



City of Rialto

Legislation Text

File #: EDC-19-144, **Version:** 1

For Economic Development Committee Meeting (January 30, 2019)

TO: Honorable Economic Development Committee Members

APPROVAL: Sean Grayson, Interim City Administrator/Executive Director

FROM: Robb Steel, Assistant City Administrator/Development Services Director

Request the Economic Development Committee consider recommending to the City Council and RHA Board approval of 1) Rialto Metrolink South Housing Partners' time extension to approve Amendment #2 to develop an affordable housing project of 38 units on the north side of Bonnie View Drive, just west of Riverside Avenue, and 2) Affordable Housing Agreement and Purchase Sales Agreement with LaBarge Industries to develop an affordable housing project of 10 units on the northeast corner of Jackson Street and Willow Avenue.

(ACTION)

BACKGROUND:

Bonnie View Housing Project

On December 12, 2017, the City Council/RHA Board approved the First Amendment (**Exhibit A**) to the Affordable Housing, Financing and Disposition and Development Agreement by and between the Rialto Housing Authority (RHA) and the Rialto Metrolink South Housing Partners (the developer is a partnership of National Community Renaissance, Related California, and LaBarge Industries; further known as "RMSHP") on the north side of Bonnie View Drive and just west of Riverside Avenue. The First Amendment reduced the site area from 2.56 acres to 1.59 acres and the project scope from 65 units to 38 units. The City is currently constructing parking for the Metrolink Station on the balance (0.97 acres) of the original site. The site map is attached hereto as **Exhibit B**.

The First Amendment increased the loan amount from the RHA to RMSHP from \$250,000 to \$450,000 for predevelopment cost reimbursement. The total amount from RHA as a loan to the RMSHP was \$5,500,000 (using former Redevelopment Agency housing bonds), consisting of the site purchase (\$950,000 previously expended), the development cost amount (\$4,300,000, of which \$200,000 has been expended), and the previous pre-development amount (\$250,000 that has been expended).

The First Amendment expired on December 31, 2018 if RMSHP was unable to obtain Second Amendment approval to commence a project and obtain financing.

Jackson/Willow Housing Project

On January 31, 2018, the Economic Development Committee (EDC) recommended that the City Council (in its role as the RSA) consider approving a Purchase and Sale Agreement and that the

RHA Board approve an Affordable Housing Agreement with LaBarge Industries (LaBarge) to develop affordable housing units on Successor Agency (SA) property of 17,400 square feet at the northeast corner of Jackson Street and Willow Avenue. The site map is attached hereto as **Exhibit C**.

ANALYSIS/DISCUSSION:

Bonnie View Housing Project

On December 4, 2017, RMSHP submitted an entitlement application with the Planning Division to reduce the project size and units (Project). On June 20, 2018, the Development Review Committee approved the Precise Plan of Design (PPD 2017-0098) modification.

In April 2018, RMSHP submitted an updated financial pro-forma reflecting the project reduction. Staff and Keyser Marston Associates (RHA's real estate consultant) reviewed the pro-forma and determined inconsistencies with California Law related to minimum number of very-low income units required. RMSHP attempted to adjust the pro-forma but was unable to identify other funds to cover a budget gap. In 2018, the Tax Credit Allocation Committee reduced funding opportunities for smaller projects seeking 9% tax credits (projects of similar size to the Bonnie View project of 38 units).

RMSHP proposes to apply for 9% tax credits in July 2019 and seek other funds to develop the Project. RMSHP requests the RHA consider continuing the Project that includes the original funding of \$4,100,000 (excluding the \$200,000 for pre-development costs). Attached hereto as **Exhibit D** is RMSHP's letter.

Staff and RMSHP will need to negotiate the Second Amendment to finalize the Project's scope and finance to allow the RMSHP to apply for funding sources including 9% tax credits in July 2019 to commence development.

Jackson/Willow Site

LaBarge originally proposed developing a 12 multi-family unit project with households earning between 50% and 60% of area median income and reserving units for veterans. LaBarge proposed to incorporate the project with the Park Place project located west of Willow Avenue, which LaBarge owns, manages, and maintains.

The developer reconstituted the project due to the funding gap and zoning challenges. LaBarge now proposes 10 multi-family units for households at 30% of area median income. LaBarge will provide veterans with preference to occupy within the Fair Housing rules. LaBarge will obtain about \$765,000 in funding from multiple government sources. The updated pro-forma is attached hereto as **Exhibit E**.

LaBarge still proposes to acquire the SA parcel for \$140,000 based on the appraised value, with the RHA providing an acquisition loan utilizing existing housing bond proceeds. The City contributes \$1,640,000 from Neighborhood Stabilization Program (NSP) funds for construction and other project costs. The project secures the City's advances with a residual receipts note and deed of trust on the property.

LaBarge is prepared to proceed with the acquisition and execute an Affordable Housing Agreement.

RECOMMENDATION:

Staff recommends the EDC recommend to the City Council/RHA Board to:

1. Consider Rialto Metrolink South Housing Partners request extending the time to approve Amendment #2 to secure financing and commence development of an affordable housing project of 38 units on the north side of Bonnie View Drive, just west of Riverside Avenue.
2. Consider Affordable Housing Agreement and Purchase Sales Agreement with LaBarge Industries to develop an affordable housing project of 10 units on the northeast corner of Jackson Street and Willow Avenue.