

DATE: APRIL 15, 2002

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: APPROVAL OF LOAN AGREEMENT; COMMISSION FUNDING ASSISTANCE OF \$1,070,000 TO HERITAGE HOUSING PARTNERS TO PROVIDE AFFORDABLE OWNERSHIP HOUSING

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission take the following actions:

1. Approve the terms and provisions of the Loan Agreement between the Pasadena Community Development Commission ("Commission") and Housing Heritage Partners ("HHP"), pursuant to which the Commission shall provide loan assistance not exceeding \$1,070,000 to HHP for implementation of its Affordable Housing Acquisition and Rehabilitation Program ("Program");
2. Authorize and direct the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the Loan Agreement and any and all documents necessary to effectuate the terms and provisions of the Loan Agreement, and implementation of the Program;
3. Approve a journal voucher appropriating \$1,070,000 from the Commission's Fannie Mae American Communities Fund Credit Facility Loan Account (Account No. 810-684120-51204) to Heritage Housing Partners Account No. 810-684120-51320; and
4. Find and determine that the proposed Program activities under the Loan Agreement are categorically exempt under the California Environmental Quality Act ("CEQA") and, specifically, Sections 15601(b)(3) and 15301 of the State CEQA Guidelines, and authorize the Secretary of the Commission to file with the County Clerk a Notice of Exemption for the Program pursuant to State CEQA Guidelines.

ADVISORY BODY REVIEW

This action item was considered by the following advisory bodies:

Fair Oaks Project Area Committee -- The staff recommendations for the proposed Program and financing terms were reviewed and approved unanimously by the Fair Oaks Project Area Committee at its meeting on April 3, 2002.

Northwest Commission -- The staff recommendations for the proposed Program and financing terms were reviewed and approved unanimously by the Northwest Commission at its meeting on April 9, 2002.

4/15/2002
8.B.

Community Development Committee ("CDC") -- The staff recommendations were scheduled for action by the CDC at its April 11, 2002 meeting; however the meeting was canceled due to lack of quorum. The CDC's Housing Subcommittee reviewed this item at its March 7, 2002 meeting and no changes were suggested by the Housing Subcommittee to the proposed Program and financing terms.

BACKGROUND

On August 13, 2001, the Pasadena Community Development Commission ("Commission") approved conditional funding commitments totaling \$4,255,638 for the provision of affordable housing by 7 housing sponsors selected through a competitive Notice Of Funding Availability process. Among the sponsors approved for funding commitments was non-profit housing developer Heritage Housing Partners ("HHP"), with an allocation of \$1,070,000 from the Commission's Federal National Mortgage Association ("Fannie Mae") American Communities Fund Credit Facility Loan funds.

An Exclusive Negotiation Agreement ("ENA") was entered into between the Commission and HHP on November 7, 2001. Pursuant to the ENA, the two parties were provided a 180-day period within which to negotiate the terms and provisions of a Loan Agreement specifying the Commission's obligation to extend loan assistance and HHP's obligation to provide affordable ownership housing. On March 7, 2002, Commission staff and HHP reached concurrence on the Loan Agreement terms and provisions, a summary of which is contained in Exhibit "A".

Under the proposed Loan Agreement, the Commission shall make available up to \$1,070,000 in loan assistance to HHP for implementation of its Affordable Housing Acquisition and Rehabilitation Program (the "Program"). The Program shall acquire, renovate (or construct on a restricted basis) and re-sell properties as affordable ownership housing to low and moderate income families in Northwest Pasadena. This geographic objective is a funding condition required by Fannie Mae. The Commission funding obligation to HHP shall expire on December 31, 2005, by which date HHP has committed to develop a minimum of 15 housing units.

Commission funds shall be made available on a project-by-project basis. HHP shall submit to the City's Planning and Development Department for review and approval a thorough and detailed funding proposal for each project, including any and all supporting documentation (e.g., purchase agreement, appraisal report, project sources and uses budgets, architectural plans, financing commitments, and construction contracts) as may be required to assess the project's cost appropriateness, affordability, and level of Commission financial assistance required. The Commission's assistance shall be in the form of a first trust deed loan secured by the project property. The loan will have a 1-year term, bearing simple fixed interest at the rate of 5.25%. The accrued interest shall be waived upon satisfactory completion of the project. Similar to the financial structuring of other Commission-assisted affordable ownership housing developments, a portion of the Commission loan principal will, upon project completion and resale, be recast as purchase financing assistance to the low or moderate income buyer so that the home purchase is affordable. This purchase financing will be in the form of a second trust deed loan not exceeding \$71,300 per loan (a limited portion of which may be granted in order to meet state affordable housing cost requirements for low and moderate income families), underwritten in accordance with the guidelines of the Commission's Homeownership Opportunities Program ("HOP"). Borrowers will repay the HOP loans by making amortized monthly payments over a 30-year term at an interest rate of 2.5% (low income loan) or 5.0% (moderate income loan).

HHP has established a successful track record of creating affordable ownership housing opportunities for families in Northwest Pasadena. Three years ago, the Commission contracted with HHP (Loan Agreement No. CDC-329) to undertake housing development activities similar to the ones in the proposed Program. Commission financial assistance totaling \$281,180 was made available. To date, HHP has acquired, renovated, and resold 3 homes to qualified families. Rehabilitation on the fourth home is 40% complete, and work on the fifth (and final) project under the contract will commence by this July.

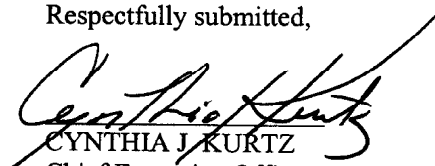
HOUSING IMPACT

Successful implementation of HHP's Program will result in the production of at least 15 affordable ownership housing units in the City for low and moderate income families. HHP's Program also serves a neighborhood revitalization function as the focus will be on acquiring and renovating properties on the market which are blighted or deteriorating. This affordable housing activity is consistent with the goals and objectives of the Commission's Implementation Plan 1999-2004, the Commission's Priority Work Program, the City of Pasadena's General Plan (Housing Element), and the Consolidated Plan 2000-2005.

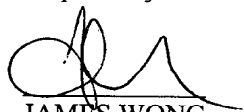
FISCAL IMPACT

Approval of the subject recommendation will result in the appropriation of \$1,070,000 from the Commission's Fannie Mae American Communities Fund Credit Facility Loan Account (Account No. 810-684120-51204), which has a current balance of \$5,500,000, to Heritage Housing Partners Account No. 810-684120-51320.

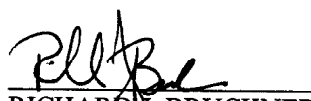
Respectfully submitted,


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HHPPCDC