



CITRUS GROVE OF RIALTO

Request for Support

January 15, 2025



Dear Mayor Baca,

I hope this letter finds you well. I am writing to seek the City of Rialto's support in restructuring the existing Rialto Housing Authority loan on the Citrus Grove of Rialto Apartments. National CORE revitalized Citrus Grove back in 2007, transforming it from a crime-ridden condominium complex overrun by local gangs into a safe, renovated affordable housing community. However, as is common with aging properties, Citrus Grove now requires extensive renovations due to deteriorating infrastructure.

In 2023, National CORE applied to the California Tax Credit Allocation Committee (CTCAC) for 4% tax credits to fund the property's rehabilitation. However, we have been unable to access the awarded tax credit funding because the existing debt exceeds the appraised value. Given these circumstances, we are seeking the City of Rialto's support in restructuring the portion of the Rialto Housing Authority loan that exceeds the appraised value, currently estimated at \$14,405,200. This loan, originally funded by the Redevelopment Agency rather than city taxpayer funds, should now be restructured following the dissolution of the Redevelopment Agency. The amount could be recouped later through accrued interest, ensuring the continued viability of the project.

To demonstrate our commitment to this effort, we are pleased to offer the City of Rialto an upfront cash contribution of \$250,000 toward the loan restructuring, which we believe will strengthen the financial stability of this initiative. Additionally, we propose increasing the interest rate to 4.53% and extending the affordability period to 55 years. These measures will ensure the continued availability of affordable housing in the City of Rialto for generations to come. We sincerely hope the City of Rialto will consider this request and lend its support to the ongoing revitalization of Citrus Grove. Aging affordable housing properties have become a major concern in California, and this approach offers the best solution for Citrus Grove, the Rialto community, and, most importantly, the residents it serves.

A handwritten signature in black ink, appearing to read "Jason Neal", is positioned above the typed name.

Jason Neal
Transactional Asset Manager
National CORE
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Background

The Willow-Winchester condominiums (now Citrus Grove) were originally built during the late 1960s for first-time homebuyers. By the early 1990s, however, most of the 160 units had become rentals with absentee owners. Crime and drugs grew to be major problems, and the condo complex saw multiple homicides every year. By 2004, the City Council had had enough and directed staff members to do whatever was necessary to solve the problem. The city's Housing Authority signed an agreement National CORE to revitalize Willow-Winchester, which would soon become Citrus Grove (Inland Valley Housing Partners, LP). Citrus Grove now provides 150 units of affordable housing to the Rialto community.



Prior to rehabilitation



After rehabilitation

The project was financed with tax-exempt bonds, 4% low-income housing tax credits and additional funding from the California Housing and Community Development (MHP Program), San Bernardino County HOME, Rialto Housing Authority (from RDA funds) and the Federal HOME Loan Bank. Construction started in the summer of 2006 and units were rehabilitated down to the studs. The city also demolished eight units to make space for a community learning center, which now houses a Head Start program, after school tutoring, day care, adult education and other services.

Citrus Grove of Rialto has transformed a blighted eyesore into a healthy, thriving community with greater opportunities for the education and wellbeing of its residents. Located directly adjacent to Eisenhower High School, Citrus Grove offers a highly specialized afterschool program for teens in grades 9-12 that includes tutoring, computer lab access, mentoring and leadership building activities.

The property received impressive national awards this year including the National Association of Housing and Redevelopment Officials (NAHRO) Award of Excellence for Program Innovation and the National Association of Home Builders (NAHB) Pillar of the Industry Award for Best Repositioning of a Multifamily Asset.



Development Challenges

Fast forward to 2025, it has been over 15 years since Citrus Grove's last renovations and the project requires repairs due to aging infrastructure and deferred maintenance that property cannot afford through operational cash flow. Additionally, a critical structural safety concern was observed on the balconies during a pre-construction walk. This issue went unnoticed, behind the stucco, for many years and is an immediate building health and safety issue with an estimated \$1.2 million in repairs to the entire site (photo below). The property is unable to afford this high of an amount in repairs.



National CORE, committed to keeping the property well-maintained, submitted a 4% tax credit and bond funding application to the California Tax Credit Allocation Committee and California Debt Limit Allocation Committee for a renovation of the site.

The proposed rehab includes key upgrades like new ADA-compliant units, appliances and HVAC replacements, energy improvements, enhanced access paths, safety upgrades, and new flooring, windows, and structural safety repairs on the balconies. The funding application was awarded on December 6, 2023.

In September 2024, our investor's tax counsel noted that the appraised value of the property was significantly lower than the existing debt (over \$41 million), resulting in what is referred to as "debt in excess of value." This situation will prevent our investor from investing in the project, as there is case law (Estate of Franklin and its Progeny) that has classified such debt as not being considered true debt. Without a tax credit investor, the resyndication of Citrus Grove will be unable to move forward, and the essential life and safety renovations will not be completed.

Summary of Existing Financing

Lender	Original Loan Amount
Permanent Loan (mortgage) - US Bank	\$2,591,000
California Department of Housing and Community Development (HCD)	\$8,362,659
Rialto Housing Authority	\$14,754,722
County of San Bernardino	\$3,000,000

Current Financing Arrangement with the City

The limited partnership owning Citrus Grove (Inland Valley Housing Partners, LP) entered into a loan agreement with the City/Rialto Housing Authority (RHA) on August 1st, 2006. Interest and principal payments are due from annual net cash flow (residual receipts) as defined in the loan agreements. The RHA loan accrues interest at 3% annually and has a maturity date of August 1, 2061. National CORE records indicate the current principal amount outstanding on this residual receipt loan is \$14,054,480 with an additional \$7,748,001 owed in accrued interest. This funding was initially allocated from redevelopment agency funds, not from Rialto taxpayer funds. Redevelopment agencies in California were dissolved in 2012 as part of a statewide initiative to eliminate such agencies.

Proposed Financing / Requested Modification of the RHA Loan

National CORE is respectfully requesting that the City of Rialto forgive a portion of the loan that exceeds the appraised value, specifically \$14,405,200. In return, National CORE is proposing to increase the interest rate from 3% to 4.53% and extend the loan period and affordability requirements to 55 years. To further demonstrate our commitment to this effort, National CORE is offering an upfront cash contribution of \$250,000 to the city.

While National CORE projects the rehabilitation project will owe the Rialto Housing Authority approximately \$21,978,000 (principal and accrued interest) on the anticipated escrow closing date of 3/1/25, it is our request that City/RHA forgive all but \$7,978,000 (the "Remaining Amount"), thereby ensure the property does not have more debt encumbering it than it appraises for, thereby keeping the resyndication and renovation project in conformance with IRC requirements for low-income housing tax credit (LIHTC) projects. While the Remaining Loan (estimated at \$8M) is ultimately needed to be a long-term loan, National CORE is requesting the City of Rialto to:

- (a) (a) Initially convert the project's Remaining Amount (approximately \$8 million) into a temporary bridge loan (construction loan), with a mandatory repayment date (to be determined) during the construction period. This bridge loan will be paid down using a separate Chase construction loan, and the repayment of the RHA bridge loan will be deposited into a city-owned account, managed by JPM Chase Bank.
- (b) Upon payoff of the construction loan and completion of the property's renovation, re-loan the Remaining Amount to Citrus Grove under a new residual receipt loan at an interest rate of 4.53% for a term of 55 years. This structure will ensure the rehabilitation project has sufficient time to utilize tax-exempt bond proceeds during construction, maintaining the Project's compliance with IRC requirements for LIHTC projects.

Benefits to the City of Rialto

\$250,000 Contribution to the City of Rialto: National CORE is proposing an upfront contribution of \$250,000 towards the loan restructuring as a demonstration of their commitment to ensuring the success of the renovation project.

Interest Rate increase: As part of the restructuring, the interest rate on the RHA loan will increase from 3% to 4.53%.

No Costs to the City: Typically, for an affordable housing resyndication project like Citrus Grove, a developer would need to request funding from the city to facilitate renovations and resyndication. However, National CORE has successfully assembled the necessary resources for this project without relying on the traditional approach of seeking additional funding from the City to cover the financing gap.

Developer Contribution: Developers like National CORE receive a developer fee for their work on Low-Income Housing Tax Credit (LIHTC) resyndication projects, which compensates them for their role in overseeing the planning, financing, and execution of the project. However, in order to make this particular project financially feasible and ensure its successful completion, National CORE has made the decision to forgo the standard developer fee.

Preservation of Affordable Housing in Rialto: The affordability period for Citrus Grove will be extended, ensuring that the property remains a 100% affordable housing community for the next 55 years. This extension is a critical component of the plan, as it guarantees long-term housing stability for low-income residents and helps address the ongoing need for affordable housing in the Rialto community.

By committing to this extended affordability period, National CORE is ensuring that Citrus Grove will continue to provide a safe, affordable living environment for future generations, protecting the community from potential market-driven rent increases and displacement. This extension solidifies the project's dedication to creating lasting, stable housing options for those in need.

The cost of owning or renting a home in California has surged significantly in recent years, creating a severe financial strain on individuals, families, and communities across the state. As housing prices and rental rates continue to soar, many residents are finding it increasingly difficult to cover basic living expenses, often dedicating an unsustainable share of their income to housing costs. In light of this, preserving the existing affordable housing at Citrus Grove stands as one of the most effective solutions to address these challenges and provide relief to the community.

Implications if Request is Denied

If the City of Rialto declines National CORE's request to modify the RHA loan, the entire renovation project will be canceled. As a result, the property will be unable to undergo the essential building life and safety repairs required for its continued operation. Without these critical repairs, the property will remain in its current deteriorating condition, jeopardizing the health and safety of the residents.

Failing to renovate aging affordable housing properties in California poses significant challenges to both the residents and the broader community. Like Citrus Grove, many of these properties were built decades ago and have since deteriorated, facing issues such as outdated infrastructure, unsafe living conditions, and rising maintenance costs. Without proper renovations, these properties risk becoming uninhabitable, which can lead to the displacement of vulnerable populations who rely on affordable housing.

Moreover, not addressing the renovation needs of these properties exacerbates California's ongoing affordable housing crisis, leaving fewer safe and stable housing options for low-income families. In many cases, these older buildings are the last affordable housing option available in communities where housing costs are rising rapidly. Failing to invest in their rehabilitation would not only diminish the quality of life for residents but also contribute to further housing instability.

Risk to the City

We are confident that restructuring the outstanding debt from the former Redevelopment Agency poses no significant financial risk to the City of Rialto. The funds that were allocated to this project were not sourced from Rialto taxpayer dollars, ensuring no direct financial impact on the city's residents. The dissolution of the Redevelopment Agency further eliminates any ongoing obligations tied to the original financing structure, as the Agency no longer exists as a functioning entity.

About National CORE

Headquartered in Rancho Cucamonga, National Community Renaissance of California (National CORE) was established in 1992 as a 501(c) (3) non-profit public benefit corporation. Starting with just 248 affordable homes, the company's portfolio has grown over the past three decades to include over 10,000 homes in four states – 9,000 units of which are in Southern California. National CORE currently serves roughly 30,000 residents and is the developer, owner, operator, and services provider for all our properties, thus ensuring long-term affordability as well as the maintenance of high-quality affordable communities. National CORE currently owns and operates 4 other affordable housing projects in Rialto.



Renaissance Village

Renaissance Village was National CORE's first "challenging" acquisition/rehabilitation development. The area was severely blighted, suffered from high criminal and drug activity, and many of the units were deemed uninhabitable. The transformation of this community was so impactful that when the organization changed its name in 2006, the new name became a tribute to Renaissance Village.



The Crossings Apartments

Beginning with an empty lot located near downtown Rialto, National CORE created an attractive, affordable multi-family apartment community that positively contributed to the city's downtown revitalization. The two- and three-bedroom apartment homes were built to meet the affordable housing needs of larger families.



Vista Cascade Apartments

Located in the City of Rialto and phase II of the larger Citrus Grove rehabilitation, this award-winning, family-friendly, gated community offers high-quality two- and three-bedroom apartment homes at affordable prices. Residents of Vista Cascade enjoy a wide variety of amenities, including an outdoor play area, a community center for resident services and events, a state-of-the-art computer center, an outdoor BBQ station, and onsite laundry facilities. The Hope through Housing Foundation offers an after-school program for children and teens.

Rialto Metro View South Apartments

Developed by National CORE, Related California, LaBarge Industries and Housing Partners I, Metro View is a vibrant, transit-oriented development with 55 affordable apartment homes for individuals and families in Rialto, California. The community offers one-, two- and three-bedroom homes to individuals and families with household qualifying maximums at various set-asides ranging from 30% to 60% of the area median income (AMI). The development is adjacent to the Rialto Metrolink station and Omnitrans Route 22, giving residents access to multiple transit options.

Metro View's Spanish Mediterranean architectural style complements the neighborhood. Following LEED standards, Metro View is sustainable, durable and energy-efficient. The community center serves as a hub for resident activities and onsite services provided by the Hope through Housing Foundation. Additional amenities include a computer center, swimming pool, playground, recreation areas and barbecues, and an outdoor teen area, encouraging engagement and community among young residents.



Thank you for your consideration.