



Staff Report

File #: 24-0634

**REQUEST FOR CITY COUNCIL AND
CORONA HOUSING AUTHORITY ACTION**

DATE: 08/21/2024

TO: Honorable Chair and Authority Board
Honorable Mayor and City Council Members

FROM: Community Services Department

SUBJECT:

PUBLIC HEARING FOR THE AUTHORITY BOARD AND CITY COUNCIL CONSIDERATION OF THE AFFORDABLE HOUSING DISPOSITION AND DEVELOPMENT AGREEMENT (CORONA 2ND STREET FAMILY APARTMENTS) WITH SECOND STREET FAMILY, LP

EXECUTIVE SUMMARY:

This staff report asks the Authority Board and Council Members to approve the Affordable Housing Disposition and Development Agreement with Second Street Family, LP. Per the terms and obligations contained in the housing agreement, in exchange for the sale of land and financial contributions, the Developer will develop a nearly 4-acre lot into an affordable housing development and maintain the 115 newly constructed family units affordable in perpetuity.

RECOMMENDED ACTION:

That the Authority Board:

- a. Adopt Resolution No. 2024-089, declaring that the approximately 5.00 acres of property located at the southwest and southeast corners of Second Street and Buena Vista Avenue is exempt surplus land under the Surplus Land Act.

- b. Adopt Resolution No. 2024-088, making certain findings under Health and Safety Code Section 33433 and approving an Affordable Housing Disposition and Development Agreement with Second Street Family, LP, for the property located at the southwest and southeast corners of Second Street and Buena Vista Avenue.

That the City Council:

- a. Adopt Resolution No. 2024-087, approving an Affordable Housing Disposition and Development Agreement with Second Street Family, LP, for the property located at the southwest and southeast corners of Second Street and Buena Vista Avenue, and approving the deferral of development impact fees.

BACKGROUND & HISTORY:

On April 3, 2019, the City of Corona Housing Authority Board (Authority) authorized the purchase of three parcels abutting the newly expanded 91 FWY, located along Second Street and South Buena Vista Avenue. Riverside County Transportation Commission (RCTC) acquired these properties in furtherance of the 91 FWY Expansion Project and, per the Surplus Land Act, at the culmination of the project before opening the sale of land to the public, RCTC offered the properties to agencies and entities in furtherance of the priority uses under the law. One of the priorities is the development of affordable housing.

The Authority purchased the properties for \$2 million to partner with an affordable housing developer on the future construction and long-term management of affordable housing units. The lots purchased are 4.82 acres comprised of two lots, Assessor Parcels 118-270-055 & -053 (Large Lot), located at the southwest corner of Second/Buena Vista, and a noncontiguous 0.20-acre lot (Small Lot), Assessor Parcel 118-302-030, located at the southeast corner of Second Street and Buena Vista Avenue.

In furtherance of the development, the City Council directed staff to conduct a Request for Qualifications and Proposal for an affordable housing development. Concurrently, the City was also developing its homeless strategies; therefore, staff included preferences in its RFQ/P for homeless and homeless prevention housing to maximize the use of the Large Lot. On October 17, 2020, a 60-day RFQ/P process was opened. Six (6) proposals were received and reviewed by a 5-member panel made up of City staff in the Housing Division, the City's Homeless Coordinator, the Deputy City Attorney, and an independent financial consultant who specializes in affordable housing financing. Two (2) developers were invited to an interview: C&C Development in partnership with Orange Housing & Mercy Housing, and Related California. The panel recommended the proposal by C&C Development in partnership with Orange Housing & Mercy Housing. On June 16, 2021, the Authority directed staff to proceed with their recommendation.

C&C Development in partnership with Orange Housing & Mercy Housing (Developer) proposal contained two developments: permanent supportive housing and multifamily housing. The developments were divided to maximize available financial subsidies and opportunities. As a result, the Developer's projects are being submitted separately.

This staff report focuses on the multifamily housing project.

ANALYSIS:

Per the terms and obligations negotiated under the Affordable Housing Disposition and Development Agreement (Corona 2nd Street Family Apartments), hereinafter referred to as the Family DDA, the Developer will build a 115-unit multifamily housing development. The subject property is

approximately 4.82 acres in size, referred to as the Large Lot, and will be reduced through a lot line adjustment to 3.82 acres for the multifamily project, and the remaining 1-acre will be the development site for the Permanent Supportive Housing (PSH) Project. The multifamily project has an additional noncontiguous 0.20-acre lot referred to as the Small Lot, which will be designed as additional outdoor open space.

Project Description:

The site is well positioned, located at the corner of South Buena Vista and Second Street, within walking distance to a commercial center with a grocery store, public transit, community-serving retail, Corona City Hall, Historic Civic Center, and the Corona-Norco Adult Education Center. The project consists of four 3-story residential buildings, with 6 studios, 18 one-bedrooms, 46 two-bedrooms, and 45 three-bedroom units. Large family units were provided to serve the needs of Corona families, assist in the financing structure, and to achieve the City's goal of serving homeless families. The project includes a 20-unit preference for families that are currently homeless or at risk of homelessness.

The buildings are oriented towards Second Street and Buena Vista Avenue, which provides for consistent massing and street presence across the entire site. Three of the buildings are situated around a central courtyard, which includes open space and a pool. Parking has been placed along the southern boundary of the property, providing a buffer between the residential units and the Corona-Norco School District corporation yard.

In addition to large family-sized units, amenities will include energy-efficient appliances and HVAC systems to decrease residents' utility costs, the use of low VOC (volatile organic compounds) and other sustainable building products to improve residents' indoor environmental air quality, recessed lighting, durable plank vinyl flooring, large windows for natural lighting, and shaded balconies.

Site amenities include an on-site manager with an on-site leasing office, a tot lot, a BBQ pavilion, a pool, drought-tolerant landscaping, and a multi-use community room with a kitchen. The Small Lot will be designed to provide additional open space for multiple outdoor recreational uses with landscape designs that include native vegetation and historical touches through the incorporation of citrus trees.

Social Services & Programs:

Amenities and social services are critical to affordable housing communities. Special attention is focused on these two elements to create the quality-of-life environment needed in denser developments. Social programming provides essential services, support, and access to the broad population that resides in these communities. The amenities and social services have been designed to complement what is currently provided at Citrus Circle, which is also owned by the Developer, to avoid duplicative efforts.

The Developer will provide social services in partnership with the Corona Norco YMCA (YMCA). The YMCA currently provides social services at Citrus Circle that focus on a younger demographic and include after-school programs, weekly karate classes, family fun nights, and English as a Second Language (ESL) courses for adults. To build upon existing programs and expand services to wider

demographics, social services will focus on teens, young adults, middle-aged, and elderly people. Within the community space, the YMCA will create an innovation space where teens and young adults can use technology to learn and play. There will be a dedicated space for the use of technology, including online technology instructional classes, online interactive learning opportunities, and guided eSports learning and competitions to engage and bring teens and young adults together. To engage persons of all ages, the YMCA will provide healthy lifestyle programs such as community group exercise classes (Zumba, yoga, Pilates, karate), adult education classes, Blood Pressure Monitoring Program, and volunteerism programs. Lastly, the YMCA will offer low-impact groups with exercise classes, technology classes, and social hours to engage senior residents. As the community and its needs change, the YMCA will assess and adjust its programs.

Residents of both communities will be able to access the site amenities and social services.

Family DDA:

This subsection highlights some of the agreement's terms and obligations, and regulatory processes. For reference, the entire agreement and supporting documents are provided with this report.

Affordability Term: All units (except one manager unit) will have an affordability term in perpetuity, instead of a 55-year term which is the standard under the law for rental projects and tax credit financing rules.

Affordability Levels: Income eligibility will be at affordability levels of 30% (extremely low), 50% (very low), and 80% (low) of the Median Family Income (MFI), as indicated in the tables below. The rates shown are based on the 2024 Income Limits published by the California Department of Housing and Community Development, Division of Housing Policy Development, on May 9, 2024.

2024 Household income

| Household #: | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-------------------|---------|---------|---------|---------|---------|---------|----------|----------|
| 30% Extremely Low | \$21550 | \$24600 | \$27700 | \$31200 | \$36580 | \$41960 | \$47340 | \$52720 |
| 50% Very Low | \$35900 | \$41000 | \$46100 | \$51250 | \$55350 | \$59450 | \$63550 | \$67650 |
| 80% Low | \$57400 | \$65600 | \$73800 | \$82000 | \$88600 | \$95150 | \$101650 | \$108250 |

The Developer will apply for different tax credits to obtain funding that will allow for lower rent levels at 30%, 50%, and 60%, with caps up to 70%, as indicated below.

2024 Rents

| Unit Type | @30% Rent | @50% Rent | @60% Rent | @70 Rent |
|-----------|-----------|-----------|-----------|----------|
| Studio | \$512 | \$853 | \$1024 | \$1194 |
| 1-bed | \$548 | \$914 | \$1097 | \$1280 |
| 2-bed | \$658 | \$1097 | \$1316 | \$1536 |
| 3-bed | \$761 | \$1268 | \$1521 | \$1775 |

The table below further outlines the disbursement of units by bedroom size in each qualifying

affordability level.

Affordability Spread:

| Unit Type | @30% MFI | @50% MFI | @60% MFI | @70 MFI |
|----------------------|----------|----------|----------|---------|
| Studio (601 sq. ft.) | 1 unit | 1 unit | 3 units | 1 unit |
| 1-bed (764 sq. ft.) | 1 unit | 1 unit | 14 units | 2 units |
| 2-bed (939 sq. ft.) | 5 units | 5 units | 31 units | 5 units |
| 3-bed (1115 sq. ft.) | 5 units | 5 units | 29 units | 5 units |

One 3-bedroom unit will be set aside per regulations to maintain an onsite manager.

Project Financials:

The total project cost is currently estimated at \$62,019,585. To fund this project, the Developer is seeking funding from the following sources: 4% private equity through the California Tax Credit Allocation Committee process, local housing funds, HUD grants from the City’s CDBG and HOME-ARP allocations, and deferment of local City Development Impact Fees.

Based on the estimated construction cost, the all-in per-unit cost is \$539,301. The per-unit cost to the Authority and City based on its contribution (cash, land purchase, and deferred fees) is \$99,731. The local subsidy, if approved, makes up 18.5% of the total. This investment will yield 114 affordable family units in perpetuity. The following is a breakdown of the Authority and City project loans that will be repaid by the Developer within a 55-year amortized period as noted in the loan deed of trust and promissory notes.

1. Authority Loan Amounts:
 - a. Land: TBD based on Appraised Value or \$2,800,000, whichever is higher
 - b. Cash: \$7,535,280

2. City Loan Amounts:
 - a. Land: TBD based on Appraised Value or \$1,200,000, whichever is higher
 - b. Cash: \$529,875 (HOME-ARP)
 - c. DIF: up to \$2,000,000

The total purchase price of the Large and Small Lots was \$2,004,650. The City Council allocated \$600,000 of its Community Development Block Grant (CDBG) towards the purchase price. The remainder of the purchase price, \$1,404,650, was paid from the Housing Fund Balance. The contribution breakdown equals 30% City and 70% Housing Authority. Therefore, when the land loan is paid, at a reappraised amount, 30% of the value will be paid to the City and deposited into the CDBG Fund as program income and reprogrammed for CDBG-eligible activities and 70% will be deposited into the Housing Fund.

Additional Salient Terms and Conditions (due by Developer before the close of escrow):

1. Provide final issuance of all discretionary project approvals, including lot line adjustment.
2. Written confirmation from the California Tax Credit Allocation Committee of the reservation of the Tax Credits for the Project, including among other documents all construction financing documents and institutional lender commitment for a permanent loan.

3. Submit updated and final project budget, source schedule, and performance schedule.
4. Submit the Project Marketing Plan as specified in the HUD Affirmative Fair Housing Marketing Plan Compliance Regulations.

Regulatory processes due before Family DDA approval:

1. Project review by the Planning and Housing Commission
2. General Plan (GP) consistency determination.
3. HCD confirmation and declaration of the property as "exempt surplus property."
4. Health and Safety Code 33433 findings.

Planning and Housing Review & GP Consistency Determination:

Before a housing matter is brought before the Authority for consideration, regulations require the project to be reviewed by the Planning and Housing Commission (Commission). Additionally, because this matter involves the conveyance of property, per California Government Code Section 65402 the 'Planning Agency' of the city in which the property is located must first issue a report addressing whether the activity conforms with the General Plan given the action will entail a disposition of government property.

Staff presented the project to the Commission at its meeting held on June 10, 2024, requesting their support for the development and General Plan consistency determination. The Commission voted in favor of the development and adopted Resolution No. 2637 finding that the sale of the subject property to develop affordable housing is consistent with the City's General Plan Policy: 1) LU-4.1, Accommodate future growth and development per figure LU-1 of the Land Use Plan, 2) LU-3.3, Allows flexibility in the defined land use types, densities, and intensities to account for changes in housing needs and characteristics, and 3) LU-3.3, Allows flexibility in the defined land use types, densities, and intensities to account for changes in housing needs and characteristics.

HCD Surplus Land:

The subject property was purchased from RCTC on November 8, 2019, following the Surplus Land Act (SLA), with housing funds for the development of affordable housing units. Therefore, under the SLA as amended per Government Code Section 54221(f)(1)(F), the property meets the definition of "exempt surplus land." Under the Family DDA, the developer will restrict 100 percent of the units to low-income persons in perpetuity.

Health and Safety Section 33433:

Housing assets financed with tax increment remain under the purview of certain health and safety codes that govern the activities of the redevelopment agency before its dissolution. As such, the development must comply with the process outlined in Health and Safety Code 33433. Accordingly, the Summary Report was prepared and makes the requisite determination and findings associated with the proposed disposition and development: 1) under the Family DDA, the development will provide housing to low-income persons, 2) the Family DDA is consistent with provisions and goals of the Implementation Plan previously adopted by the former redevelopment agency, and 3) payment by Developer to the Authority for the land is not less than the fair market value. The report was made available to the public for two consecutive weeks prior to this meeting and a public hearing notice was published in the Sentinel Weekly News on August 9 and 16, 2024. Lastly, a resolution is included

as part of this action for the Housing Authority's approval at the close of the public hearing.

In conclusion, the project has been negotiated in good faith and has completed all the regulatory prerequisites. Additionally, the Developer has obtained all project entitlements as of August 7, 2024. Therefore, approval of the Affordable Housing Disposition and Development Agreement (Corona 2nd Street Family Apartments) is needed for the Developer to submit a tax credit project application by August 27, 2024. Should the project not receive funding, the Developer shall have the opportunity to resubmit funding applications in all 2025 funding rounds. Once the project is funded, the Developer will finalize construction drawings and commence construction within 6 months with an anticipated completion of 30 months following the commencement of construction.

FINANCIAL IMPACT:

Approval of the recommended actions will result in the Corona Housing Authority and City project fund loans to be repaid by the Developer within a 55-year amortized period, as detailed in the loan deed of trust and promissory notes. The total cash to be loaned to the project is \$8,065,155 and is from the following funding sources: \$7,535,280 from the Housing Fund 291 and \$529,875 from the HOME-ARP Fund 432 (Second Street Affordable Housing Project 77720). As discussed in the Project Financials portion of the report, approval of the recommended actions also results in promissory notes for land and development impact fees (DIF) that will be repaid within the 55-year amortized period.

ENVIRONMENTAL ANALYSIS:

Per Section 15070 of the State Guidelines for Implementing the California Environmental Quality Act (CEQA) and Section 6.02 of the City's Local Guidelines, a Mitigated Negative Declaration was prepared for the project and approved by the City Council on August 7, 2024, pursuant to CEQA. Pursuant to Sections 15162 of the State CEQA Guidelines, no further environmental review is required because: (i) approval of this Agreement will not result in new, increased or substantially different significant environmental impacts than those previously considered and addressed in the MND for the Project; (ii) no changes or additions to the MND analyses are necessary; (iii) additional mitigation measures are not needed; and (iv) none of the conditions described in State CEQA Guidelines Section 15162 that would require subsequent or supplemental CEQA review for the recommended action otherwise exist.

PREPARED BY: CYNTHIA LARA, COMMUNITY ASSISTANCE MANAGER

REVIEWED BY: DONNA FINCH, COMMUNITY SERVICES DIRECTOR

Attachments:

1. Exhibit 1 - Resolution Nos. 2024-087, 2024-088, 2024-089
2. Exhibit 2 - Summary Report (H&S Code 33433)
3. Exhibit 3 - Affordable Housing Disposition and Development Agreement