Grant (CDBG)	\$1,234,890.09
<b>Total</b>	<b>\$8,984,890.09</b>

RHDC had requested \$250,000.00 in predevelopment costs to fund the financial consultant, architect and engineering activities, city permits, appraisal, lead based paint and asbestos tests, Phase I Environmental, and a preliminary title report for the Project. The appraisal and environmental reports will need to be submitted with the Homekey + application.

On March 25, 2025, City Council approved a Subrecipient Agreement for the HHAP Round 3 with RHDC to provide \$250,000.00 to cover the Project's predevelopment costs.

The capital match contribution of \$6,484,890 will be coming from the HHAP 3 and 4 grant (this includes the \$250,000 of soft cost that were previously awarded to RHDC) to provide a per door subsidy of \$250,000 from the Homekey+. The operating match is \$2,750,000, which will be coming from the HHAP 4 grant (\$515,110), HOME grant (\$1,000,000) and Community Development Block Grant (\$1,234,890).

The City's contracts with City Net for four case managers and the City funds one fulltime case manager who would provide the case management needed for the 94 permanent supportive housing residents onsite. The City Net case managers are funded through local Measure Z funds and the City's case manager is funded through the Housing Authority of the City of Riverside. City Net is looking into the process of how to get reimbursement through CalAIM for housing tenancy and sustaining services, which would result in the City being reimbursed for case management expenses.

## **Community Meetings**

On March 28, 2025, Housing and Human Services (HHS) and RHDC staff met with individuals with lived experience at the Riverside Access Center to receive input on the proposed Project where there were approximately 50 individuals in attendance. Attendees were in full support of the project and wanted to ensure the project would have ADA units, substance abuse counseling,

case management, computer center, security, residential social events, cooking classes, grass area for pets.

On April 3, 2025, HHS and RHDC staff presented the proposed Project to the Lincoln Park Community Group, on April 10, 2025 presented to the University Neighborhood Association, and On April 23, 2025 presented to the Bordwell Park Advisory Committee. Attendees asked questions on the residents' eligibility criteria, safety, curfews and visitors and the responses. Staff explained that the Project would have both a perimeter fence and onsite security to prevent loitering. No curfew or visitor restrictions will be put in place as these are apartment units that residents will be required to sign a 12-month lease that at the end of the term convert to a month-to-month lease and adhere to the terms of the lease that will include good neighbor policies. Onsite management will require tenants to respect the house rules regarding after hour noise complaints or unruly visitor behavior. Behavioral issues like these would be addressed through written warnings and documentation just like any other apartment community would enforce. Tenants and their case managers would be advised of any lease violations and encouraged to find cooperative voluntary solutions and behavioral modifications.

On May 8, 2025, Councilmember Cervantes, RHDC and HHS staff will be meeting with business owners to present on the proposed University Terrace Homes.

Staff is recommending that City Council conceptually approve a Resolution to submit a joint application between the City and Riverside Housing Development Corporation for Homekey+ funding up to \$35,000,000.00 and the following soft funding commitments totaling \$8,984,890.09 to RHDC for the Project.

The deadline to apply for a Project Homekey grant is May 30, 2025. Should the City receive a grant award, City Staff will return to City Council for authorization to enter into a Subrecipient Agreement with Riverside Housing Development Corporation after a Homekey+ Standard Agreement has been executed.

### **STRATEGIC PLAN ALIGNMENT:**

This item contributes to **Strategic Priority 2 – Community Well-Being** (Goal 2.1 – Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels and Goal 2. 2 — to collaborate with partner agencies to improve household resiliency and reduce the incidence and duration of homelessness.).

1. Community Trust – The City of Riverside has identified the need for affordable housing as a priority need in the City's Housing Element process. The Housing Element outreach process gathered information from specific focus groups and interviews with various organizations and service providers in the housing and community development field, as well as residents of the city.
2. Equity – This Program reaches lower income populations of the City and offers equal opportunities for safe and suitable living conditions and housing sustainability as well as opportunities for financial growth.
3. Fiscal Responsibility – Funding for this Project would come directly from federal and state grants.
4. Innovation – The Project will allow the City to capitalize on state and federal funding to meet ongoing and changing housing needs of the unhoused extremely low to very low-



income members of the community.

5. Sustainability & Resiliency – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City’s capacity to persevere, adapt and grow during good and difficult times alike.

### **FISCAL IMPACT:**

The total fiscal impact of the recommendations is up to \$43,984,890.09, which up to \$35,000,000 would be from the Homekey+ grant award and the recommended soft funding commitments of \$8,984,890.09 are available in the funds and accounts listed in the table below. Previously approved funding totaling \$889,537.58 from HHAP3 brings the total committed soft costs to \$9,234,890.09. Additionally, four case managers funded by Measure Z in the approximate amount of \$640,000 are committed to the project.

<b>Fund</b>	<b>Program</b>	<b>Account</b>	<b>Amount</b>
HOME	HOME Unprogrammed	2520300-453001	\$1,000,000.00
Dev Grants	HHAP 3 Permanent Housing	9344490-440210	\$2,496,927.94
	HHAP 4 Permanent Housing	9347560-440210	\$4,253,072.06
CDBG	CDBG Unprogrammed	2520100-453001	\$1,234,890.09
<b>Subtotal</b>			<b>\$8,984,890.09</b>
Dev Grants	HHAP 3 Permanent Housing	Previously awarded	\$250,000.00
<b>Total soft costs committed</b>			<b>\$9,234,890.09</b>

Upon Council approval and award receipt an increase in revenue and expenditures will be recorded in the award amount (up to \$35,000,000) in the Grants and Restricted Programs Fund, Homekey University Terrace revenue and expenditure accounts to be determined by the Finance Department at a later date.

<b>Fund</b>	<b>Program</b>	<b>Account</b>	<b>Amount</b>
Grants and Restricted Programs	Homekey University Terrace	<b>Revenue</b>	
		TBD	\$35,000,000
		<b>Expenditures</b>	
		TBD	\$35,000,000

Prepared by: Michelle Davis, Housing and Human Services Director  
 Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer  
 Approved by: Mike Futrell, City Manager  
 Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

### **Attachments:**

1. Coordinated Entry System Images
2. Memorandum of Understanding
3. Presentation