



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: APRIL 23, 2024

FROM: HOUSING AND HUMAN SERVICES WARDS: 1 AND 6

SUBJECT: ADOPT A NEW RESOLUTION AUTHORIZING THE SUBMISSION OF A JOINT APPLICATION BETWEEN THE CITY OF RIVERSIDE AND WALDEN FAMILY SERVICES TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR \$5,250,000 OF HOMEKEY PROGRAM ROUND 3 FUNDS FOR THE ACQUISITION AND REHABILITATION OF SCATTERED SITES FOR TRANSITIONAL HOUSING SERVICES FOSTER YOUTH – SUPPLEMENTAL APPROPRIATION AND REPEAL RESOLUTION NO. 24011

ISSUE:

Adopt a new Resolution authorizing the submission of a joint application between the City of Riverside and Walden Family Services to the State of California Department of Housing and Community Development for \$5,250,000 of Homekey Program Round 3 funds for the acquisition and rehabilitation of scattered sites for transitional housing serving foster youth and repeal Resolution No. 24011.

RECOMMENDATIONS:

1. Repeal Resolution No. 24011, the previous resolution to authorizing the submission of the joint application with Walden Family Services for Homekey Round 3 funds due to an increased grant funding allocation.
2. Adopt a new Resolution authorizing the submission of a joint application between the City of Riverside and Walden Family Services to the State of California Department of Housing and Community Development for the Homekey Program Round 3 grant for the acquisition and rehabilitation of scattered sites for transitional housing serving foster youth;
3. Authorize the City Manager, or designee, to sign any documents that may be required to apply for and receive Homekey Program Round 3 funds, including making minor and non-substantive changes;
4. Authorize the City Manager, or designee, to execute a Homekey Program Round 3 Subrecipient Agreement with Walden Family Services, including making minor and non-substantive changes; and

5. With at least five affirmative votes, upon grant award, authorize the Chief Financial Officer, or designee, to record an increase in revenue in the amount of \$5,250,000, or in the amount of the grant award, and appropriate expenditures in the same amount in the Grants and Restricted Programs, Homekey Round 3 Project accounts;

BACKGROUND:

Walden Family Services (Walden) has provided direct services to foster youth throughout Southern California since 1976. Walden provides housing for transitional age youth 18-21 years old, including pregnant and parenting youth, and foster and former foster youth. Youth in Walden's housing program receive supportive case management services to assist them in achieving self-sufficiency.

Currently Walden leases multiple apartments throughout the City of Riverside as the City provides easy access to schools, employment opportunities, and public transport where program participants can thrive.

On March 23, 2023, the State of California Department of Housing and Community Development (HCD) released a NOFA for the Homekey Program Round 3 (Homekey 3) to provide funding to sustain and rapidly expand housing for persons experiencing homelessness or at-risk of homelessness. The Homekey Program Round 3 has set aside \$75,759,808, approximately 10% of its total funding allocation, to fund projects benefitting homeless youth.

The program's maximum allocation for assisted units reserved for homeless youth or youth at-risk of homelessness is \$175,000 per door for units. Additionally, Homekey 3 will only fund a maximum of four single-family home scattered site projects.

In May 2023, the City's Housing Authority received an over-the-counter funding proposal from Walden for a scattered site transitional aged youth (TAY) housing project for youth at-risk of homelessness and aged-out foster youth to be funded with Homekey 3. Walden originally proposed to purchase up to five single-family homes throughout the City of Riverside and place one TAY in each room where multiple transitional aged clients (18-21 years old) can be housed together while receiving supportive services (Project). Each bedroom will have their own locks for privacy, and bathrooms, kitchens, laundry, and common areas of the house will be shared. Each youth will have their own bedroom except for the parenting youth, who will have the infant child share their bedroom.

On June 27, 2023, the City Council adopted Resolution No. 24011 authorizing the submission of a joint application with Walden for \$4,375,000 of Homekey 3 funds for the acquisition and rehabilitation of scattered sites that combined have a total of 25 bedrooms for transitional housing serving foster youth. The application was submitted to HCD on June 29, 2023. and the City and Walden received a conditional award of \$4,375,000 on November 1, 2023.

The State requires that applications must be submitted by qualifying cities, counties, or other public government or planning organizations. The City is acting as a joint applicant with Walden for the Homekey 3 funds. The Homekey Program guidelines state that a joint applicant will be "jointly and severally liable" for the completion of the project. However, the program guidelines allow the joint applicants to execute indemnification agreements to apportion and minimize the risk to the public agency. These terms will be included in the subrecipient agreement by and between the City and Walden, which will allow the City to act as the pass-through entity for the Homekey 3 funds.

DISCUSSION:

At the time of the Homekey 3 application and conditional award, the locations of the scattered site homes had not yet been identified due to the nature of the residential housing market but expected to have a cumulative 25 bedrooms.

Walden used the conditional award received on November 1, 2023 to leverage agency and loan funds to purchase four (4) single family homes, three of which had Accessory Dwelling Units (ADU) on site with a combined total of 30 bedrooms.

Walden Family Services Homekey TAY Housing	No. of Bedrooms
2338 12th Street (Ward 1)	7
11262 Arizona Avenue (Ward 6)	7
2932 Pleasant Street (Ward 1)	6
11107 Violet Ct (Ward 6)	10
Total No. of Bedrooms	30

The property acquisition documents were submitted to HCD, and on April 9, 2024, HCD revised the City and Walden's award recommendation to \$5,250,000.

Below is a breakdown of the Project cost based on the new award recommendation.

Activity	Cost
Acquisition	\$ 4,172,888
Interest on Hard money Loans	\$ 398,713
Taxes	\$ 52,161
Insurance	\$ 7,039
Operating Reserves	\$ 365,005
Soft Contingency	\$ 78,294
Furnishings	\$ 79,300
Appraisal	\$ 1,600
Consultant	\$ 35,000
Developer Overhead	\$ 60,000
Total Project Cost	\$ 5,250,000

HCD will require a 30-year affordability covenant to be recorded in first position against the properties acquired with Homekey 3 to restrict the use, operation, occupancy, and affordability of these properties.

The State is requiring that the authorizing resolution for the application and acceptance of the Homekey Round 3 funds reflect the final project scope and award amount. This will require the City Council to repeal the previous authorizing Resolution No. 24011 and adopt a new resolution that includes the new award recommendation of \$5,250,000 and updated project scope of acquiring and rehabilitating four single family homes that have a combined total of 30 bedrooms.

STRATEGIC PLAN ALIGNMENT:

The Project supports Strategic Priority 2 – Community Well-Being and 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.

This item 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. 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** – The Project ensures that all eligible persons receive equitable access to housing and are served 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 project. This project allows the City to utilize a state budget appropriation to build low- income housing to create economic stability for extremely low-income City residents.
4. **Innovation** – The Project will allow the City to capitalize on new and changing funding sources in partnership with state programs to meet ongoing and changing needs of low-income members of the community.
5. **Sustainability & Resiliency** – The Project’s case managers will work closely with clients to achieve housing stability and self-sufficiency.

This item also contributes to the Homelessness Action Plan, Goal No. 3 to prevent homelessness.

FISCAL IMPACT:

The total fiscal impact of the action is \$5,250,000 in FY 2023/24. Upon City Council approval, an increase in revenue in the amount of \$5,250,000, or in the amount of the grant award, and an equal amount appropriated in the Grants and Restricted Programs Fund, Homekey Round 3 Project revenue account 9410400-334100 and expenditure account 9410400-440210.

Prepared by: Agripina Naubauer, 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: Phaedra Norton, City Attorney

Attachment: Resolution