



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: MARCH 11, 2025**

**FROM: HOUSING AND HUMAN SERVICES      WARDS: 1 AND 7**

**SUBJECT: PROHOUSING INCENTIVE PILOT PROGRAM LOAN AGREEMENTS BY AND BETWEEN THE CITY OF RIVERSIDE AND MULBERRY GARDENS FAMILY, L.P. IN THE AMOUNT OF \$1,000,000 FOR THE DEVELOPMENT OF 149 AFFORDABLE HOUSING UNITS AND A MANAGER'S UNIT LOCATED AT 2524 MULBERRY STREET IN WARD 1 AND SUNRISE AT BOGART, L.P. IN THE AMOUNT OF \$1,440,000 FOR THE DEVELOPMENT OF 22 AFFORDABLE HOUSING UNITS AND A MANAGER'S UNIT LOCATED AT 11049 BOGART STREET IN WARD 7 AND ADOPT A RESOLUTION AUTHORIZING THE APPLICATION FOR, AND RECEIPT OF \$1,440,000 OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT PROHOUSING INCENTIVE PILOT PROGRAM ROUND 3 FUNDING – SUPPLEMENTAL APPROPRIATION**

## **ISSUES:**

1. Approval of a Prohousing Incentive Pilot Program Loan Agreement with Mulberry Gardens Family, L.P. for \$1,000,000 of Prohousing Incentive Pilot Program funds to be used for the development of 149 affordable housing units and a manager's unit located at 2524 Mulberry Street in Ward 1;
2. Approval of a Prohousing Incentive Pilot Program Loan Agreement with Sunrise at Bogart, L.P. for \$1,440,000 of Prohousing Incentive Pilot Program funds for the development of 22 affordable housing units and a manager's unit located at 11049 Bogart Street in Ward 7; and
3. Adoption of a resolution authorizing the application for, and receipt of \$1,440,000 of California Department of Housing and Community Development's Prohousing Incentive Program Round 3 grant funds to be used for an affordable housing development.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a Prohousing Incentive Pilot Program Loan Agreement with Mulberry Gardens Family, L.P. for \$1,000,000 in Prohousing Incentive Pilot Program funds for the development of 149 affordable housing units and a manager's unit located at 2524 Mulberry Street in Ward 1 and authorize the City Manager, or designee, to execute the Loan Agreement with Mulberry Gardens Family, L.P., including making minor and non-substantive changes;

2. Approve a Prohousing Incentive Pilot Program Loan Agreement with Sunrise at Bogart, L.P. for \$1,440,000 in Prohousing Incentive Pilot Program funds for the development of 22 affordable housing units and a manager's unit located at 11049 Bogart Avenue in Ward 7 and authorize the City Manager, or designee, to execute the Loan Agreement with Sunrise at Bogart L.P, including making minor and non-substantive changes after the Ground Lease has been fully executed between Neighborhood Partnerships Housing Services, Inc. and Sunrise at Bogart, L.P. and recorded against the property located at 11049 Bogart Avenue, Riverside, CA 92505;
3. Adopt the attached resolution authorizing the City Manager, or designee, to submit an application for \$1,440,000 of Prohousing Incentive Program Round 3 grant funds to be used for the development of affordable housing;
4. Authorize the City Manager, or designee, to accept and receive Prohousing Incentive Program Round 3 funds and to execute any documents necessary to secure such award and administer the Prohousing Incentive Program Round 3 grant; and
5. Upon grant award of the Prohousing Incentive Program Round 3, with at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record an increase in revenue and supplemental appropriation in an amount of up to \$1,440,000 in the Grants and Restricted Programs Fund.

### **BACKGROUND:**

Every eight years, the California Department of Housing and Community Development assesses the projected housing needs of the entire state and assigns a minimum number of housing units to be produced over the following eight-year period to the governing bodies of the state's major regions. Those governing bodies are then responsible for assigning the individual communities within their boundaries their share of those units – called the Regional Housing Need Allocation (RHNA). The City of Riverside's Regional Housing Needs Assessment allocation for the period of 2021 -2029 is 18,458 units. Below is the RHNA allocation income category breakdown:

<b>Income Category</b>	<b>RHNA Allocation</b>
Very Low (50% of Area Median Income – “AMI”)	4,861
Low (30% of AMI)	3,064
Moderate (120% of AMI)	3,139
Above Moderate	7,394
<b>Total RHNA</b>	<b>18,458</b>

Providing a full range of housing choices is one of the most fundamental elements needed in creating vibrant and livable communities. Unfortunately, the dream of homeownership and the ability to obtain affordable housing is out of economic reach for many households.

California's fiscal year 2019-2020 budget established the Prohousing Designation Program (PDP) as part of a spectrum of support, incentives, and accountability measures to help meet California's housing goals. The City of Riverside has demonstrated that its housing related policies, programs,

and activities exceed minimum State requirements and was granted a Prohousing designation under PDP in 2023.

On March 7, 2023, City Council approved a resolution to apply for and receipt \$2,500,000 in Prohousing Incentive Pilot Program (PIP) grant funds to support the development costs for the following projects.

PROJECT	DEVELOPER	NO. UNITS
Mulberry Gardens (State surplus land) – 2524 Mulberry Street	Mulberry Gardens Family, L.P.	149 affordable housing units and one manager's unit
Sunrise at Bogart – 11049 Bogart Street	Sunrise at Bogart, L.P.	22 affordable housing units and one manager's unit

City Council also authorized the City Manager, or his designee, to accept and receive such funds and to execute any documents necessary to secure such award and approved an increase in revenue and supplemental appropriation of up to \$2,500,000 upon the award of grant funds.

The City was awarded \$2,440,000 in PIP grant funds and subsequently entered into a Standard Agreement with the State of California Department of Housing and Community Development (HCD) on October 20, 2023, for the use of the PIP grant funds.

On August 15, 2024, HCD released a Notice of Funding Availability for Round 3 Prohousing Incentive Program funds. The City of Riverside as a designated Prohousing City is entitled to apply for up to \$1,440,000 of PIP Round 3 funds.

## **DISCUSSION:**

To issue the PIP funds to the Mulberry Gardens and Sunrise at Bogart affordable housing projects, staff is requesting City Council to approve the attached PIP Loan Agreements with Mulberry Gardens Family, L.P. and Sunrise at Bogart, L.P.

Below is an overview of each affordable housing project that City Council approved to receive PIP funding.

### **Mulberry Gardens - \$1,000,000 PIP Loan**



On January 15, 2019, the State of California passed Executive Order N-06-10 to use the State's inventory of excess real property to meet the need for affordable housing. After a thorough review, the State identified 75 sites that could be developed with affordable housing, which included the CalFire site located at 2508, 2520 and 2580 Mulberry Street.

On June 15, 2020, the State of California Department of General Services (DGS) released a Request for Qualifications for the development of affordable housing on the CalFire site. In May 2021, DGS released a Request for Proposals for the development of the CalFire Site, that would require the selected responder to enter a long-term 99-year lease. DGS reviewed two proposals and selected Eden Housing Corporation (Eden), a California nonprofit corporation, whose proposal included the Mulberry Garden Apartments, a 209-unit family and senior affordable housing to be located at 2520 Mulberry Street (Project). The proposed project will consist of 150 affordable family housing units and 59 affordable senior housing units.

In March 2022, the City's Housing Authority received an over-the-counter funding proposal from Eden totaling \$4,154,171.70 for the Project, which would be developed in two phases. The first phase of the Project includes the development of 59 affordable senior housing units with a funding request of \$3,000,000 from the City's HOME Investment Partnerships – American Rescue Plan (HOME-ARP) and \$1,154,171 from the HOME Program funds for the development of 150 affordable family housing units.

On May 5, 2022, the State of California released the Excess Sites Local Government Matching Grants (LGMG) Program Notice of Funding Availability (NOFA). LGMG allows projects selected in accordance with Executive Order N-06-19 to apply for funds for activities to enable affordable housing developments on excess state-owned property (Excess Sites). Eden Housing was awarded \$4,362,060 in LGMG funds for the development of two affordable housing projects at Mulberry Garden Apartments, \$3,381,640 for the senior apartments and \$980,420 for the multi-family apartments.

To fill the Mulberry Gardens Family Project's existing funding gap, City Council approved allocating \$1,000,000 of PIP funds to Mulberry Gardens Family, L.P. One hundred and eighteen (118) of the units will be restricted to households earning at or below 50% of Riverside County Area Median Income (AMI) (four-person household's annual income cannot exceed \$51,250) and 31 units will be restricted to households earning at or below 60% of the AMI (four-person household's annual income cannot exceed \$61,500) for a 55-year period.

The total development costs for the Mulberry Gardens Family Project is \$91,731,002. Staff is requesting City Council to approve the PIP Loan Agreement (Attachment 1) between the City of Riverside and Mulberry Gardens Family, L.P.

### **Sunrise at Bogart - \$1,440,000 PIP Loan**



On March 14, 2019, the City of Riverside Housing Authority received an over-the-counter application from Neighborhood Partnership Housing Services, Inc. (NPHS) to build 15 tiny cottages plus a small office building on Housing Authority property located at 11049 Bogart Avenue in the La Sierra Neighborhood; a community that would provide housing for chronically homeless individuals coupled with case management. Upon consultation with the Planning Division, the proposed community was expanded to 23 units (22 affordable and one unrestricted managers unit). The affordable housing units will be made affordable to households earning at or below 30% of Riverside County Median Income for a 55-year period (\$21,550 annual income for a one person household).

To fill the Sunrise at Bogart existing funding gap, City Council approved allocating \$1,440,000 of PIP funds to Sunrise at Bogart, L.P. The total development costs for the Sunrise at Bogart project is \$20,030,712..

At the time this staff report was submitted, the draft Ground Lease between Neighborhood Partnerships Housing Services, Inc. and Sunrise at Bogart, L.P. for property located at 11049 Bogart Avenue, Riverside, CA 92505 was being finalized. As a result, the PIP Loan Agreement with Sunrise at Bogart, L.P. (Attachment 2) will be executed by the City Manager, or designee, after the Ground Lease has been fully executed and recorded against the property.

### **PIP Round 3 Funding**

On November 26, 2024, Retirement Housing Foundation submitted an over-the-counter funding application for a 65-unit affordable housing senior project located at 1970 Patterson Road in Ward 1 (Patterson Court Project). City staff is recommending applying for \$1,440,000 in Prohousing Incentive Program Round 3 funding for the Patterson Court Project.

HCD will require affordability covenants to be recorded in first position against the properties developed with PIP funds to restrict the use, operation, occupancy, and affordability of these properties. The PIP assisted units will be restricted for 55 years to very low income (at or below 50% of area median income) households.

To apply, the City is required to submit an application along with a resolution (Attachment 3) authorizing submittal of the PIP Round 3 application to HCD for \$1,440,000 for the development of affordable housing. PIP Round 3 awards will be announced in April 2025.

### **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).**

1. **Community Trust** – Riverside is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. Activities and actions by the City serve the public interest, benefit the City's diverse populations, and result in greater public good.

2. **Equity** – The Prohousing Incentive Pilot Program will provide critical funding to develop affordable housing 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** – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.
4. **Innovation** – Riverside is inventive and timely in meeting the community's changing needs and prepares for the future through collaborative partnerships and adaptive processes.
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 this action is \$3,880,000. The PIP Round 1 funding of \$2,440,000 is available in the Prohousing Incentive Program Account No. 9348100-440210.

Upon City Council approval and award of the PIP Round 3 grant, an increase in revenue will be recorded in the Grants and Restricted Programs Fund, PIP Round 3 Account No. 9353200-334100 and expenditures in Account No. 9353200-440210 appropriated in the amount of \$1,440,000, or in the amount of the award.

Prepared by:	Agripina Neubauer, Housing Project Manager
Approved 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:	Jack Liu, Interim City Attorney

### **Attachments:**

1. Resolution - Prohousing Incentive Pilot Program Round 3 Application
2. Mulberry Gardens Family, L.P. PIP Loan Agreement
3. Sunrise at Bogart, L.P. PIP Loan Agreement