



a budget gap. On November 15, 2022, the City Council approved a First Amendment to the HOME Investment Partnerships (HOME) Loan Agreement to increase the loan amount by \$156,062 resulting in a total loan amount of \$510,788 to complete the development of the two affordable rental housing units.

### **DISCUSSION:**

At the time the additional funds were requested, staff calculated the Maximum Per-Unit HOME Subsidy Limits based on the current year's limits. Maximum Per-Unit HOME Subsidy Limits are the total amount of HOME funds a jurisdiction is allowed to invest on a per-unit / per bedroom size basis. Staff determined that the HOME 2022 limits allowed for up to \$510,788 in HOME funding, thus allowing approval of the additional funding of \$156,062.

However, following close-out of the project in the U.S. Department of Housing and Urban Development's (HUD) Integrated Disbursement and Information System (IDIS), HUD notified the City that the amount of HOME funds expended on the project exceeded the HOME 2018 maximum per-unit subsidy limits by \$40,541, which were the limits applied at the time the original HOME funds were committed to the project and that should remain applicable even through future amendments and budget increases. Staff challenged HUD's interpretation of the HOME Maximum Per-Units Subsidy Limits regulation as the language does not state what HOME Subsidy Limit shall be used when staff is underwriting a project and when additional HOME funds are provided, and the project must go through the underwriting process again. The City's HUD local representative submitted the City's challenge to HUD Headquarters and their decision was not overturned. As a result, the City must repay the \$40,541 to the City's local HOME trust fund account where it will be used by the City for eligible HOME activities such as the development of affordable housing and/or the acquisition and/or rehabilitation of housing to create affordable housing opportunities.

Staff is recommending using \$40,541 from the Housing Authority's Fund to cover the HOME repayment that will be used by the City to fund another HOME eligible activity. Staff is also updating the City's HOME policies and procedures to reflect that the Maximum Per-Unit HOME Subsidy Limit that must be used in the underwriting process is the year that the project is set up in IDIS.

### **STRATEGIC PLAN ALIGNMENT:**

The project contributes to **Strategic Priority 2 - Community Well Being and Goal**, specifically Goal 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.

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

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** – Pursuant to the Housing Community Act of 1974, the US Department of HUD provides critical priority for the funding to ensure all eligible persons receive equitable

access to service and are served 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. There is no fiscal impact to the City General Fund associated with this item. This item allows the City to utilize HOME funds toward the development of low-income housing to create economic stability for low-income City residents.
4. **Innovation** – This item will allow the City to capitalize on new and changing funding sources in partnership with federal and state programs to meet ongoing and changing needs of low-income members of the community.
5. **Sustainability & Resiliency** – This item promotes sustainable communities and economic developments and projects to encourage community engagement and resiliency.

**FISCAL IMPACT:**

The total fiscal impact of the action is \$40,541. Upon Council approval, an interfund transfer and supplemental appropriation will be recorded from the Housing Authority Fund available fund balance to the Home Investment Partnership Program Fund as outlined in the table below. Sufficient funds are available in the Housing Authority Fund to cover the supplemental appropriation and interfund transfer.

Fund	Program	Account	Amount
<i>Interfund Transfer</i>			
Housing Authority	Transfer Out	0000280-990221	\$40,541
<i>Revenue</i>			
HOME Investment Partnership Program	Transfer In/Fund Balance	0000221-985101	\$40,541
	<i>Expenditures</i>		
	Unprogrammed Funds	2520300-453001	\$40,541

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