

DATE: MAY 20, 2002

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION AND BEACON SENIOR HOUSING CORPORATION FOR THE CONSTRUCTION OF A 65-UNIT APARTMENT PROJECT AT 1880-1990 N. FAIR OAKS AVENUE FOR VERY-LOW-INCOME SENIOR CITIZENS

RECOMMENDATION:

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

1. Acknowledging that a Negative Declaration for the subject Project was approved by the City Council on February 28, 2000; and
2. Approving the terms and provisions of the Agreement between the Commission and Beacon Senior Housing Corporation ("BSH"), including the provision of Commission loan assistance for the Project in the amount of \$500,000 drawn from the Federal National Mortgage Association (Fannie Mae) American Communities Fund Credit Facility Loan program;
3. Authorizing and directing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the OPLA; and
4. Approving a journal voucher entry appropriating \$500,000 from the Fannie Mae American Communities Fund Credit Facility Loan program account (Account No. 221-684110-52307) to the Beacon Senior Housing Project.

EXECUTIVE SUMMARY:

Pursuant to the terms and provisions of the subject OPLA, Beacon Senior Housing Corporation ("BSH") will develop a 65-unit affordable housing development located at 1880-1990 N. Fair Oaks Avenue, in Council District 1, for rental to very-low income senior citizens over the age of 62 years (the "Project").

The total Project cost is \$6,334,994. Project development financing consists of a U. S. Department of Housing and Urban Development ("HUD") Section 202 program grant of \$5,209,300, a loan from the County of Los Angeles "City of Industry" program in the amount of \$625,694, and a loan from the Commission in the amount of \$500,000.

ADVISORY BODIES:

The subject recommendation was reviewed and approved by the Community Development Committee on May 9, 2002, and by the Northwest Commission on May 14, 2002.

BACKGROUND:

On August 13, 2001, the Commission conditionally approved financial assistance in the amount of \$500,000 to BSH. Subsequent to this action, BSH entered into an Exclusive Negotiation Agreement ("ENA") for preparation of an Owner Participation and Loan Agreement ("OPLA"). The terms and provisions of the OPLA govern the development and operations by BSH of the Project and the provision of Commission loan assistance in the amount of \$500,000 to be applied towards Project development costs. The Project will consist of 65 one-bedroom units, including a unit for the resident manager. Project amenities include a community room, television room, resident services room, an arts and crafts/activity room with computer substations, and a library.

On February 28, 2000, the City Council approved a General Plan Amendment and Zone Change for the Project site, changing the zoning from RM-16 to PS. In connection with this action, the City Council approved the Initial Environmental Study recommending a Negative Declaration for the Project indicating that the Project would not have a significant environmental impact. The City Council approval was conditioned upon the Project undergoing a conditional use permit process to establish an affordable senior housing use in a PS Zone. On August 29, 2001, Conditional Use Permit #3714 was approved for the Project by the Board of Zoning Appeals.

BSH's parent organization, Southern California Presbyterian Homes ("SCPH"), has provided housing and supportive services for seniors for over 40 years. The number of persons served has grown from 150 in its first year of operation to over 3,500 today. SCPH developments in 1997 include the Casa La Paloma in Glendale and Sycamore Terrace in Upland. Since that time, ten additional affordable facilities have opened in California including homes in Venice, south central Los Angeles (Watts), Norco and Glendale. All SCPH projects, including the proposed BSH Project, provide residents with Resident Service Coordinators who assist clients with access information regarding health care, Social Security, Medicare and Medi-Cal. They provide case management and counseling for residents needing help with homemaker chores and personal care.

PROJECT FINANCING:

The Project's total development cost is \$6,334,994. The major funding source for the construction of the Project is a \$5,209,300 capital grant under the federal HUD Section 202 program. A first lien deed of trust and Regulatory Agreement recorded against the Project site secure the HUD financing and ensures that the Project remains affordable to very-low income seniors for a 40-year term. BSH was also successful in securing a \$625,694 loan from the County of Los Angeles "City of Industry" program (City of Industry); this loan will be secured by a second trust deed. The HUD Section 202 and the City of Industry financing are scheduled for loan closing the first week of June 2002.

In accordance with the OPLA, the Commission shall provide Project development gap financing to BSH in the amount of \$500,000 in the form of a third trust deed loan (the "Commission Loan"). The Commission Loan shall be drawn from the Commission's Fannie Mae American Communities Credit Facility Fund Loan program account. The Commission Loan shall bear interest at 2% interest per annum over a 40-year term. Payments on the Commission Loan are due annually but only to the extent that Project net cash flow is available.

HUD has the authority to approve junior lienholder documents and requires them to use residual receipt notes. Both the Commission and County of Los Angeles loans are secured by residual

At the end of the 40-year term, the outstanding balance on the Commission Loan (principal plus accrued interest) will be due and payable in full. If BSH is unable to repay the Commission Loan at maturity, the Commission may extend the maturity date and the affordability restrictions by an additional 20 years with the same terms.

The terms and conditions of the proposed Commission financial assistance were reviewed by Keyser Marston Associates Inc. ("KMA"), and were found to be acceptable. Given the very-low income rent levels mandated by the federal HUD Section 202 program, the Project is not expected to generate annual net income. Consequently, the present value of the projected repayment stream on the Commission Loan is zero (\$0), resulting in a Commission net cost or subsidy to the Project in the amount of \$500,000.

In addition to the capital grant, the HUD Section 202 program provides an operating subsidy to ensure the feasibility of the Project and the affordability of the units to very-low income seniors. The subsidy is provided as an annual payment during the first five years of Project operation and is subject to five-year renewals thereafter.


HOUSING IMPACT:

Approval of the recommendation shall result in the construction of a 65-unit apartment building for seniors with very-low income. The Project represents the Commission's ongoing efforts to provide affordable housing for the special needs population. 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:

Fannie Mae American Communities Fund Credit Facility Loan program funds in the amount of \$500,000 are currently available in Commission Account No. 221-684110-52307 to fund the Commission Loan for the Project.


Respectfully submitted,


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