Resources for Preservation

Funding Sources

The types of resources needed for preserving units at-risk fall into three categories: 1) financial resources available to purchase existing units or develop replacement units; 2) entities with the intent and ability to purchase and/or manage units at-risk; and 3) programs to provide replacement funding for potentially lost Section 8 rent subsidies.

Public Financing/Subsidies - A variety of federal, state and local programs are available for potential acquisition, subsidy, or replacement of units at-risk. Due to both the high costs of developing and preserving housing and limitations on both the amount and uses of funds, a variety of funding sources would be required. The following summarizes financial resources available to the County for preservation of assisted, multi-family rental housing units.

Many of the activities of the Housing Authority and HCD are made possible by Federal funding. The County pledges to work closely with its legislative delegation to ensure that the County's needs are recognized and a fair share of available funding is secured.

– Riverside County Strategic Vision Plan

Federal Programs

CDBG — This program is intended to enhance and preserve the County's affordable housing stock. CDBG funds are awarded to the County on a formula basis for housing and community development activities. Eligible activities include: acquisition, rehabilitation, economic development, and public services. CDBG grants benefit primarily persons/households with incomes not exceeding 80% of the County median family income.

HOME Investment Partnership — HOME funding is a flexible grant program which is awarded to the County on a formula basis for housing activities which takes into account local market conditions, inadequate housing, poverty and housing production costs. HOME funding is provided to jurisdictions to either assist rental housing or home ownership through acquisition, construction, reconstruction and/or rehabilitation of affordable housing. Also possible property acquisition, site improvements, and other expenses related to the provision of affordable housing and projects that serve a group identified as having special needs related to housing.

Section 8 Rental Assistance Program — This program provides rental assistance payments to owners of private market rate units on behalf of very low income tenants.

Section 811/202 Program — Non-profit organizations and consumer cooperatives are eligible to receive no interest capital advances from HUD for the construction of Very Low income rental housing for senior citizens and persons with disabilities persons. Project based assistance is also provided in conjunction with this program. Section 811 can be used to develop group homes, independent living facilities, and intermediate care facilities. Eligible activities include acquisition, rehabilitation, new construction, rental assistance.

HUD Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) — LIHPRHA was enacted in response to concern over the prepayment of HUD-assisted housing. The legislation addresses the prepayment of units assisted under Section 221(d)(3) and Section 236 (Section 236 replaced the Section 221(d)(3) program in 1968). Generally, the law facilitates the preservation of these low-income units by providing incentives to property owners to either retain their units as low-income, or to sell the project to priority purchasers (tenants, non-profits, or governmental agencies.) Pursuant to LIHPRHA, HUD must offer a package of incentives to property owners to extend the low-income use restrictions. These incentives would assure property owners an 8% return on the recalculated equity or their property, provided the rents necessary to yield this return fall within a specified federal cost limit. The cost limits are either 120% of the FMR, or the prevailing rent in the local market. If HUD can provide the owner with this return, the owner cannot prepay the mortgage. The owner must either stay in the program, or offer to sell the project (a “voluntary” sale) to a priority purchaser for a 12 month option period, or other purchasers for an additional three months. The owner is required to document this choice in a Plan of Action.

If HUD cannot provide the owner with the 8% return, i.e., the rents required would exceed federal cost limits, the owner may prepay only after offering the sale to priority purchasers for 12 months, or other qualified buyers for an additional 3 months (a “mandatory” sale), and filing a Plan of Action which demonstrates that conversion will not adversely impact affordable housing, or displace tenants. According to the California Housing Partnership Corporation, most projects in California will fall within federal cost limits, except those with exceptionally high rental value or condominium conversion potential.

Projects that are preserved under either of these methods are required to maintain affordability restrictions for the remaining useful life of the project, which is defined minimally as 50 years. Despite these requirements, property owners may still be able to prepay. First, the owner may prepay the property if no bona fide offer to purchase the property is made. Second, HUD may not provide some of the discretionary monies to priority purchasers in preservation sales. Finally, the overall success of the preservation efforts is contingent on congressional appropriation of sufficient funding to HUD.

State Programs
California Housing Finance Agency (CHFA) Multiple Rental Housing Programs — This state program provides below market rate financing to builders and developers of multiple-family and elderly rental housing. Tax exempt bonds provide below market mortgage money. Eligible activities include new construction, rehabilitation, and acquisition of properties with 20-150 units.

Low Income Housing Tax Credit (LIHTC) — This state program provides tax credits to individuals and corporations that invest in low income rental housing. Tax credits are sold to corporations and people with high tax liability and proceeds are used to create housing. Eligible activities include new construction, rehabilitation, and acquisition

California Community Reinvestment Corporation (CCRC) — This private, non-profit mortgage banking consortium provides long term debt financing for affordable multi-family rental housing. Eligible activities include new construction, rehabilitation, and acquisition.

Local Programs
Redevelopment Agency Funding — 20% of the agency’s funds are set aside for affordable housing activities governed by state law. Eligible activities include acquisition, rehabilitation, and new construction. The Riverside County

Economic Development Agency has set aside approximately $2,908,000 during FY 1999 in low and moderate income housing funds. Over the total five-year period an estimated $24,770,000 will be expended. These funds are used as a local match for HOME funded programs at a minimum 1:4 ratio. Table H-53 shows the estimated expenditures for RDA funds in the unincorporated area during the period 2000-2005.

Table H-53
Estimated Redevelopment Agency Expenditures
2000-2005

	FY 2000/2001		FY 2001/2002		FY 2002/2003		FY 2003/2004		FY 2004/2005	
	Revenue	Units	Revenue	Units	Revenue	Units	Revenue	Units	Revenue	Units
RDA (Unincorporated)	$6,989,069		$5,090,782		$5,039,706		$3,439,779		$3,416,323	
New SF Construction	$500,000	25	$300,000	15	$300,000	15	$300,000	15	$300,000	15
New MF Construction	$1,000,000	50	$1,000,000	50	$1,000,000	50	$500,000	25	$500,000	25
MF Rehab	$500,000	25	$500,000	25	$500,000	25	$250,000	13	$250,000	13
SF Rehab	$850,000	57	$867,000	58	$867,000	58	$850,000	57	$850,000	57
Mobile Home Park Rehab	$1,000,000	160	$750,000	120	$750,000	120	$500,000	80	$500,000	80
SF FTHB	$1,750,000	58	$1,750,000	58	$1,600,000	53	$1,000,000	33	$1,000,000	33
TOTAL	**$5,600,000**	**375**	**5,167,000**	**326**	**5,017,000**	**321**	**$3,400,000**	**223**	**$3,400,000**	**223**

$22,567,000.00
1,466 units

Non-profit Entities – Non-profit entities based relatively proximate to the County of Riverside can be contacted to gauge their interest and ability in acquiring and/or managing units at-risk of conversion. A partial listing of entities with resources in the Riverside County area follows:

- Alternatives for Domestic Violence
- Shelter From the Storm
- Banning Partners for a Revitalized Community
- Catholic Charities
- Coachella Valley Housing Coalition
- Fair Housing Council of Riverside County
- Family Service Association of Riverside County
- Habitat For Humanity
- Lutheran Social Services
- Shared Housing

Program Efforts to Preserve At-Risk Units

The following housing programs have been developed to address the preservation of assisted Very Low income units eligible to convert to market rate. The Riverside County EDA and/or the Planning Department will be responsible for implementing the programs. Funding for implementation could be provided through funding sources cited above.