



STAFF REPORT

DATE: 11/20/2024
TO: Honorable Mayor and City Council Members
FROM: Community Services Department

2024-143

REQUEST FOR CITY COUNCIL AND CORONA HOUSING AUTHORITY ACTION

SUBJECT:

APPROVAL OF CORONA DEL REY APARTMENTS PASS THROUGH FUNDING AGREEMENT FOR THE REHABILITATION OF 160 AFFORDABLE HOUSING UNITS, CORONA DE ORO APARTMENTS PASS THROUGH FUNDING AGREEMENT FOR THE REHABILITATION OF 72 AFFORDABLE HOUSING UNITS, AND FIRST AMENDMENT TO THE CORONA DE ORO APARTMENTS REGULATORY AGREEMENT TO EXTEND THE AFFORDABILITY TERM IN PERPETUITY

EXECUTIVE SUMMARY:

This staff report asks that the City Council approve the Corona Del Rey and Corona De Oro Pass Through Funding Agreements and the First Amendment to the Corona De Oro Regulatory Agreement. Approval of these agreements will authorize the pass-through of the \$8,000,000 of State of California budget surplus funds to be allocated for renovation efforts currently underway. National Community Renaissance of California petitioned the State of California for funding with the support of the City of Corona to receive an allocation of surplus funds for the rehabilitation of two of their affordable housing projects located in Corona. Pursuant to the 2021-22 California Budget Act, the City of Corona was allocated \$8,000,000 to renovate Corona Del Rey and Corona De Oro Apartments.

RECOMMENDED ACTION:

That the City Council:

- a. Approve the Corona Del Rey Apartments Pass Through Agreement and authorize the City Manager, or his designee, to take actions necessary in furtherance of this action.
- b. Approve the Corona De Oro Apartments Pass Through Agreement and authorize the City Manager, or his designee, to take actions necessary in furtherance of this action.
- c. Approve the First Amendment to the Corona De Oro Apartments Regulatory Agreement and authorize the City Manager, or his designee, to take actions necessary in furtherance of this action.
- d. Authorize an appropriation and estimated revenue increase in the amount of \$8,000,000 to the Community Services Department's operating budget within the Low Mod Income Housing Asset Fund 291 to disburse these grants funds in accordance with the two Pass Through Agreements.

BACKGROUND & HISTORY:

Over two decades ago, the former Redevelopment Agency of the City of Corona (Former RDA) and Southern California Housing Development Corp, now known as National Community Renaissance of California (NCRC), entered into two affordable housing agreements as follows:

Corona del Rey (CDR)

On June 1, 1996, as amended on May 23, 1998, the Former RDA and NCRC entered into the Affordable Housing Agreement Corona West Apartments. The housing agreement provided financial assistance from the Former RDA to assist NCRC with the acquisition, rehabilitation, operation, and management of a 160-unit affordable multifamily apartment rental community now known as Corona del Rey Apartments; and for the units to remain affordable in perpetuity with 32 units at 50%, 32 units at 60%, and 96 units at 80% of the family median income. The property consists of 40 fourplexes (totaling 160 2-bedroom units), a leasing office, and community facilities. The property is located at 1148 D Street, Corona.

Corona de Oro (CDO)

On March 1, 2000, the Former RDA and NCRC entered into the Corona de Oro Affordable Housing Agreement. The housing agreement provided financial assistance for acquiring, restoring, operating, and managing a 72-unit affordable multifamily apartment rental community; and for the units to remain affordable for 55 years with 33 units at 45% and 38 units at 50% of the family median income. The property consists of 18 fourplexes (totaling 72 2-bedroom units), a leasing office, and community facilities. It is located at 680 W. Second Street, Corona.

A location map of both projects is provided in Exhibit A.

For several years, NCRC has assessed short and long-term property needs and financing opportunities in furtherance of their capital needs. In January 2020, NCRC met with City staff to discuss rehabilitation plans. In March 2020, NCRC submitted a formal project proposal that combined the Corona del Rey and Corona de Oro apartments into a single affordable housing development called the Las Coronas Apartments. This proposal would require the Corona Housing Authority to enter into new affordable housing and regulatory agreements that would replace the existing agreements. NCRC opted to consolidate its developments into a single development to improve its viability of receiving tax credit funding due to the highly competitive nature of this financing. The 2020 scope of the improvements focused on major rehabilitation improvements needed to extend the life of the units.

On January 20, 2021, the City Council (City) and Corona Housing Authority tentatively agreed to NCRC's request to combine the projects and associated housing loans, change affordability terms to "in perpetuity" for all units, and other associated terms listed below. An agreement was contingent on NCRC securing tax credits. A Letter of Commitment from the City was prepared and submitted to the California Debt Limit Allocation Committee in February 2021 and again in May 2021. Unfortunately, due to extreme demands for tax credits and rules favoring the production of new units over rehabilitation, NCRC has been unsuccessful in securing tax credits but has remained vigilant in looking for alternative funding opportunities.

In early 2021, NCRC informed staff of a potential funding opportunity from the State of California that, with the support of Assemblywoman Sabrina Cervantes, they could petition for general state surplus funds in an amount of up to \$8,000,000 to support a portion of their renovation expenses. On April 27, 2021, on behalf of the City, the Mayor signed a Letter of Support for the Las Coronas Affordable Housing Project which consists of Corona Del Rey and Corona De Oro.

The Department of Housing and Community Development (HCD) issued an award letter on October 14, 2021. Pursuant to the 2021-22 California Budget Act, the City of Corona was allocated \$8,000,000 to renovate the Las Coronas Affordable Housing community. In order to secure funding, the City would be required to accept and administer the funds upon executing HCD's contract. On December 15, 2021, as adopted under City Council Resolution 2021-130, the City accepted HCD's terms and obligations to: 1) distribute the \$8,000,000 of State grant funds to NCRC for the renovation of the Las Coronas affordable housing community; 2) maintain books, records, documents, and other evidence that demonstrates the funding was used to renovate the Las Coronas Affordable Housing Community; and 3) maintain and make available all records for audit and inspection by HCD for a period of three (3) years.

ANALYSIS:

In addition to the State surplus fund grant, NCRC has spent the past few years seeking alternative funding options and has successfully secured financial assistance from Riverside County American Rescue Plan Act funds, County Project-Based Vouchers, and private funding.

Notably, NCRC is funding most of the improvements with sources other than local housing or City funds and has agreed to extend the Corona de Oro affordability period from 55 years to “in perpetuity.” This term is consistent with the affordability period for Corona del Rey, which is also “in perpetuity.”

The following is a summary of NCRC’s projects.

CORONA DEL REY

Under the CDR Pass Through Agreement, NCRC has agreed to conduct improvements project-wide in exchange for the City’s support and pass-through of \$5,500,000 of state funds. A general description of improvements include:

- ADA mobility and communication improvements will be performed on eight (8) units and four (4) communication units for hearing and visually impaired residents.
- Environmental remediation efforts, including asbestos abatement and mold and mildew treatment.
- Electrical upgrades in all units.
- Plumbing improvements will occur where needed. Some of these improvements will include replacing bathtubs and surrounds, bathtub reglazing, replacing all domestic water supply piping, replacing the water main valve, and installing dishwashers.
- Mechanical improvements include the replacement of existing HVAC units in each unit with ductless mini splits (total of 4 each unit) and new venting for range hoods.
- Painting all interior surfaces.
- Cabinetry, countertops, flooring, and appliances in nearly all units.

For a complete list and description of improvements by unit, refer to Exhibits C and D of the agreement attached to this staff report.

The Sources of Funds for this project are:

State Budget Allocation	\$5,500,000
County of Riverside ARPA Loan	\$5,000,000
NCRC Loan (private loan)	\$11,287,075
Energy Efficiency Rebates	\$2,030,453
Existing Property Reserves	\$840,623
Total	\$24,658,151

Rehabilitation efforts started in May 2023 and are expected to be completed in March 2025.

CORONA DE ORO

Under this negotiated transaction, NCRC has agreed to conduct improvements project-wide and amend the regulatory agreement to extend the affordability term from 55 years

to “in perpetuity” in exchange for the City’s support and pass-through of \$2,500,000 of state funds.

A general description of improvements include:

- ADA mobility and communication improvements will be performed on four (4) units and two (2) communication units for hearing and visually impaired residents.
- Environmental remediation efforts, including asbestos abatement and mold and mildew treatment.
- Plumbing improvements will occur where needed. Some of these improvements will include replacing bathtubs and surrounds, bathtub reglazing, replacing all domestic water supply piping, replacing the water main valve, and installing dishwashers.
- Cabinetry, countertops, and flooring.

For a complete list and description of improvements by unit, refer to Exhibits C and D of the agreement attached to this staff report.

The Sources of Funds for this project are:

State Budget Allocation	\$2,500,000
County of Riverside ARPA Loan	\$1,000,000
NCRC Loan (private loan)	\$1,241,206
Total	\$4,741,206

Rehabilitation efforts started in April 2024 and are expected to be completed in March 2025.

In conclusion, staff recommends approval of the Corona Del Rey and Corona De Oro Pass Through Funding Agreements and the First Amendment to the Corona De Oro Regulatory Agreement.

COMMISSION ACTION:

On November 13, 2024, the Corona De Oro First Amendment to the Regulatory Agreement was presented to the Planning and Housing Commission to inform and seek the Commission’s support to change the 55-year affordability term to in perpetuity. The Commission recommended approval.

FINANCIAL IMPACT:

This action has no fiscal impact on the City’s General Fund. The State of California’s \$8,000,000 award, currently deposited into Housing Fund 291, will be utilized to fund these activities. \$2,500,000 of the award will be utilized for Corona De Oro apartments, and the remaining \$5,500,000 will be utilized for the Corona Del Rey apartments. Approval of the recommended actions will result in an appropriation and estimated

revenue increase in the amount of \$8,000,000 to the Community Services Department's operating budget within the Low Mod Income Housing Asset Fund 291.

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 exemption 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 is a financial transaction between the Department of Housing and Community Development and the City of Corona, and there is no possibility that adopting this resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: CYNTHIA LARA, COMMUNITY ASSISTANCE MANAGER

REVIEWED BY: DONNA FINCH, COMMUNITY SERVICES DIRECTOR

ATTACHMENTS:

1. Exhibit 1 – Locational Map
2. Exhibit 2 – Corona Del Rey Apartments Pass Through Funding Agreement
3. Exhibit 3 - Corona De Oro Pass Through Funding Agreement
4. Exhibit 4 – First Amendment to the Corona De Oro Regulatory Agreement
5. Exhibit 5 – First Amendment to the Corona De Oro Regulatory Agreement (redline)