DATE:

AUGUST 19, 2002

TO:

PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM:

CYNTHIA J. KURTZ

CHIEF EXECUTIVE OFFICER

SUBJECT:

APPROVAL TO SUBSTITUTE THE COMMITTED FANNIE MAE AMERICAN COMMUNITIES FUND CREDIT FACILITY LOAN PROGRAM FUNDS TO HOME PROGRAM FUNDS FOR THE **BEACON SENIOR HOUSING PROJECT ("PROJECT")**

LOCATED AT 1880-1900 N. FAIR OAKS AVE., PASADENA

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") take the following action:

- A. Approve a shift in project funding from committed Fannie Mae American Communities Fund Credit Facility Loan Program funds ("Fannie Mae") to HOME Program funds for the Beacon Senior Housing Project (\$500,000) approved by the Commission on May 20, 2002.
- B. Authorize the Chief Executive Officer of the Commission to execute subordination agreements to the U.S. Department of Housing & Urban Development's (HUD) first lien position and to the Los Angeles County Community Development Commission's (County) second lien position.

ADVISORY BODIES;

The project funding shift was reviewed by the Community Development Committee on August 1, 2002, with a recommendation for approval.

BACKGROUND:

Pursuant to the Commission's 2000 Notice of Funding Availability, the Project was awarded Fannie Mae funds for the new construction of an affordable senior housing complex. Shifting the funds to the HOME Program is a better utilization of funding resources because the HOME Program regulations stipulate that the target population must be 80% and below of median income. This Project is a 100% affordable housing project with all units to be rented to very-low-income senior citizens (50% of median income) which meets the HOME Program criteria. The result would be that additional Fannie Mae American Communities Fund Credit Facility Loan Program funds could be made available to other housing projects with mixed-income levels (80% to 140% of median income).

The Commission has been a recipient of HOME Investment Partnerships Act Program funds since 1992 through the United States Department of Housing and Urban Development ("HUD"). These funds are used to expand the supply of affordable housing for very low-income and low-income persons. Pursuant to HOME Program federal regulations, "any funds held on behalf of the Commission in the United States Treasury account that are not expended within five years after the execution of the HOME Program agreement between HUD and the Commission, are to be recaptured."

HOME Program funds in the amount of \$4,366,086 are currently available for FY'S 1998 through 2002. The Commission has budgeted these funds for a variety of housing activities including program administration, annual debt reduction on the Fannie Mae loan (\$558,000), collateral reserve for the Fannie Mae funds, the Housing Opportunities Program (second trust deeds to first time homebuyers), rental rehabilitation, new construction and tenant based rental assistance.

The HUD Section 202 loan of \$5,209,300 and the County loan of \$625,694 have been committed to the Project. However, final loan closings may not occur until the Fall of 2002. The Commission must continuously draw down HOME Program funds in order to meet the HOME Program federal regulation of drawing down funds within the five-year time limit. Therefore, the Commission's Deed of Trust may be in first position for a short period of time and would then need to be subordinated to the HUD and County loans when funded.

FISCAL IMPACT:

The Fannie Mae American Communities Fund Credit Facility Loan Program Account No. 810-684120-51321 for the Beacon Senior Housing Project will be reversed and charged to the Commission's HOME Program Rental Rehabilitation Account No. 221-684110-52301. The Fannie Mae account has a current balance of \$2,765,000 and will increase to \$3,265.000. The HOME Rental Rehabilitation Program account has a current balance of \$627,900 and will be decreased by \$500,000.

Respectfully submitted,

Chief Executive Officer

Prepared by:

Stella Lucero STELLA LUCERO
Project Planner

Approved by:

RICHARD J. BRUCKNER
Director, Planning and Development