

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

603



FROM: Redevelopment Agency

SUBMITTAL DATE:
August 1, 2005

SUBJECT: Approval of Build 2005, an Infill Housing Program.

RECOMMENDED MOTION: That the Board of Directors

1. Approve Build 2005, an Infill Housing program to provide affordable single family housing for low-income households; and
2. Authorize the Executive Director to take the necessary steps to implement the program including but not limited to signing appropriate agreements and allocating appropriate and necessary resources and funding.

BACKGROUND: The Redevelopment Agency for the County of Riverside proposes to implement Build 2005 to facilitate the development of vacant and underutilized land for the promotion and development of single-family, owner-occupied housing for low-income families. The program will utilize Redevelopment Housing Set Aside Funds. The program will be implemented within the unincorporated areas of Riverside County.

(Continued)

Departmental Concurrence

Robin Zimpfer

Robin Zimpfer,
Executive Director

RZ:DL:ER:lb

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| | | | | |
|-----------------------|--------------------------------------|-----------------|--------------------------------|-----------|
| FINANCIAL DATA | Current F.Y. Total Cost: | \$ 4,000,000.00 | In Current Year Budget: | Yes |
| | Current F.Y. Net County Cost: | \$ | Budget Adjustment: | No |
| | Annual Net County Cost: | \$ | For Fiscal Year: | 2005/2006 |

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: NO

| | | |
|--------------------------------------------------------------|-----------------------------------------|--------------------------|
| SOURCE OF FUNDS: Low and Moderate Income Housing Fund | Positions To Be Deleted Per A-30 | <input type="checkbox"/> |
| | Requires 4/5 Vote | <input type="checkbox"/> |

C.E.O. RECOMMENDATION:

APPROVE

AUG 15 2005

County Executive Office Signature

Bronda King

BY *Lee A. Vincent*

- Dep't Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.:

District: ALL

Agenda Number:

Program Description:

Continued:

The program will provide funding assistance for development cost of the single-family homes. Staff will solicit and select development proposals from developers who will be responsible for providing completed, newly constructed single-family homes, which include site acquisition, predevelopment activities and construction.

The goals of the program are to:

- 1) Encourage development of single-family owner-occupied housing on vacant or underutilized land located in the unincorporated areas of Riverside County with emphasis on Community Impact Target (CIT) areas within the County's five Redevelopment Areas.
- 2) Encourage quality housing construction through higher development standards in an attempt to deter blight and decay by promoting neighborhood stability through home ownership.

Staff recommends that the Board approve Build 2005.

BUILD 2005

BUILDING IN UNINCORPORATED INFILL LAND DEVELOPMENT PROGRAM

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- 1. Community Impact Area Maps**
- 2. Funding Application & Attachments**
- 3. Sample Developer's Agreement**
- 4. Development Budget and Sales Analysis**

BUILD 2005

BUILDING IN UNINCORPORATED INFILL LAND DEVELOPMENT PROGRAM

I. PROGRAM OVERVIEW

The Infill Housing Program is an initiative to promote the development of single-family homes on vacant lots in the unincorporated areas of Riverside County. The Program is a principle component of a holistic approach to neighborhood development and community revitalization.

The goals of the Infill Housing Program include the following:

- Encourage development of single-family owner-occupied housing on vacant or underutilized land located in the unincorporated areas of Riverside County with emphasis on Community Impact Target (CIT) Areas within the County's five Redevelopment Areas.
- Encourage quality housing construction through higher development standards in an attempt to deter blight and decay by promoting neighborhood stability through home ownership.

The main impetus of the Infill Housing Program is to operate a housing development program utilizing the Turn-Key method. Under the Turn Key method the Developer is responsible for providing a completed housing project, which includes site acquisition, predevelopment activities, securing construction financing, and construction. Subsequent to completion of project construction and in accordance with the Developer Agreement the Agency will purchase the project from the Developer.

The Riverside County Economic Development Agency (EDA) will solicit and select development proposals from non-profit or for-profit Developers. The Developers will be responsible for identifying contiguous or non-contiguous vacant sites within certain designated areas in Riverside County.

The Developer will be responsible for securing construction financing and overseeing the construction of homes on identified lots. Prior to the start of construction, the Redevelopment Agency for the County of Riverside (Agency) would enter into a Development Agreement with the Developer to provide gap funding at the completion of the homes. This gap funding or "development subsidy" is the difference between the predetermined approved development cost to build the home and financing available from private or other public sources secured by qualified homebuyers under the Infill Housing Program. Current public sources available include the County's First Time Home Buyer (FTHB) and American Dream Down payment Initiative (ADDI) Programs. Potential homebuyers are expected to pursue financing from all available sources. The total Agency development subsidy excluding other public funds is capped at no more than

40% of the total development cost. The development subsidy is funded through County Redevelopment Agency Housing Set-Aside funds and will be disbursed only at the completion of the home and final acceptance by the Agency. The risk of development and completion of the project shall be borne solely by the Developer. At the completion of the homes, the Agency will have identified the qualified home buyer and financing to complete the sale. Upon the sale of the home the development subsidy converts to a grant/loan to the homeowner to write down the development cost to an Affordable Sales Price. The Developer receives the development subsidy upon final inspection and sale of the home. In the event the Agency has not identified a qualified homebuyer and financing to complete the sale the Agency will purchase the home from the Developer at TDC.

Developer and Contractors shall comply with any applicable labor regulations and all State Laws in connection with the construction of the public improvements and the private improvements which comprise the project, including requirements relating to prevailing wages.

After the house has been substantially completed and a Notice of Completion filed, the Developer will complete a final inspection with the Agency. The opening of escrow shall be established after the acceptance of final inspection by the Agency. Escrow period shall be no more than ninety (90) days. The Certificate of Occupancy must be obtained within the first fifteen (15) days of opening escrow.

Eligible properties may be located in any unincorporated area of the County of Riverside; however, priority will be given to properties located in County Redevelopment Areas or subsets of those areas where neighborhood revitalization efforts are currently being addressed, such as the CIT Areas. These CIT Areas have currently been identified as Rubidoux, Romoland, Homeland, Mead Valley and Mecca, as shown in **Appendix 1**.

The completed projects must be used to provide affordable homeownership opportunities to households earning less than 80% of U.S. Department of Housing and Urban Development (HUD) Median Income for Riverside County. The Agency will be responsible for soliciting and qualifying potential applicants to purchase the homes. Buyers participating in this program must be qualified and eligible for the County's First Time Homebuyer (FTHB) Program and also agree to a forty-five (45) year regulatory agreement recorded against the property to ensure long term occupancy and affordability.

II. APPLICATION, REVIEW, AND APPROVAL PROCESS

Application

To apply for funds, applicants must complete and submit an **original and two (2) copies** of the attached application form and all required attachments as shown in **Appendix 2**. A checklist for the complete application packet is provided for guidance. If needed EDA Housing Development staff will provide technical assistance to applicants to complete the application.

Review

Applications will be reviewed by the EDA Housing Development staff, first for completeness, and then for compliance with all County/Agency requirements. If necessary, applicants will be contacted for additional information or for modification of project proposals. Projects will also be reviewed for consistency with County/Agency housing and community development objectives, Developer capacity, experience, financial feasibility, cost control, degree of leveraging of non Agency funds and site design. Developer must submit Building Plans inclusive of Site Plans, and Elevation and receive approval prior to the loan commitment. The Developer will be responsible for all costs associated with changes requested if the Building Plans and design is not explicitly approved. Developers and team member's experiences are integral to the success of this program. Only applicants that have a tract record of successful project development and ability to complete proposed projects on time and within budget will be considered.

Site selection is another major factor in the review process. Proposed sites must be suitable and complement surrounding neighborhoods. Close proximity to available neighborhood amenities such as public transportation, public schools, and recreational facilities are major considerations in evaluating the sites.

Projects accepted for funding must be ready to start construction within six months from the loan commitment date. If projects do not start in six months, the funds encumbered for that project will be returned to the Agency and applicant will be required to resubmit the application. Funding to the project will be subject to the availability of funds at the time of application.

The Agency reserves the rights to suspend, or alter provisions of the Infill Housing Program and accept, modify or to reject all proposals.

Approval Process

EDA Housing Development staff will make recommendations for project approval and other funding commitment decisions. Project approval is expected to take no more than sixty (60) days from receipt of a **complete** application packet. Prior to project approval, staff will confer with the applicant regarding the basic terms and conditions of the proposed financing. Once a loan is approved, staff will prepare environmental review documents and draft loan documents for review by the Developer and the Agency. A Sample Development Agreement is shown in **Appendix 3**. All items required at this stage must be submitted and approved by the Agency before the project loan can be closed. No construction can proceed until the environmental documents and loan documents have been approved and signed. This process is estimated about 60 days from the loan approval. At the completion of the project, Developer must arrange for an independent cost certification and submit them to the Agency.

III. ELIGIBLE APPLICANTS

Applicants may be for profit or non-profit organizations, individuals, general or limited partnerships, or limited liability companies interested in acquiring and developing vacant single-family residential lots in the unincorporated areas of Riverside County. Applicants must demonstrate experience and capacity in the development and construction of affordable housing.

Additional bonus points will be given to non-profit organizations that can be certified as a Community Housing Development Organization (CHDO). The definitions and requirement for CHDO certification can be found in the Application package in the **Appendix 2**.

Applicants are allowed to submit no more than two (2) proposals per calendar year. Applicants are not allowed to have more than two (2) incomplete projects with the Agency at any given point in time. Each proposal is limited to no more than ten (10) sites and no fewer than (3) sites.

IV. ELIGIBLE PROPERTIES

Eligible properties include scattered vacant lots, contiguous or non contiguous. Sites with older structures are eligible provided the property has been vacant for at least six months prior to application for funding and designated for demolition. For structures older than 1978, the Developer will be responsible for testing and abatement of lead based paint prior to demolition in accordance with federal, state and local regulations.

Rehabilitation of existing property is not an eligible activity.

Proposed projects shall be traditional stick built single family housing structure, type V.

Manufactured housing, factory built housing, mobile home, condominium, and any kind of planned unit development housing are ineligible activities under this program.

V. SUBSIDY STRUCTURE FOR HOME OWNERSHIP PROJECTS

It is the intent of the Agency that new housing developed through the Infill Housing Program will remain affordable for at least forty five (45) years. All units must be sold to qualified first time homebuyers that have a household income that does not exceed 80% of the Riverside County Median Income adjusted per household size as amended by HUD from time to time. The initial homebuyer must also qualify under the County's First Time Home Buyer Program.

The assisted units are to be sold at an Affordable Sales Price (ASP), which changes over time based primarily on changes in the maximum income levels limit and interest rates. When the homeowner sells the unit to the next qualified buyer, the Affordable Sales Price

will be limited by the Affordable Housing Cost (AHC) for that particular unit based on interest rates and maximum income limit at the time of sale. The AHC and ASP are defined and further calculated below.

To help accomplish an Affordable Sales Price, the Agency will provide a development subsidy to the Developer to be used for a portion of the development costs. The development subsidy cannot exceed 40% of the total development cost. This subsidy is computed by taking the difference between the predetermined total development cost and the total sales proceeds plus any other subsidies to the project. A sample development subsidy analysis is attached in the **Appendix 4** for reference.

The Agency will record a Regulatory Agreement restricting the occupancy and income affordability by each subsequent homeowner to ensure that houses are resold only to qualified low income households and the sales price remain affordable for a period of forty five (45) years.

Affordable Housing Cost

The Affordable Housing Cost (AHC) is the maximum monthly housing cost that a household in a certain income group should pay. The AHC is set as a maximum percentage of a certain income adjusted for family size. The units will be restricted to Low-Income households earning up to 80% of median income; The AHC is one-twelfth of 30 percent of median income adjusted for family size appropriate for the unit. Housing costs include all of the following associated with a housing unit: principal and interest payments on a mortgage loan; private mortgage insurance; property taxes and assessments; fire and casualty (hazard) insurance, and a reasonable allowance for utilities.

For purposes of calculating the AHC, "family size appropriate to the unit" means a household of four persons in the case of a three-bedroom unit; and five persons in the case of a four-bedroom unit.

The AHC for low income households is the product of 30% times 70% of the area median income adjusted for family size appropriate to the unit.

Affordable Sales Price (ASP)

The Affordable Sales Price (ASP) is the total sales price at which a typical household with an income equal to a specified percentage of the area median income, adjusted for the household size appropriate for the unit size, pays no more than an Affordable Housing Cost per month. Affordable Sales Prices are based on the target income level (for example, 80% median income for units restricted to Low Income households), not the income of the actual homebuyer. The household size adjustment that is used in determining the income limit for purposes of setting the Affordable Sales Price is based on the number of bedrooms in the unit, not the size of the specific homebuyer's household. This allows sales prices to be set in advance of identifying a specific buyer. This also ensures that the homes are affordable to a range of low income households. It does not

exclude households making less than these incomes from purchasing a home in one of these developments. However because the Agency will not provide additional funds for units developed under this program, these lower income households would have to provide a larger down payment or secure additional non Agency funds, in order to purchase a particular unit at no more than the ASP.

Although the ASP is based on a specific target income level, the income of the particular homebuyer must not exceed 80% of the Riverside County Median Income based on their actual income and household size.

Assumptions

The Agency will use the following assumptions in calculating both the Affordable Housing Cost and the Affordable Sales Price for the initial sales and for any future sales, irrespective of the actual terms of any sale:

1. The down payment percentage will be assumed at 5% of the sales price.
2. The interest rate on the first mortgage loan will be assumed to be equal to the Federal National Mortgage Association's (FNMA) required net yield for 30 year fixed rate mortgages as of the date and time of the day specified by Agency, plus five-eighths percentage point (0.625%), rounded to the nearest one-eighth of one percentage point (0.125%). If the FNMA required net yield can not be determined, the assumed interest rate shall be set by Agency using a comparable rate intended to approximate typical rates available to borrowers for 30 year conventional fixed-rate mortgages.
3. The term of the first mortgage loan will be assumed to be 30 years, fixed.

When the existing homeowner is ready to sell their unit, they must notify the Riverside County Economic Development Agency of their intention to sell their unit, and request that the County/Agency provide a written statement of the current Affordable Housing Cost and Affordable Sales Price for their particular unit.

Loan Term Affordability and Fair Rates of Return

The Agency will ensure that the buyers of the units will receive a fair rate of return and, at the same time, will assure that the units are sold only to qualified homebuyers, at an Affordable Sales Price for over a period of 45 years from the first Certificate of Occupancy. The following applies:

Long Term Affordability. The agreement with the Developer will contain appropriate pass-through enforcement provisions (a Declaration of Resale and Occupancy Restrictions and Grant of First Right of Purchase ["the Declaration"]) for the Agency to ensure compliance on the part of both the Developer and the homeowners. In addition, the Agency will use a recorded Homebuyer Assumption Agreement executed by each subsequent homeowner, and referencing the Declaration, to ensure that houses are resold only to qualified low or moderate income households and to ensure the sales price will be within the affordable level each time

the unit is sold. Except in extraordinary circumstances, the Agency will not subordinate affordability covenants, including the Declaration.

Fair Rate of Return. Through the Declaration, the Agency will be required to restrict the price to the initial buyers to an Affordable Sales Price (ASP) as defined above. The initial owner and each subsequent owner must also sell the assisted unit to a qualified homebuyer at not more than the ASP at the time of sale. When the owner sells the unit to the new buyer, they will be able to receive the net sales proceeds from their original investment plus all of the appreciation up to the ASP, thereby assuring them a fair rate of return. The ASP will fluctuate based on both the maximum income limit for the unit and the interest rate at the time of sale, not based on market forces. Because the sales prices are always going to be affordable, no additional Agency mortgage assistance will be needed or provided to keep the units affordable for forty five years.

The Agency/County reserves the right to adjust any of these assumptions to reflect changing conditions or industry standards.

VI. FUNDING AVAILABILITY

A total of three million five hundred thousand (\$3,500,000) dollars in Redevelopment Housing Set-Aside funds has been allocated to be utilized over a five (5) year period and is proportioned to each CIT Area. The Agency has the right to modify and alter the funding allocation to each of the CIT areas depending on the need and success of the area. Funding will be available on a first-come, first serve basis, with completed applications processed as they are submitted.

VII. PROJECT REQUIREMENT AND STANDARDS

ZONING

Zoning must be in place and conform to the site development plan. It is the responsibility of the Developer to ensure zoning and land use classification for the site if appropriate. Developer is required to design to the conditions that enhance the existing neighborhood.

Design Standards

Design criteria will include the layout of a stick built home with amenities that are aesthetically pleasing and incorporate the layout of the land. Developer must submit Building Plans inclusive of Site plans and Elevations.

Design characteristics for each single family home should include the following minimum requirements:

The average square footage of the single-family unit should be of adequate size for livability and functional for the number of bedrooms. and include the following:

- 1,200 sq. ft. of living area with 1 1/2 baths for a 3 Bedroom unit
- 1,300 sq. ft. of livable area with 2 baths for a 4 Bedroom unit.
- Two car attached garage with a baked enamel non-insulated 24-gauge minimum, steel sectional roll-up garage door.

The Agency requires that all housing developments include a computer technology component. At a minimum, projects must be wired to support high-speed Internet access in each unit, include two telephone lines per unit so that one may be dedicated to Internet use, if desired.

Landscaping/Onsite Improvements

- A landscape plan that includes landscaped front yards. The front yards must be prepared in a professional manner including but not limited to spraying of herbicides and pre-emergents prior to planting. Lawns must have a minimum of sod and bedding plants where appropriate, including plants with lower water usage.
- Concrete driveway and walkways.
- Irrigation line with automatic electronic timer/controller in the front yard with the capacity to be expanded to the rear yard.
- Fencing along the rear and side yards (**Chain Link fencing not permitted**)
- Windows visible from the street must have window covering (Blinds/Drapes).

Housing Construction

Frame construction shall include:

- Exterior walls: 2 ft. x 6 ft wood or equivalent metal and stud system. An equivalent structural design using 2 ft. x 4 ft wood framing may be used.
- Exterior finish: stucco system per County adopted Building Code
- HVAC: forced air heating and air conditioning system.

Building Elements

Housing must meet energy conservation requirements as listed below:

- Minimum ceiling insulation shall be R-30.
- Minimum wall insulation shall be R-19.
- Type "M" copper pipe and shall be used for water supply lines throughout the single-family unit.
- Provide all installer's warranty and material guarantees to the homeowner at completion of the project.

Energy Efficiency

Priority will be given to projects that exceed the California Title 24 energy requirements by at least 15% and include other measures to ensure long-term energy efficiency. Such measures include:

- Use of energy efficient appliances with the Energy Star rating (or equivalent) for all appliances, including heating and cooling systems used in the development and provided by the Developer.
- Use of occupancy sensors to turn off lights for all bathrooms, garages, and storage spaces.
- Use of fluorescent light fixtures for at least 75% of light fixtures, or comparable energy efficient lighting for the project is total lighting.
- Use of natural gas for cooking and space heating.
- Use of Energy Star rated Roof
- Kitchen Range Hood vented to the exterior of the building
- Use of water conservation technology

VIII. APPRAISALS

Applicants will be required to submit an appraisal of the vacant sites at the time of application. Appraisals must conform to the Uniform Standards of Professional Appraisal Practice, in particular Standards 1 and 2. All appraisers must be California State Licensed/Certified.

IX. INSURANCE

During development Developer shall obtain, maintain, and require the contractors and subcontractors for the Project to obtain such insurance as will protect them, respectively, from the following claims which may result from the operations of the Developer, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of his employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than his employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person; claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations.

Insurance Coverage shall include the following:

- **WORKER'S COMPENSATION.** Worker's compensation coverage shall be written for the statutory limits as required by the California Labor Code (commencing with Section 3700, as it may, from time to time, be amended).
- **COMPREHENSIVE GENERAL LIABILITY.** Commercial general liability coverage shall include premises-operations, independent contractor's

protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as approved by Agency Counsel). Such insurance shall have limits of liability which are not less than \$1,000,000, each occurrence, for bodily injury coverage; \$1,000,000 aggregate, for products and completed operations coverage; \$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverage's.

- **COMPREHENSIVE AUTOMOBILE LIABILITY.** Comprehensive automobile liability coverage in the amount of \$1,000,000 for any vehicle used for, or in connection with, the Project (owned, none owned, hired, leased) having not less than the statutory limits of liability.
- **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the term of Developer's ownership of the Property, Developer shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Project. In the event of damage to the Project and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.
- **INSURANCE PROVISIONS.** Each policy of insurance required shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date.

All policies must name the Agency as additional insured.

X. DEVELOPER FEE

The Agency expects that successful developments will have reasonable development costs. Projects with abnormally high costs will be asked to provide justification for their costs and, possibly, a revised development budget before staff review of their application can be completed. If staff does not approve the justification for higher costs or the revised budget (if requested) the application may be deemed incomplete and not scored.

The Developer Fee schedule shown below is intended to encourage the acquisition and construction of the smaller projects envisioned for this program by providing larger per unit fees for 3 to 5 unit projects. Developer Fees are contingent upon satisfactory completion of the project, and the actual fee for each project is subject to approval by the Agency. Where

project costs exceed the approved budget, Developer may be required to contribute a portion of the Developer Fee toward the excess cost.

| <i>Units Proposed</i> | <i>Maximum Development Fee</i> |
|-----------------------|--------------------------------|
| 3-5 units | \$20,000 per unit |
| 6-10 units | \$15,000 per unit |

Please note that these are maximum allowable fees. The Developer Fee for each project is subject to approval by the Agency.

XI. ENVIRONMENTAL REVIEW

Prior to loan approval, all projects must meet the California Environmental Quality Act (CEQA). Most single-family new construction projects are categorically exempt from CEQA. If federal funds such as HOME Funds is used the project must also be assessed in accordance with the provisions of the National Environmental Policy Act (NEPA). The Agency will be responsible for conducting CEQA and NEPA environmental review with the Developer.