



Agenda Report

File #: 20-0257

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

DATE: 04/01/2020

TO: Honorable Mayor and City Council Members
Honorable Chairman and Board of Commissioners

FROM: Community Development Department

SUBJECT:

City Council and Housing Authority Board consideration of possible emergency rent or loan relief measures for tenants of City owned facilities and recipients of Housing Authority Loan Programs impacted by Covid-19.

RECOMMENDED ACTION:

That the:

- a. City Council authorize the City Manager to defer or reduce rent payments for tenants of city owned facilities during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter, and take necessary action to collect payments.
- b. City Council suspend the monthly payment stipulated in the License Agreement with Amor Outreach Church for the use of parking spaces in Corona Mall North during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
- c. Housing Authority Board authorize the Executive Director to defer or reduce loan payments for loans financed under the former Redevelopment Agency's First Time Homebuyer Program during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter, and take necessary actions to collect payments.

ANALYSIS:

Governor Newsom issued a State of Emergency on March 4, 2020 due to the threat of COVID-19 and

on March 20, 2020 signed Executive Order N-33-20 ordering all individuals living in the State of California to stay home due to the severity in public health from COVID-19. The Executive Order has no time limit and will remain in place until lifted by the Governor. Because certain sectors of the population are not allowed to work, and the Executive Order has prohibited people from participating in social gatherings and being in places where there are large assemblages of people, employers and non-profit organizations are experiencing financial hardship. It is uncertain if the immediate financial hardship will be short-term or long-term. In the short amount of time since the Executive Order was issued, City staff has already received requests to reduce or defer rent payments from tenants in City owned facilities and loan payments from homeowners that were financed by the former Redevelopment Agency's first time homebuyer program. City staff is therefore proposing the following payment plans during this State of Emergency.

CITY OWNED FACILITIES WITH LEASE AGREEMENTS

The Historic Civic Center (HCC) located at 815 W. Sixth Street is occupied by tenants that have long term lease agreements with the city. A total of nine tenants occupy the building and pay monthly rental and common area maintenance fees. The tenants at HCC are all non-profit organizations with some tenants specializing in theater, music and art. These tenants rely on classes and theatrical performances as a means of income to pay their rent. Because social gatherings and performances that would attract a large assemblage of people are prohibited under the Governor's Executive Order, these tenants are not able to achieve a source of income. Additionally, some of the tenants at HCC do not fall within the critical essential services issued by the Governor on March 19, 2020. Therefore, some of these tenants have been forced to close their operation for the time being. The HCC tenants have leases with terms ranging from one year to five years.

Staff is proposing that the City Manager be authorized to evaluate and approve a payment plan for rents collected at City owned facilities using the following guidelines.

1. Proof of Hardship. A tenant must provide proof of financial hardship that their operation and income is impacted by COVID-19 and the Executive Order issued by the Governor. For example, a formal letter explaining how their service is not an essential critical service, and how long their operation will be closed.
2. Deferral of Rent. Allowed during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
3. Rent Reduction (if requested). Collect a reduced rent during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
4. Payment Options:
 - a. Adjust the amount of the base rent for the remaining term of the lease. The total amount of rent to be deferred or reduced would be spread out and added to the monthly rate for the months remaining on the lease. This option may be viable for tenants with a long-term lease.
 - Under this option a lease amendment would be required to adjust the monthly base rent.
 - b. Adjust base rent and extend the term of the lease. Extend the term of the lease equal to the amount to be deferred or reduced and spread out the amount owed and add to the monthly rent. This option may be needed for tenants that currently have a shorter term on

their lease.

- Under this option a lease amendment would be required to extend the term of the lease and adjust the monthly base rent.
- c. Payment Plan. At the request of the tenant, create a payment plan that would allow the rent to be deferred or reduced to be paid back in installments according to their individual financial need. However, the amount of rent deferred or reduced must be paid in full on or before the date of their last rent payment under their lease.
 - Under this option a lease amendment would be required to add a payment plan.

For a complete list of Essential Critical Infrastructure Workers visit, <https://codiv19.ca.gov/>.

CITY LICENSE AGREEMENT

Covenant Life Christian Fellowship, formerly Amor Outreach Church, has a month-to-month license agreement to utilize the Corona Mall North parking lot located at the northwest corner of E. Sixth Street and Ramona Avenue. The congregation uses the parking lot to capture overflow parking on Thursday evenings and Sundays during their service hours. Under the Governor's Executive Order, religious congregations are prohibited from having service because it would result in a large assemblage of people. Therefore, the congregation has suspended religious services until further notice. Since the congregation operates under a month-to-month agreement (not a lease agreement) and does not need to use the parking spaces at the Corona Mall for the time being they are requesting that the monthly payment be suspended until the Executive Order is lifted.

Staff is recommending the monthly fee be suspended during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.

CITY RESIDENTIAL TENANTS

Recently on March 1, 2020, the City took possession of the Mission Apartments located at 926 and 932 W. Fifth Street. The 12 apartments are set aside as low-income units for households that are 50% of the area median income, or less. The tenants who are currently housed and income qualified for these units may become financially impacted during this time depending on their occupation. Therefore, in anticipation of potential request from these tenants, staff is requesting to have a rent relief process in place for the Mission Apartment tenants.

The tenants are on a month-to-month lease. If requested, staff recommends having the following process in place that would authorize the City Manager, and his designee, to do the following:

1. Proof of Hardship. A tenant must provide proof that their income has been impacted by COVID-19. For example, an official letter from their employer stating the status of their employment (furloughed, temporarily laid-off, or terminated, and details related thereto).
2. Deferral of Rent. Allowed during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
3. Rent Reduction (if requested). Collect a reduced rent during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
4. Payment Options:
 - a. Extend the term of the lease to secure repayment. Per regulatory rent restrictions, the city can only charge 30% of the household's gross annual income for rent, but in no case

shall the rent exceed HUDs 50% rent limit based on household size. For example, if a tenant pays \$250 a month for rent (based on the 30% cap of their gross annual income) and HUD's limit is \$500 per month, the most we could charge to recapture deferred rent is \$500 per month.

- Under this option an amendment to the lease is required to establish a new term and base rent.
- b. Payment Plan. At the request of the tenant, establish a payment plan with installments according to their individual financial need, as long as it conforms to HUD regulations. Additionally, a payment plan shall be secured by a lease, or similar agreement.
 - Under this option a lease or other form of contract between the city and tenant is required.

HOUSING PROGRAM LOANS

The Corona Housing Authority, as a successor agency to the former Redevelopment Agency, currently receives a dozen monthly payments from a First Time Homebuyer Program that was offered in the 1990s. The Housing Authority is also the custodian of a myriad of other housing loans and obligations that may be affected during the COVID-19 crisis. It is also worth noting that all Housing Authority housing programs have an income eligibility requirement and depending on the program the recipients of housing funds are considered low income, ranging from median, low, to very low-income.

In anticipation of a potential request from these recipients, staff recommends having the following process in place that would authorize the Executive Director, and his designee, to provide relief measures for the loan payments.

1. Proof of Hardship. The loan recipient shall provide proof that their income is impacted from COVID-19. For example, an official letter from their employer stating the status of their employment (furloughed, temporarily laid-off, terminated, reduction in benefits, and details related thereto).
2. Deferral of Loan Payment. Allowed during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
3. Loan Payment Reduction (if requested): Collect a reduced payment during the State of Emergency issued by Executive Order N-33-20, or for a period of three (3) months, whichever is shorter.
4. Adjust the monthly payment amount for the remaining term of the loan. The total amount of payment to be deferred or reduced would be spread out and added to the monthly loan amount for the remaining term on the loan. This option may be viable for homeowners with a long-term loan.
 - Under this option the loan document(s) would need to be amended to adjust the monthly payment.
5. Adjust loan amount and extend the term of the loan. Extend the term of the loan equal to the amount to be deferred or reduced and spread out the amount owed. This option may be needed for homeowners that currently have a shorter term on their loan.
 - Under this option the loan document(s) would need to be amended to extend the term and adjust the monthly payment.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

Not applicable.

FISCAL IMPACT:

The financial impact that the above relief measures would have on the General Fund and Housing Successor Fund is unknown because the number of actual requests that may be received are unknown at this time. However, the impact would be short term and eventually paid back over time depending on the payment plan chosen by tenant.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action would simply authorize modifications to the terms of payment for certain leases affecting City-owned property and Housing Authority loan programs, and there is no possibility that taking this action will have a significant effect on the environment. Therefore, no environmental analysis is required.

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SUBMITTED BY: JACOB ELLIS, CITY MANAGER & EXECUTIVE DIRECTOR