

**DATE: APRIL 29, 2002**

**TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION**

**FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER**

**SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT (OPLA) BY AND BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION (COMMISSION) AND PASADENA VILLAGES, LP (PARTICIPANT) FOR THE ENHANCEMENTS/IMPROVEMENTS TO THE KINGS VILLAGES APARTMENTS AT 1141 N. FAIR OAKS AVENUE, PASADENA**

**RECOMMENDATION:**

It is recommended that the Pasadena Community Development Commission (“Commission”) take the following actions:

Adopt a resolution:

- A. Finding and determining that the project (“Project”) described in the proposed Owner Participation and Loan Agreement (“OPLA”) is categorically exempt under the California Environmental Quality Act (“CEQA”) and, specifically, under Section 15301 of the State CEQA Guidelines and authorizing the Secretary of the Commission to file with the County Clerk a Notice of Exemption for the Project pursuant to Section 15301 of the State CEQA Guidelines;
- B. Approving the terms and provisions of both the OPLA between the Commission and Participant including financial assistance in the amount of \$1,745,430 for rehabilitation and enhancements at Kings Villages Apartments;
- C. Authorizing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the OPLA and any all documents necessary to effectuate the terms and provisions of the OPLA;
- D. Approving a journal voucher appropriating \$1,745,430 from the Commission’s Fannie Mae American Communities Fund Credit Facility (Account No. 810-684120-51104) to Pasadena Villages, LP (Account No. Account No. 810-684120-51324).

**ACTION OF ADVISORY BOARDS:**

The subject recommendation was reviewed by the Community Development Committee (CDC) Housing Sub-committee on March 7, 2002, Fair Oaks Project Area Committee

(PAC) on April 3, 2002, Northwest Commission (NWC) on April 9, 2002 and CDC on April 25, 2002. The CDC Housing Sub-committee, PAC, and NWC recommended approval.

**EXECUTIVE SUMMARY:**

Approval of the Owner Participation Loan Agreement (“OPLA”) shall provide Commission assistance in the amount of \$1,745,430 from the Federal National Mortgage Association (“Fannie Mae”) American Communities Fund Credit Facility for rehabilitation and enhancements (the Project) of the Kings Villages Apartments (the Development), located at 1141 North Fair Oaks Avenue, Pasadena, California, Council District 3. The Commission assistance represents gap financing which supplements the \$35 million in funding previously obtained by the Participant for this Project. The Commission assistance shall be in the form of a residual receipts loan, at 5% interest with payments deferred for the first ten years. The loan repayments shall commence year 11 and equal 33% of the Development’s annual net cash flow until the total indebtedness (principal and accrued interest) is repaid. The loan has a 40-year maturity but it is anticipated that the outstanding Commission debt shall be repaid in approximately 23 years. A covenant will be recorded against the Development to assure continued affordability during the 40-year term.

**BACKGROUND:**

Pasadena Villages, LP (the Participant) is a California limited partnership consisting of Pasadena Villages, LLC, Northwest Pasadena Development Corporation and Related Capital Housing Partners. On October 30, 1998, the Participant entered into a Purchase and Sale Agreement with King’s Villages, Ltd. (Thomas Pottmeyer) for purchase of the Kings Village Apartments, which is situated within the Fair Oaks Avenue Redevelopment Project Area. At an estimated cost of \$35 million, the Participant proposed to acquire, rehabilitate and operate the 313 unit complex as affordable low-income housing. The Participant received an allocation of Low Income Housing Tax Credit Financing in the amount of \$10.5 million and Multifamily Housing Revenue Bonds in the amount of \$17.6 million in support of the transaction. The transaction provided for the continuation of Kings Villages, an “at risk” federally assisted housing development, which if not purchased by the Participant may have resulted in the lost of 313 affordable housing units presently available to low-income Pasadena residents.

Based on the Development’s location within the Fair Oaks Redevelopment Project Area and existing Commission covenants restricting the apartment rental to lower-income households, the Participant was required to obtain written approval of the transaction from the Commission. After a comprehensive review of Participant’s proposal by staff, the transaction was approved, however, the Participant was requested to provide additional enhancements for community facilities, public safety and the appearance of the Development.

On August 13, 2001, the Commission conditionally approved financial assistance from the Fannie Mae American Communities Fund Credit Facility in the amount of \$1.5 million to

Pasadena Villages for the requested enhancements. Staff was also authorized to enter into an Exclusive Negotiations Agreement (ENA) for preparation of an Owner Participation and Loan Agreement (OPLA). On March 27, 2002, staff and the Participant reached agreement on the terms and conditions of the OPLA, which are summarized in Exhibit A.

### **PROJECT CONCEPT:**

The Project consist of the rehabilitation and improvement of the Development for the purpose of providing 313 apartment-style housing units and related facilities for lower-income households in an urban setting. The Project provides for the rehabilitation of the Development as a multifamily residential complex with at grade parking in accordance with all pertinent development standards outlined in Title 17 of the Pasadena Municipal Code and the Fair Oaks Orange Grove Specific Plan. The Project shall enhance the neighborhood by ensuring the provision of quality affordable rental housing for lower-income households, promoting a successful integration of the Development with existing surrounding land uses, and creating a presence which generates vitality through generous landscape and public improvements.

The Development includes 313 residential dwelling units for lower-income households in a scheme which allows for low-rise and garden style apartment units. The 313 units consist of 6 floor plans. The floor plan for each dwelling unit shall contain either one, two, three or four bedrooms, a bathroom, living room, kitchen, and also a private balcony or patio. All units can be modified for handicapped accessibility and adaptability.

The Development also contains a 3,000 square foot two story office/community building at North Fair Oaks Avenue and Hammond Street to accommodate property management, recreational, social and civic events sponsored by the Developer, residents and community. Supportive services are permitted in the designated ground floor building areas.

Additionally, for the benefit and welfare of the residents, the Development provides a clubhouse/community room in the community building, play areas with recreational equipment (basketcourts, multiple tetherball courts, etc.) appropriately situated throughout the Development, and a swimming pool immediately adjacent to the community building.

The specific improvements funded by the Commission include: a) community building expansion, b) site lighting, c) wrought iron fencing, d) landscape improvements and enhancements, e) campus site descriptors, f) recreational areas, g) patio fences, h) new exterior doors, i) lighted building identification, j) window awnings and k) street improvements.

### **PROJECT FINANCING**

The total cost for the acquisition, rehabilitation and enhancements of the Development are \$37,659,033. The sources of project financing include Tax Credits - \$10.5 million; Multifamily Revenue Bonds - \$17.6 million; Participant Equity & Project Revenues - \$2.7 million; and Commission assistance - \$1.7 million.

The Commission assistance shall be in the form of a residual receipts loan, at 5% interest with payments deferred for the first ten years. The loan repayments shall commence year 11 and equal 33% of the Development's annual net cash flow or a minimum annual loan payment of \$101,000 until the total indebtedness (principal and accrued interest) is repaid. Similarly, if the Participant seeks to refinance the multifamily bonds 33% of all equity proceeds shall be assigned for repayment of the Commission debt. The loan has a 40-year maturity but it is anticipated that the outstanding Commission debt shall be repaid in approximately 23 years. A covenant will be recorded against the Development to assure continued affordability during the 40-year term.

The terms and conditions of the Commission financial assistance have been reviewed by Keyser Marston and Associates. KMA found the terms of the Commission assistance to be acceptable given the restrictions on rental income for low-income housing developments and the stipulated conditions of the state and federal funding.

**ENVIRONMENTAL FINDING:**

This project has been determined to be Categorically Exempt, Section 15301, under the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act of 1969, per 24 CFR 58.35(a), for protection of the environment.

**HOUSING IMPACT:**

Approval of the subject recommendation shall provide for the rehabilitation and enhancement of a 313 unit affordable housing complex for occupancy by lower-income households. 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 Fair Oaks Orange Grove Specific Plan), Northwest Pasadena Community Plan (Housing Element), and Five Year Consolidated Plan.

**FISCAL IMPACT:**


American Community Funds in the amount of \$6.5 million are currently available in Account (221-684110-51104) to fund this Project. Approval of the subject recommendation will decrease the account by \$1,745,430.

Respectfully submitted,



CYNTHIA J. KURTZ  
Chief Executive Officer

**Prepared by:**

  
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**GREGORY ROBINSON**  
Housing and Community Development  
Administrator

**Approved by:**

  
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**RICHARD BRUCKNER**  
Director, Planning & Development