



Staff Report

File #: 24-0636

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

DATE: 08/21/2024

TO: 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 PERMANENT SUPPORTIVE HOUSING) WITH SECOND STREET HOUSING, 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 Housing, 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 1-acre lot into a permanent supportive affordable housing development and maintain the 25-family units constructed at extremely low-income levels in perpetuity.

RECOMMENDED ACTION:

That the Authority Board:

- a. Adopt Resolution No. 2024-091, making certain findings under Health and Safety Code Section 33433 and approving an Affordable Housing Disposition and Development Agreement with Second Street Housing, 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. 2024-090, approving an Affordable Housing Disposition and Development Agreement with Second Street Housing, 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 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 approximately 4.82 acres comprised of two lots, Assessor Parcels 118-270-055 & -053 (Large Lot), located at the southwest corner of Second Street and Buena Vista Avenue, 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 with this effort, the City was 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 permanent supportive housing project.

ANALYSIS:

Per the terms and obligations negotiated under the Affordable Housing Disposition and Development Agreement (Corona 2nd Street Permanent Supportive Housing), hereinafter referred to as the PSH DDA, the Developer will build a 25-unit permanent supportive housing development on approximately one (1) acre of land. This acre of land will be created through a lot line adjustment which will split the Large Lot reducing its size from 4.82 to 3.82 acres.

Permanent Supportive Housing (PSH) developments are specialized housing for chronically homeless persons due to a diagnosed illness. Eligibility for this housing type is regulated and organized at the

County level through the Riverside Continuum of Care's Coordinated Entry System. Given this population's propensity for homelessness, these housing projects are highly subsidized to cover the cost of building and maintenance and to ensure the needed support and social services are provided to help achieve housing stability.

Project Description:

The development is designed as a two-story building with 25 apartment units, 17 parking spaces, a courtyard with BBQ pavilion, lawn game area, drought-tolerant landscaping, a great room and multiple community rooms, offices, laundry facilities, and access to the adjacent development pool facility, common area facilities, and outdoor recreation lot at the Small Lot. This property is conveniently located within walking distance of commercial centers with grocery stores, public transportation, public parks and open spaces, and civic services. Each of the 24 one-bedroom apartments is 528-square-foot sized for individuals and couples, and one three-bedroom unit is set aside for an on-site manager.

Unit 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 resident indoor environmental air quality, recessed lighting, durable plank vinyl flooring, large windows for natural lighting, shaded balconies, kitchens, living rooms, and end-suite bathrooms.

Supportive and Social Services:

Supportive and Social Services are a paramount component of PSH projects. Mercy House, the City's current wraparound homeless service provider, will provide these services in partnership with the Developer. Mercy House designs its PSH services based on Housing First principles and ongoing education and supportive services focusing on chronically homeless individuals. Their supportive services are designed to focus on intensive case management, emphasizing behavioral health and primary health issues, independent living skills, and employment/educational goals.

Intensive case management includes individualized service planning and goal setting, coordination of services, counseling and support, crisis intervention, and intensive assistance accessing mainstream services and other community-based resources. Mercy House will continue its partnership with the Centro Medico Community Clinic (CMCC) to provide behavioral health, medical, and oral services to residents as well as supportive services. CMCC, with support from the City, operates a Federally Qualified Health Center (FQHC) that provides medical, behavioral health, oral care, and post-hospital recuperative care services to at-risk and homeless residents of the City.

PSH DDA:

This subsection highlights some of the agreement 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).

The table below provides 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
30% Extremely Low	\$21550	\$24600

2024 Rents

30%	
1-Bedroom (528 sq. ft.)	\$548

One 3-bedroom unit (1,000 sq. ft.) will be set aside per regulations to maintain an onsite manager.

Project Financials:

The total project cost is currently estimated at \$18,096,947. To fund this project, the Developer is seeking funding from the following sources: 9% and/or 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 \$723,879. The per-unit cost to the Authority and City based on its contribution (cash, land purchase, and deferred fees) is \$119,260. The local subsidy, if approved, makes up 16.5% of the total. This investment will yield 24 permanent supportive housing 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 \$1,000,000, whichever is higher
 - b. Cash: \$681,508

2. City Loan Amounts:
 - a. Land: TBD based on Appraised Value or \$300,000, whichever is higher
 - b. Cash: \$1,000,000 (HOME-ARP)
 - c. Cash: \$200,000 (HOME)
 - d. DIF: up to \$500,000

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. 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. 2636 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.

Health and Safety Section 33433:

Housing assets financed with tax increment remain under the purview of certain health and safety codes that governed 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 PSH DDA it will provide housing to extremely low-income persons, 2) the PSH DDA is consistent with provisions and goals of the Implementation Plan previously adopted by the form 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 Permanent Supportive Housing) 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 \$1,881,508 and is from the following funding sources: \$681,508 from the Housing Fund 291, \$1,000,000 from the HOME-ARP Fund 432 (Second Street Affordable Housing Project 77720), and \$200,000 from the HOME Fund 432 (Permanent Supportive Housing Project 75040). 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. 2024-090 and 2024-091
2. Exhibit 2 - Summary Report (H&S Code 33433)
3. Exhibit 3 - Affordable Housing Disposition and Development Agreement