

**DATE:** JUNE 21, 2004

**TO:** PASADENA COMMUNITY DEVELOPMENT COMMISSION

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

**SUBJECT:** APPROVAL OF OWNER PARTICIPATION AND HOME LOAN AGREEMENT WITH NEW REVELATION MISSIONARY BAPTIST CHURCH FOR THE REHABILITATION OF 4-UNIT AFFORDABLE RENTAL HOUSING PROJECT AT 877 N. ORANGE GROVE BOULEVARD, PASADENA

**RECOMMENDATION:**

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

- A. Acknowledge that the rehabilitation of the existing rental dwelling units at 877 N. Orange Grove Blvd. (the "Project") has been determined to be categorically exempt under Class 3 of the California Environmental Quality Act ("CEQA"), and specifically, Section 15303 of the State CEQA Guidelines; and
- B. Approve the key terms and provisions of the Owner Participation and HOME Loan Agreement (as summarized in Exhibit "A" of this report) between the Commission and New Revelation Missionary Baptist Church for the rehabilitation and operation of a 4-unit affordable rental housing project at 877 N. Orange Grove Boulevard;
- C. Authorize the Chief Executive Officer to execute, and the Secretary to attest, the Owner Participation and HOME Loan Agreement and related documents; and
- D. Approve a journal voucher transferring \$300,000 from the HOME Rental Rehabilitation Program (Account No. 221-68110-66-52315) for the Project.

**ADVISORY BODIES**

The Fair Oaks Project Area Committee and the Northwest Commission considered this item at their respective meetings on June 3, 2003 and June 8, 2004 and recommended that the Pasadena Community Development Commission ("Commission") approve the key terms and provisions of the Owner Participation and HOME Loan Agreement ("OPLA") with New Revelation Missionary Baptist Church ("Owner").

The Community Development Committee at its regular meeting on June 10, 2004 unanimously recommended that the Commission approve the staff recommendations with certain modifications to the business points. These modifications have been incorporated into the recommended OPLA key terms.

## **BACKGROUND**

In January, 2003, the Owner requested financial assistance from the City to rehabilitate a 4-unit apartment building on property owned by the church at 877 N. Orange Grove Boulevard (the "Property"), which is located within the Fair Oaks/Orange Grove Specific Plan area and the Downtown Redevelopment Project Area. The building includes a carport with three parking spaces. Each unit contains one bedroom. Only one unit is occupied, rented to a property manager. The other three units have been unoccupied for three years and need extensive rehabilitation.

Staff is recommending that the Commission enter into an OPLA with the Owner for the rehabilitation of the Property by the Owner and provision of financial assistance by the Commission. The key terms of the OPLA and the scope of the renovation are summarized in Exhibit "A".

## **PROJECT CONCEPT**

The proposed scope of work for the renovation of the 4-unit apartment building (the "Project") include: 1) the new construction of a second bedroom for two of the units; 2) exterior and interior painting of all units; 3) new plumbing fixtures for all units (tubs, toilets, sinks with vanities); 4) new kitchen cabinets, countertops, sinks, garbage disposals, stoves, and refrigerators; 5) new front doors with deadbolt locks; 6) new electrical wiring; 7) new HVAC in all units; 8) new carpeting and linoleum in all units; 9) new screens for windows, screen doors, crawl areas; 10) repair of broken steps on staircase to second floor; resurfacing of second floor landing; 11) stuccoing balcony and stairway railings for safety; 12) installation of new roof; 13) installation of 4 ft. wrought-iron fence at front of property with gates and 6 ft. wooden fence at right side of property (Manzanita St.) plus a gate to parking area on Manzanita St. entrance; 14) new 75 gallon water heater; 15) installation of new plumbing lines to all units; 16) installation of new cement slab at east side of property to provide new patio area; 17) installation of low block walls at front of downstairs units providing small patio areas for each unit; 18) installation of low-maintenance shrubs, and bushes; and 19) demolition of the existing 3-car carport on the Property and construction of a new 8-car carport on the adjacent parcel north of the Property (also owned by the church).

The Project has been determined to be categorically exempt under Class 3 of the State California Environmental Quality Act ("CEQA"), and specifically, under Section 15303 of the State CEQA Guidelines.

## **COMMISSION FINANCING TERMS; LOCAL HIRING; OTHER OPLA PROVISIONS**

The Project's total rehabilitation cost is \$300,000 towards which the Commission will provide loan assistance in the amount of \$300,000. The loan will bear interest at the rate of 2% and have a term of 45 years (the "Commission Loan"). Amortized payments on the Commission Loan in the amount of \$876.19 per month will be required commencing on the first day of the third month following project completion.

The Commission Loan will be secured by a first deed of trust against the property. The subject property and five other properties owned by the church collateralize a loan in the

amount of \$2,100,000 made by the Christian Community Credit Union. The credit union has agreed to subordinate its trust deed encumbrance on the subject Property to Commission's first trust deed. This would mitigate the risk to Commission.

The Project will be assisted under Commission's Rental Rehabilitation Program, utilizing federal HOME Investment Partnership (HOME) funds. The amount of Commission financial assistance proposed for the Project, \$300,000 or \$75,000 per unit, is substantially below the allowable federal HOME Program per unit subsidy limit of \$124,438 for a one-bedroom unit and \$151,318 for a two-bedroom unit. An Agreement Containing Covenants will be recorded against the Property requiring, among other things, that the occupancy of the four rental units be restricted to very low and low income households (households at or below 60% of area median income) at affordable rents for a 55-year term. The Project economics and the terms of the Commission financial assistance were reviewed by Keyser Marston Associates Inc. (KMA).

Owner will be required to enter into a First Source Agreement with the Commission pursuant to which Owner shall take all necessary steps to make employment opportunities in the Project available to local residents and those engaged in business in the City of Pasadena, and shall accord them such preference for such opportunities. Additionally, Owner will be required to: 1) complete the Project in accordance with the scope of work and within the schedule of performance set forth in the OPLA; 2) operate the Project in accordance with a Commission-approved property management plan which will include an annual property inspection by the Commission; and 4) meet all applicable City insurance and indemnification requirements, equal opportunity in contracting policies, and federal HOME funding regulations. Other OPLA key provisions are summarized in Exhibit "A".

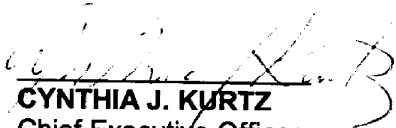
### **HOUSING IMPACT**

Approval of the subject recommendation will provide the opportunity for the Commission to participate in the rehabilitation of four affordable rental units for occupancy by low and very low income households. The proposed Project is consistent with the goals and objectives of the Commission's Five-Year Implementation Plan (1999-2004), the Five-Year Consolidated Plan (2000-2005), the General Plan Housing Element, the Commission's Priority Work Program, and the Housing Element of the Northwest Pasadena Community Plan.

### **FISCAL IMPACT**

Approval of the subject recommendation will authorize the Commission's expenditure of up to \$300,000 for the Project. There are sufficient funds in the Commission's HOME Rental Housing Rehabilitation Program (Account No. 221-684110-66-52315) for this expenditure.

Respectfully submitted,

  
**CYNTHIA J. KURTZ**  
Chief Executive Officer


Prepared By:

  
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