



Report to City Council

TO: Mayor and City Council
Mayor and City Council Acting in its Capacity as
Chairman and Commissioners of the Moreno Valley
Housing Authority (HA)

FROM: Keith Gemmell, Acting Economic Development &
Housing Director

AGENDA DATE: March 4, 2025

TITLE: ACTION ON AMENDMENTS & ASSIGNMENT
CONSENT FOR "ELEVATE AT TOWNGATE" (REPORT
OF: ECONOMIC DEVELOPMENT & HOUSING)

TITLE SUMMARY: Authorize Sale Of Project And Approval Of Three Elevate At
Towngate Agreements

Recommendation(s)

That City Council and Housing Authority:

1. First Amendment to 1995 Owner Participation and Loan Agreement ("1995 OPA Amendment")
2. First Amendment to 1995 Agreement Containing Covenants Affecting Real Property ("1995 Covenants Amendment")
3. Consent to Assignment and Assumption of 1995 Agreements and 2000 Agreements ("Consent to Assignment")

SUMMARY

This report recommends the Housing Authority to consider and approve the three agreements listed above affecting the pending sale and continued ownership and operation of the 225-unit multifamily housing development called Elevate at Towngate. (Elevate at Towngate Agreements attached.)

DISCUSSION

In May 1995 the former Redevelopment Agency of the City of Moreno Valley (“Former RDA”) and Countrywood Rental Associates, Ltd. (“Owner”) entered into an *Owner Participation and Loan Agreement* for the acquisition and substantial rehabilitation of an existing 225-unit multifamily apartment complex at 13400 Elsworth Street, Moreno Valley, California 92553 (“Project”). The Former RDA issued a loan to the Owner, requiring restricting ten (10) units of the 225 to be designated as affordable housing for occupancy by qualified Very Low- and Low-Income tenants at an Affordable Rent. A legal agreement was recorded to enforce these conditions, covenants and restrictions for a 30-year affordability period that commenced when the loan was disbursed to the Owner later in 1995. The 1995 OPA and 1995 Covenants are referred to as the 1995 Agreements.

The Project has been called “Grand Meadows” and “Amber Ridge” and is presently called “Elevate at Towngate”.

Below is a summary of the 1995 ten (10) Affordable Units:

| Very Low Income 30% of 50% Area Median Income (AMI) | Low Income 30% of 60% AMI |
|---|------------------------------|
| One 2-bedroom unit | Five 2-bedroom units |
| One 3-bedroom unit | Three 3-bedroom units |

In July 2000, a successor owner, Grand Meadows Properties, L.P. and the Former RDA entered into additional agreements that added 35 more restricted apartments (bringing the total of 45 affordable units out of 225). These new units were covenanted as affordable housing for Very Low-, Low-, and Moderate-Income tenants for a second 30-year affordability period that commenced when the loan proceeds were disbursed to that owner later in 2000. The 2000 OPA and 2000 Covenants are referred to as the 2000 Agreements.

Below is a summary of the additional Affordable Units:

| Very Low Income 30% of 50% AMI | Low Income 30% of 60% AMI | Moderate Income 30% of 80 AMI |
|-----------------------------------|------------------------------|----------------------------------|
| Three 1-bedroom units | Fourteen 1-bedroom units | Five 2-bedroom units |
| Two 2-bedroom units | Thirteen 2-bedroom units | Three 3-bedroom units |

In 2017, the Project sold again, and the current co-owners of the Project, Brixton NSE MV, LP and Brixton Plano TIC, LP (both Delaware limited partnerships) (together, “Owner/Seller”) are in escrow to sell the Project to VA8 Elevate Towngate, LP, a California limited partnership (“Buyer”). Under both the 1995 Agreements and 2000 Agreements the sale requires the consent of the Housing Authority.

Typically, a sale of this type may be approved on behalf of the City or Housing Authority by the Executive Director or City Manager and does not require City Council Approval. However, this transaction requires substantive amendments to the 1995 Agreements that necessitates Board approval.

This sale is unique because it involves amendments that are not typical for similar transactions. In California all assisted housing developments with five or more affordable rental units are subject to complex procedural and noticing laws called the *Preservation Notice Law* (“PNL”). The original PNL was straightforward; but, has been amended over time. The State of California, Housing and Community Development (“HCD”) administers the PNL and has a division dedicated to PNL oversight, compliance, and enforcement. In September HCD issued a 60-page *Guide to Affordable Housing Preservation Laws* (<https://www.hcd.ca.gov/sites/default/files/docs/policy-and-research/guide-to-affordable-housing-preservation-laws.pdf>).

In December 2024, the Owner/Seller contacted Moreno Valley staff to request the City’s consent to the sale of the Project. The correct entity for consent is the Moreno Valley Housing Authority, as housing successor the Former RDA, which assumed all housing assets and functions when redevelopment dissolution occurred back in February 2012.

Staff, in consultation with special counsel, reviewed Agreements and, conducted an onsite inspection. Staff and counsel also contacted the California Department of Housing and Community Development (“HCD”) to inquire whether Owner/Seller had complied with the PNL requirements, including offering the Project for sale to qualified developers registered with State HCD (similar to Surplus Land Act) and noticing existing tenants and other stakeholders about the pending sale and expiring affordability period. It was found that the Owner failed to meet several PNL requirements, such as issuing necessary notices to prospective and current tenants, and to other relevant entities such as the Department of Housing and Urban Development (“HUD”), the California Department of Housing and Community Development (“HCD”), and the County of Riverside.

In April 2024, Owner/Seller did complete noticing to prospective affordable housing buyers. In order to remedy the PNL violation and provide a 3-year period for noticing of prospective tenants, Owner/Seller agreed to extend the 1995 Affordability Period until December 31, 2027. In late December 2024, Owner/Seller issued 3-year notices as reviewed and approved by HCD. HCD approved the extension and requested that the Moreno Valley Housing Authority, as beneficiary and party to the 1995 Agreements, formalize this and ensure the Owner and future buyers comply with the PNL regulations moving forward.

Special counsel, Celeste Brady with Stradling Yocca Carlson & Rauth LLP, worked cooperatively with Owner/Seller’s legal team to prepare the Elevate at Towngate Agreements.

ALTERNATIVES

1. Approve the three Elevate at Towngate Agreements and authorize the Housing Authority Executive Director to sign and implement them. **Staff recommends this**

alternative that will bring Owner/Seller into compliance with PNL and extend the affordable housing covenants for 10 of the 225 units until December 31, 2027.

2. Do not approve the Elevate at Towngate Agreements. **Staff does not recommend this alternative.**

FISCAL IMPACT

There is no fiscal impact to the Housing Authority (or City) as the Owner/Seller has agreed to reimburse MoVal for special counsel legal services incurred between December 2024 to March 2025 (through sale of the Project) from the proceeds of sale.

NOTIFICATION

The agenda for this regular meeting of the Housing Authority was duly noticed pursuant to the Brown Act and City policies, including posting of the agenda for this meeting.

PREPARATION OF STAFF REPORT

Prepared By:
Valeria Martin, Senior Management Analyst
Econ. Dev. & Housing Department

Department Head Approval:
Keith Gemmell
Acting Econ. Dev. & Housing Director

Concurred by: Brian Mohan
City Manager and HA Executive Director

CITY COUNCIL/HOUSING AUTHORITY GOALS

Continue oversight and preservation of affordable housing.

CITY COUNCIL GOALS

Community Image, Neighborhood Pride and Cleanliness: Promote a sense of community pride and foster an excellent image about our City by developing and executing programs which will result in quality development, enhanced neighborhood preservation efforts, including home rehabilitation and neighborhood restoration.

Positive Environment: Create a positive environment for the development of Moreno Valley's future.

CITY COUNCIL STRATEGIC PRIORITIES

1. Economic Development
2. Affordable Housing

3. Beautification, Community Engagement, and Quality of Life

Report Approval Details

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|----------------------|---|
| Document Title: | STAFFREPORT_EDH_ELEVATEATTOWNGATE.docx |
| Attachments: | - Exhibit A 1995 Owner Participation and Loan Agreement.pdf - Exhibit B 1995 Agreement Containing Covenants.pdf - Exhibit C Assignment and Assumption of Agreements.pdf |
| Final Approval Date: | Feb 26, 2025 |

This report and all of its attachments were approved and signed as outlined below:

No Signature - Task assigned to Keith Gemmell was completed by workflow administrator Patty Rodriguez

Keith Gemmell

Natalia Lopez

Launa Jimenez

Brian Mohan

Patty Rodriguez