

DATE: SEPTEMBER 8, 2003

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: AUTHORIZATION TO ENTER INTO AN EXCLUSIVE NEGOTIATION AGREEMENT AND PREDEVELOPMENT LOAN AGREEMENT WITH HERITAGE HOUSING PARTNERS FOR THE FAIR OAKS COURT DEVELOPMENT

RECOMMENDATION

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

1. Approve the terms and conditions of an Exclusive Negotiation Agreement (ENA) with Heritage Housing Partners (HHP) for the Fair Oaks Court Development,
2. Approve a Predevelopment Loan Agreement with Heritage Housing Partners (HHP) in the amount of \$50,000 for predevelopment expenses associated with the implementation of the Fair Oaks Court Development, and
3. Approve a journal voucher transferring \$50,000 from the Housing Opportunity Fund (Low and Moderate Income Housing Trust Funds) to budget account 810-684120-51330 for predevelopment expenses for the Fair Oaks Court Development.

ADVISORY BODIES

On July 8, 2003 the Northwest Commission (NWC) considered and recommended that the Community Development Commission approve the recommendations with conditions. The NWC requested that tenants should be encouraged to become homeowners in the development or appropriately compensated for their relocation. The NWC also emphasized providing an increased number of homes for very low and low-income households in the development. Seven homes were proposed by HHP for low-income households. The NWC also requested that staff provide a transcript of the entire proceedings.

On July 9, 2003 the Fair Oaks Project Area Committee (PAC) reviewed the staff recommendation. The PAC recommended approval of the ENA and the Predevelopment Loan Agreement to the Community Development Commission. The PAC also specifically requested that thirty days after execution of the ENA a summary of the proposed financing for the development be provided for their comments and none of the currently viable proposed projects awaiting city assistance be jeopardized.

On August 28, 2003 the Community Development Committee (CDC) reviewed staff recommendation. Existing residents of the subject property, neighborhood interest groups and area residents provided comments supporting the proposed revitalization of the property but

expressed special concern regarding the potential displacement of the existing residents. There were also concerns expressed regarding the process and priority for the allocation of City/Commission affordable housing resources. The CDC's thoroughly reviewed the public comments as well as the merits of the Developer's proposal including potential project cost, relocation implications, homeownership versus rental and/or mixed-use, compliance with existing plans, zoning, and design standards, Developer's capacity, etc. Following an extensive discussion the CDC recommended approval of the staff recommendation with the following conditions: 1) Developer explore the potential for a mixed-used development including office, retail or live-work, and both ownership and rental residential uses, 2) Developer provide a higher density for the on-site residential component, 3) Developer provide a viable relocation plan for the existing residents that minimizes the displacement, provides ownership opportunities and ensures the affected households will remain residents of Pasadena.

EXECUTIVE SUMMARY

Heritage Housing Partners (HHP) is a local non-profit affordable housing developer focused on producing homeownership opportunities for low and moderate-income households. Their primary mission is to acquire distressed and historic properties and rehabilitate or construct dwelling units for safe, sanitary and affordable occupancy/ownership by low and moderate-income households. HHP is proposing to acquire a 1.76 acre site for the provision of twenty-four affordable ownership housing units. The site is currently improved with sixteen existing rental dwelling units (detached single family houses) in need of significant repair. HHP has proposed redevelopment of the site including the rehabilitation of twelve existing houses, demolition of four houses and construction of twelve new dwelling units within two buildings. Twenty-four newly constructed and/or rehabilitated units were originally proposed for development and sold to low and moderate-income families. However, following comments received from the advisory bodies HHP has expressed the willingness to undertake a denser mixed-use development of the site. HHP has requested PCDC financial assistance for predevelopment, site acquisition, relocation and construction costs associated with the Fair Oaks Court Development.

BACKGROUND

The proposed Fair Oaks Court Development is located at the southeast corner of North Fair Oaks Avenue and Peoria Street within the Villa Parke Redevelopment Project Area and Fair Oaks/Orange Grove Specific Plan. The site consists of 1.76 acres currently in residential use as sixteen rental homes. HHP has negotiated purchase of the site for approximately \$2.55 million. HHP initially proposed the retention/rehabilitation of twelve existing houses and the demolition of four badly deteriorated houses to allow the construction of twelve new dwelling units within two buildings. The twelve remaining houses will undergo extensive rehabilitation to preserve the existing housing stock. The new dwelling units will be designed in keeping with the immediate neighborhood character in an effort to retain the Craftsman architectural style of the area. The proposed development would increase the affordable ownership housing stock for Pasadena by twenty-four units. It is intended that the proposed negotiated Owner Participation and Loan Agreement (OPLA) with HHP will provide a requirement that tenants be offered the opportunity to purchase a house with assistance through available public/private homeownership resources (i.e., down payment assistance, first time home buyers loans, etc.).

HHP has partnered with the PCDC to complete four residential homeownership units. Presently, three more units are targeted for rehabilitation with twelve more scheduled during the next three years. The Fair Oaks Court Development proposal represents a continuation of HHP efforts for the rehabilitation and new construction of affordable housing designed to: 1) preserve the existing housing stock, 2) remove blighting neighborhood conditions and 3) provide ownership opportunities for low to moderate income households.

EXCLUSIVE NEGOTIATIONS AGREEMENT AND PREDEVELOPMENT LOAN AGREEMENT

As proposed, the Pasadena Community Development Commission (PCDC) will enter into an Exclusive Negotiation Agreement (ENA) and Predevelopment Agreement with HHP for negotiations and predevelopment cost associated with the construction of the Fair Oaks Court Development. During the negotiation period, the PCDC and HHP (parties) will negotiate the terms and conditions of an Owner Participation and Loan Agreement (OPLA) governing the responsibilities of each party concerning the construction and financing of the proposed project. The key terms and conditions of the ENA are:

- 1) Negotiating Period - 120-day exclusive negotiation period.
- 2) Proposed Development - Review of the proposed development to determine consistency and appropriateness with design and development standards, affordable housing goals of City of Pasadena Comprehensive General Plan, the Housing Element of the General Plan of the City of Pasadena, Zoning Code, and PCDC's Implementation Plan.
- 3) Financing - Determination of the proposed cost for rehabilitation/construction and relocation, necessary of the development and method of financing (including construction/permanent financing, PCDC & City assistance and the amount/sources of equity, etc.)
- 4) Roles - Responsibilities of the parties to negotiate exclusively for the development of the Site for the uses described, including environmental review, site(s) assemblage requirements, appraisals, title reports and any action that may be required to effectuate the OPLA.

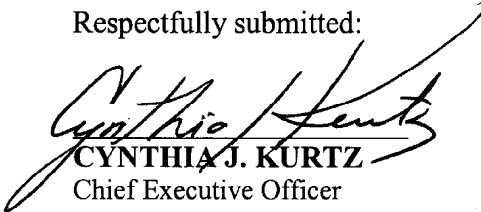
Similarly, the terms and conditions of the Predevelopment Loan Agreement will provide a fifty thousand dollar deferred loan at 3%, for five years, for eligible predevelopment costs (appraisals, surveys, environmental, acquisition, legal, market study, etc.) associated with implementation of the Fair Oaks Court Development.

FISCAL IMPACT

Approval of the recommendation will authorize PCDC's expenditure of \$50,000 for eligible predevelopment cost incurred by HHP for the implementation of the Fair Oaks Court Development. These funds would be drawn from the PCDC's Housing Opportunities Fund, which has a current unencumbered balance of \$4,351,788. The PCDC loan to HHP will have a

term of five years at 3% interest with deferred payment and secured by a promissory note. However, should the ENA negotiations with HHP result in approval of the terms and conditions of an OPLA for the project, it is anticipated that the predevelopment loan will be included in the terms of any additional PCDC financial assistance for the Development.


Respectfully submitted:


CYNTHIA J. KURTZ
Chief Executive Officer

Prepared by:


KERMIT E. MAHAN
Project Manager

Reviewed by:


GREGORY ROBINSON
Housing & Community
Development Administrator

Approved by:


RICHARD J. BRUCKNER
Director, Planning & Development