

Agenda Report

December 13, 2010

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

THROUGH: ECONOMIC DEVELOPMENT AND TECHNOLOGY COMMITTEE
(December 8, 2010)

FROM: HOUSING DEPARTMENT

SUBJECT: RESERVATION OF MAXIMUM FUNDING SUBSIDY FOR HERITAGE
SQUARE AFFORDABLE SENIOR HOUSING DEVELOPMENT

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") reserve housing funds in an amount not to exceed \$4,000,000 to assist the proposed development of the Heritage Square site with an affordable rental housing complex of approximately 70 units for very low income senior citizens. This action does not commit the Commission to approve a project or expend funds.

BACKGROUND:

The Heritage Square development site is owned by the Commission and totals approximately 2.88 acres (123,100 square feet). It is bounded by Fair Oaks Avenue, Orange Grove Boulevard, Wheeler Lane, and Painter Street. As proposed, the northern half of the Heritage Square site (approximately 1.44 acres) will be dedicated for the development of a 70-unit senior housing project at affordable rents for very low income senior citizens. The land value attributed to the residential portion of the Heritage Square site is estimated at approximately \$5 million. The land will be long-term leased to the developer of the project at \$1 per year.

The basic parameters of the Request For Proposals ("RFP") and developer selection process have been developed by the Heritage Square RFP Working Group and the community. The most recent community meeting occurred on October 14, 2010. Housing staff presented an overview of the draft RFP to the Economic Development and Technology Committee at its regular meeting of November 3, 2010.

COMMISSION SUBSIDY:

The RFP contemplates primary and secondary project financing scenarios, each of which would require a Commission subsidy consisting of: a) the contribution of the land value attributed to the residential portion of the site (\$5 million); and b) a direct funding subsidy. When the Commission acquired the site in 2004 it was deemed that a subsidy consisting only of the land value would be sufficient to develop the site. Since that time however, because of changes in market conditions, an additional contribution of funds is necessary to make the proposed project economically feasible.

The primary financing scenario involves federal funding under the HUD 202 program and 4% tax credits through the State with bond financing. Of the various project financing scenarios evaluated by the Working Group, this scenario involves the lowest amount of Commission subsidy. Under this financing scenario, the Commission's subsidy would consist of the land value (\$5 million) plus a direct funding subsidy in the amount of up to \$1.5 million. The Commission's total subsidy would be up to \$6.5 million or \$92,857 per dwelling unit.

If the selected developer is unable to obtain project financing under the primary scenario, a secondary, back-up scenario involves 9% low income housing tax credits allocated by the State. Under this financing scenario, the Commission's subsidy would consist of the land value (\$5 million) plus a direct funding subsidy in the amount of up to \$4.0 million, subject to availability of funds. The Commission's total subsidy would be up to \$9.0 million or \$128,571 per dwelling unit

The amounts of the direct funding subsidy proposed under each scenario were derived from an evaluation of a number of recent senior rental housing developments in Southern California that utilized either HUD 202 plus 4% tax credits or 9% tax credits as the main financing sources. Under either financing structure, the selected developer will also be required to seek funding from other sources including the County of Los Angeles Industry program and the Federal Home Loan Bank Affordable Housing Program.

The Housing Department has performed a multi-year (2011 – 2015) projection of housing funds that are expected to be available to assist affordable housing projects, after accounting for administrative expenses, debt service obligations, and costs to maintain ongoing housing programs. As shown in the attached table (Exhibit "A"), there would be adequate housing funds to provide a direct subsidy in the amount of \$2 million under the HUD 202 financing scenario and a \$4.5 million direct subsidy under the 9% tax credits scenario. An amount of \$1.5 million is currently available in the Housing Department's FY 2011 budget and the additional \$2.5 million amount, if needed, would be available by FY 2014. The latter amount is predicated on the issuance of a housing bond that is estimated to generate proceeds in the amount of \$20 million. These funds would be required to be used to subsidize the development or preservation of affordable housing. The Heritage Square direct subsidy would require up to \$2.5 million of the bond proceeds. Based on the current estimated timeframe for the Heritage Square RFP developer selection process, and program funding cycles (HUD 202 and 9% tax

credits) the City's \$1.5 million allocation would be budgeted for the project in FY 2012 and the additional \$2.5 million, if needed, in FY 2014.


COUNCIL POLICY CONSIDERATION:

This proposed action supports the City Council Strategic Planning Three-Year Goals, specifically in the areas of improving, maintaining and enhancing public facilities and infrastructure, supporting the quality of life and the local economy, and maintaining fiscal responsibility and stability.

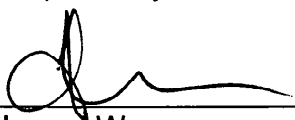
FISCAL IMPACT:

Approval of the subject recommendation will enable the Housing Department to plan for, in its multi-year budget projections, a funding subsidy amount not to exceed \$4.0 million for the Heritage Square senior housing project. A recommendation on the funding subsidy amount and budget authorization for the Heritage Square residential development will be brought to the Commission in conjunction with a request for approval of a development and loan agreement with the selected developer. Accordingly, the subject recommendation will have no immediate impact on the Commission's housing funds or the City's general funds. As shown in Exhibit "A", there will be \$1,979,801 left to provide affordable housing assistance after the \$1.5 million commitment for Heritage Square in FY 2012 and commitments to the projects in affordable housing development pipeline in FY 2011, and \$20,729,024 after the additional \$2.5 million commitment in FY 2014.

Respectfully submitted,


for William K. Huang
Housing Director

Prepared by:


James Wong
Senior Project Manager

Approved by:

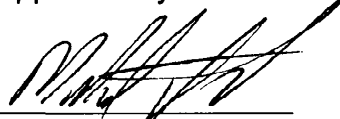

MICHAEL J. BECK
City Manager

EXHIBIT "A" -- HOUSING FUNDS AVAILABLE FOR PROJECTS - FY 2011 THROUGH FY 2015

	# Affordable Units	150	20	Boadway	Parke St.	Nehemiah	Heritage Sq	Mohawk	Herkimer	Douglas Oaks	Fund Balance
				20	8	6	70	18	4	24	
FY 2011											
State Local Housing Trust Fund		\$1,900,000	\$1,300,000	\$0	\$0	\$0	\$0	\$600,000	\$0	\$0	\$0
Tax Increment Housing Set-Aside Fund		\$3,854,859	\$0	\$250,000	\$0	\$0	\$1,100,000	\$1,401,971	\$0	\$1,000,000	\$102,888
Inclusionary Housing Fund		\$3,268,867	\$1,300,000	\$0	\$0	\$0	\$400,000	\$200,000	\$0	\$660,651	\$708,216
Calhome 2006 Allocation		\$440,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$440,000
Calhome 2008 Allocation		\$480,000	\$0	\$0	\$0	\$0	\$0	\$0	\$240,000	\$0	\$240,000
HOME Fund (non-CHDO)		\$423,618	\$0	\$0	\$0	\$0	\$0	\$0	\$410,000	\$0	\$13,618
HOME Fund (for CHDOs only)		\$583,046	\$0	\$0	\$0	\$0	\$0	\$389,255	\$0	\$193,791	\$0
Total		\$10,950,390	\$2,600,000	\$250,000	\$0	\$0	\$1,500,000	\$2,591,226	\$650,000	\$1,854,442	\$1,504,722
FY 2012											
Previous Year Fund Balance		\$824,722	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$824,722
Tax Increment Housing Set-Aside Fund		\$565,696	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$565,696
Inclusionary Housing Fund		\$208,216	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$208,216
HOME Fund (non-CHDO)		\$187,376	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$187,376
HOME Fund (for CHDOs only)		\$193,791	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$193,791
Total		\$1,979,801	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,979,801
FY 2013											
Previous Year Fund Balance		\$1,479,801	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,479,801
Tax Increment Housing Set-Aside Fund		\$570,457	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$570,457
Inclusionary Housing Fund		\$208,216	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$208,216
HOME Fund (non-CHDO)		\$187,376	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$187,376
HOME Fund (for CHDOs only)		\$193,791	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$193,791
Total		\$2,639,641	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,639,641
FY 2014											
Previous Year Fund Balance		\$2,639,641	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,639,641
Housing Bond Proceeds		\$20,000,000	\$0	\$0	\$0	\$0	\$2,500,000	\$0	\$0	\$0	\$17,500,000
Inclusionary Housing Fund		\$208,216	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$208,216
HOME Fund (non-CHDO)		\$187,376	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$187,376
HOME Fund (for CHDOs only)		\$193,791	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$193,791
Total		\$23,229,024	\$0	\$0	\$0	\$0	\$2,500,000	\$0	\$0	\$0	\$20,729,024
FY 2015											
Previous Year Fund Balance		\$20,729,024	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,729,024
Inclusionary Housing Fund		\$208,216	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$208,216
HOME Fund (non-CHDO)		\$187,376	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$187,376
HOME Fund (for CHDOs only)		\$193,791	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$193,791
Total		\$21,318,407	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,318,407
PROJECT FUNDING TOTALS		\$60,117,263	\$2,600,000	\$250,000	\$0	\$0	\$4,000,000	\$2,591,226	\$650,000	\$1,854,442	\$48,171,595