

**DATE: JUNE 3, 2002**

**TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION**

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

**SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT AND MCKINNEY ACT SUPPORTIVE HOUSING PROGRAM SUB-RECIPIENT AGREEMENT BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION AND AFFORDABLE HOUSING SERVICES, INC. FOR SPECIAL NEEDS HOUSING PROJECT AT 1516 N. NAVARRO AVENUE**

**RECOMMENDATION:**

It is recommended that the Pasadena Community Development Commission ("Commission") adopt a resolution:

- A. Finding and determining that the project ("Project") described in the proposed Owner Participation and Loan Agreement ("OPLA") and McKinney Supportive Housing Program Sub-Recipient Agreement ("SRA") 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. Finding and determining that the use of Federal funds under the HOME Investment Partnership Program ("HOME Program") for the Project in accordance with the terms and provisions of the OPLA is categorically excluded from the National Environment Policy Act of 1969 and authorizing the Chief Executive Officer to make the appropriate certifications to the U. S. Department of Housing and Urban Development ("HUD") to effect the use of the HOME Program funds for the Project.
- C. Approving the terms and provisions of both the OPLA and SRA between the Commission and Affordable Housing Services, Inc. ("AHS"), including the provision of Commission financial assistance for the Project totaling \$401,750, consisting of a \$200,000 loan utilizing Commission HOME funds and a \$201,750 grant under the federal Stewart B. McKinney Homeless Assistance Act ("McKinney Act") Supportive Housing Program;
- D. Authorizing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the OPLA and SRA and any and all documents necessary to effectuate the terms and provisions of the OPLA and SRA; and

- E. Approving a journal voucher entry appropriating to the AHS Navarro House project: a) \$200,000 from the Commission's HOME Rental Rehabilitation Program account, and b) \$201,750 in McKinney Act Supportive Housing Program funds available to the Commission from the U. S. Department of Housing and Urban Development.

**ADVISORY BODIES:**

The proposed project and financing terms were reviewed and supported by the Housing Subcommittee of the Community Development Committee on March 7, 2002. The Northwest Commission considered the subject recommendation on April 9, 2002 and recommended approval. The Community Development Committee considered the subject recommendation on May 15, 2002 and recommended approval.

**EXECUTIVE SUMMARY:**

Pursuant to the proposed terms and provisions of the subject OPLA and SRA, the Commission shall provide \$200,000 in loan assistance and \$201,750 in grant assistance to Affordable Housing Services, Inc. ("AHS") for mortgage debt reduction, renovation, and operating costs in connection with an affordable rental housing project located at 1516 N. Navarro Avenue to serve six very low income persons with disabilities (the "Project").

**BACKGROUND:**

AHS is a non-profit, affordable housing sponsor established in 1993. It has managed a number of supportive housing projects including five sober living facilities varying in client capacity from 6 to 25 residents.

In 1994, AHS purchased the property located at 1516 N. Navarro Avenue ("Site"), within the RM-12 multi-family residential zone which allows two dwelling units per lot. The 15,200 square foot Site has 75 feet of frontage on Navarro Avenue with a depth of 200 feet. Situated at the rear of the Site is "Navarro House", a two-story, five-bedroom single-family home with a two-car garage. The Site has no other improvements with the exception of some raised planters at the front.

The Project as proposed will provide suitable housing accommodations and supportive services for six adults with disabilities and assist the transition of these persons with special housing needs into independent living. The McKinney Act Supportive Housing Program regulations restrict the number of persons residing at the Navarro House to no greater than six clients at one time.

**PROJECT COMPONENTS AND FINANCING:**

The Project is comprised of three components:

- i) Debt reduction;

- ii) Navarro House rehabilitation; and
- iii) Operating/supportive services subsidy.

To finance the Project components, the Commission shall provide a combination of loan and grant assistance totaling \$401,750:

- a) A **Commission Loan** in the amount of \$200,000 utilizing HOME Rental Rehabilitation Program (“HOME”) funds; and
- b) A **Commission Grant** in the amount of \$201,750 utilizing federal McKinney Act Supportive Housing Program (“SHP”) funds.

The proposed Project financing by Project component is summarized as follows:

<u>Project Component</u>	<u>Total Cost</u>	<u>Commission Loan (HOME)</u>	<u>Commission Grant (SHP)</u>	<u>AHS Contribution</u>
Debt Reduction	\$131,500	\$ 72,100	\$ 59,400	\$ 0
Navarro House Rehabilitation	150,400	127,900	12,500	10,000
Operating/Supp. Svc. Subsidy	<u>129,850</u>	<u>0</u>	<u>129,850</u>	<u>0</u>
Total	\$411,750	\$200,000	\$201,750	\$ 10,000

The \$200,000 Commission Loan bears interest at 2% per annum over a 30-year term, and shall be secured by a second trust deed recorded against the Project Site. Monthly payments on the Commission Loan shall be deferred for the first year. Thereafter, the amortized loan payment shall be \$773.00 per month until maturity. The \$201,750 Commission Grant is funded with federal McKinney Act SHP funds. This federal program has been providing local public agencies with grant funding for supportive services and operating expenses for over 20 years. It is anticipated that McKinney Act SHP funds will continue to be available in future years.

Keyser Marston Associates, Inc. (“KMA”) reviewed the Project Development cost and 30-year proforma of income and operating expenses and determined the terms and conditions of the proposed \$401,750 in Commission loan and grant assistance to be warranted. The present value (PV) of the projected repayment stream on the Commission Loan is \$79,000. Therefore, the Commission’s net cost or subsidy to the Project is \$322,750 (\$201,750 Commission Grant + \$200,000 Commission Loan - \$79,000 PV Commission Loan Repayment = \$322,750).

### **Debt Reduction**

Encumbering the Site are four trust deed loans that AHS borrowed for property acquisition and rehabilitation. The total outstanding balance on the four loans is \$219,000. As proposed in the OPLA and SRA, \$72,100 in Commission Loan funds plus \$59,400 in Commission Grant funds (totaling \$131,500) shall be utilized to pay down the outstanding balance. The first trust deed loan would remain on title with an outstanding balance of \$87,500 and the three junior loans would be retired.

### **Navarro House Rehabilitation**

When the Navarro House was moved to the Site in 1991 by the previous owner, it underwent moderate rehabilitation, including roof replacement. Although AHS performed repairs and maintenance to Navarro House in the years subsequent to its purchase of the property in 1994, the structure is in need of substantial renovation. Furthermore, Navarro House is not currently handicapped-accessible. To address this, the OPLA shall require that Navarro House renovation activities include the installation of: 1) roll-in shower in first floor bathroom; 2) wheelchair ramps at the front, side, and back of the residence; 3) enlarged doorways for wheelchair accessibility; 4) kitchen cabinets, appliances, and sink designed for wheelchair accessibility; and 5) a ramp and new door to downstairs bedroom. Other renovation items include new flooring and upper balcony enclosure; new treads and tile steps on interior staircase; new heater; new tile flooring in all rooms; landscaping and irrigation system; new gravel for parking area; and new windows to match existing windows and screens. AHS shall also provide furnishings including new bedroom furniture, sofa, chairs, television, fans for the bedrooms and common areas, window treatments, and yard maintenance equipment. The total renovation cost including related indirect expenses is \$150,400. As proposed in the OPLA and SRA, the sum of \$127,900 in Commission Loan funds, \$12,500 in Commission Grant funds, and a \$10,000 AHS contribution shall be utilized to finance the Navarro House renovation. AHS shall be required to complete renovation within six months of its receipt of Commission funds.

### **Operating and Supportive Services Subsidy**

Pursuant to the SRA, AHS is required to meet certain performance measures including arrangement with Eaton Canyon Foundation (designated supportive service provider) to provide assessment and case management services for each Navarro House resident, and to assist each resident in setting goals and developing skills needed to achieve clean, sober, independent living. Additionally, Navarro House residents are required to assist with property maintenance, attend an AIDS education program and other educational courses, and participate in the Navarro House tenant association. The projected rental income for the first three years of Navarro House operation is \$80,990. As proposed in the SRA, this income will be supplemented with Commission Grant funds totaling \$75,474 to cover operating expenses over the same period. In addition, Commission Grant funds totaling \$54,376 shall be available to pay for the direct client supportive services provided by Eaton Canyon Foundation during the first three-year period. In sum, \$129,850 in Commission Grant funds shall be made available to AHS for Project operations and supportive services.

**ENVIRONMENTAL FINDING:**

This project has been determined to be Categorically Exempt under Section 15301 of 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.

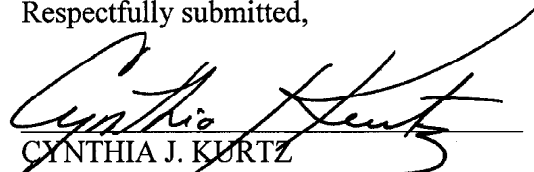
**HOUSING IMPACT:**

Approval of the subject recommendation shall provide for the debt reduction, renovation and operation of an affordable rental housing project for six very-low income adults with disabilities. This affordable housing activity is consistent with the goals and objectives of the Commission's Affordable Housing Plan 2000-2004, the Commission's Implementation Plan 1999-2004, the Commission's Priority Work Program, the City of Pasadena's General Plan (Housing Element), the Northwest Pasadena Community Plan (Housing Element), and the City's Five-Year Consolidated Plan 2000-2005.

**FISCAL IMPACT:**

The Commission's HOME Rental Rehabilitation Program (Account No. 221-684110-52301) has a current balance of \$362,800. Approval of the subject recommendation to fund the Commission Loan for the Project will decrease the account by \$200,000. Federal McKinney Act SHP funding for the proposed \$201,750 Commission Grant is available from the U.S. Department of Housing and Urban Development to the Commission as a "pass-through" local agency. The Commission's net cost or subsidy to the Project is \$322,750 (\$201,750 grant + \$200,000 loan - \$79,000 present value of anticipated loan repayment stream = \$322,750).


Respectfully submitted,

  
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*For*   
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Approved by:

  
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