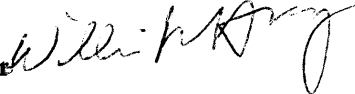


OFFICE OF THE MAYOR

November 3, 2011

TO: City Council

FROM: William K. Huang, Housing Director 

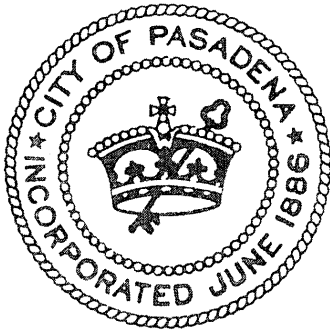
RE: Approval of Key Business Terms of Development And Lease Agreement with BRIDGE Housing Corporation for the Development of the Heritage Square Affordable Senior Rental Housing Project at 750-790 N. Fair Oaks Avenue

At the November 2, 2011 meeting of the Economic Development and Technology Committee, staff was requested to provide clarification on the provision of Section 8 project-based rental subsidies for 16 of the 70 dwelling units at the Heritage Square senior housing project to be developed by BRIDGE Housing Corporation pursuant to the proposed Development and Lease Agreement. Specifically, staff was asked whether the City could award the project-based vouchers directly to the project rather than undertake a future competitive process.

The Pasadena Community Development Commission ("PCDC"), as a housing authority, administers the federal "Section 8" Housing Choice Voucher Program which provides rent subsidies to assist very low income households. The PCDC's Section 8 program has federal budget authority for a total allocation of 1,417 vouchers. Most of these vouchers are issued directly to qualified tenant households from the program's waiting list. However, federal regulations also allow housing authorities to allocate up to 20% of their total allocation as "project-based" rental assistance vouchers. Accordingly, Pasadena may allocate up to 283 project-based vouchers. To date, the City has allocated 201 of these vouchers to projects such as Centennial Place and Hudson Oaks.

Federal regulations require that such allocations be done only through a publically-noticed competitive process. Consequently, the City cannot directly award project-based vouchers to the Heritage Square Project. Nevertheless, the Housing Department anticipates that it will issue a Request For Proposals during the third quarter of FY 2012 through which BRIDGE Housing and other developers of new affordable rental projects serving very low income households may apply for project-based voucher assistance. It is staff's expectation that BRIDGE Housing will be successful in this process.

cc: Michael J. Beck, City Manager



Agenda Report

November 7, 2011

TO: Honorable Mayor and City Council

THROUGH: Economic Development & Technology Committee (November 2, 2011)

FROM: Housing Department

SUBJECT: APPROVAL OF KEY BUSINESS TERMS OF DEVELOPMENT AND LEASE AGREEMENT WITH BRIDGE HOUSING CORPORATION FOR THE DEVELOPMENT OF THE HERITAGE SQUARE AFFORDABLE SENIOR RENTAL HOUSING PROJECT AT 750-790 N. FAIR OAKS AVENUE

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Find that the proposed affordable senior rental housing project at 750-790 N. Fair Oaks Avenue (the "Project") is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15332; In-Fill Development Projects, and authorize the City Clerk to file with the County Clerk a Notice Of Exemption for the;
- 2) Approve certain key business terms, as described in this agenda report, for a Development And Lease Agreement (the "DLA") with BRIDGE Housing Corporation in connection with the proposed development of the Project; and
- 3) Authorize the City Manager to execute, and the City Clerk to attest, any documents necessary to implement the DLA.

ADVISORY BODY RECOMMENDATION:

The subject recommendation was approved by the Fair Oaks Project Area Committee at its regular meeting of October 25, 2011.

The subject recommendation was approved by the Community Development Committee ("CDC") at its regular meeting of October 27, 2011 with the following

amendments:

- a) Amend DLA Key Business Point #17 (Exhibit "A") to include the following sentence: "Prior to approval from the Housing Director, Developer shall submit a Local Benefit Plan to the Community Development Committee and Fair Oaks Project Area Committee as a working item."
- b) Amend DLA Key Business Point #18 to require the submittal of the monthly progress report on the Local Benefit Plan to the Community Development Committee.
- c) Amend DLA Key Business Point #24 to provide for approval of the Developer's Tenant Marketing and Selection Plan by the Community Development Committee in addition to the Housing Director.
- d) Amend DLA Key Business Point #29 to include the following sentence: "The Community Development Committee shall review any minor technical amendments made to the DLA prior to City Manager approval."
- e) "Provide an incentive to the Developer for meeting and/or exceeding the 20/20/20 Local Benefit Requirements."

Staff comments on the CDC amendments:

- a) Staff concurs that the CDC and Fair Oaks Project Area Committee should have the opportunity to review and comment on the draft Local Benefit Plan. Accordingly, staff will commit to transmitting the draft Plan to both advisory bodies prior to Housing Director approval.
- b) Staff concurs that progress on the Local Benefit Plan should be reported to the CDC on a monthly basis. Staff proposes to revise the second sentence of item #18 to read "During the Project's construction period, the Developer shall provide a monthly Local Benefit Plan progress report to the City Housing Director." Staff will commit to transmitting the progress report, as received from the Developer, to the CDC and the Fair Oaks Project Area Committee.
- c) Staff does not concur with this amendment to item #24. However, staff will commit to transmitting to the CDC the Developer's draft Tenant Marketing And Selection Plan for review and comment prior to Housing Director approval.
- d) Staff does not concur with the amendment to item #29 as the intent of the item is to easily resolve document typos and non-substantive technical corrections.
- e) Staff concurs that the Developer meeting or exceeding the 20/20/20 Local Benefits Requirements is in the best interest of the City. Staff will commit to identifying ways to incentivize the Developer to exceed these requirements without creating an additional fiscal impact to the City. Also, staff proposes to revise the second sentence of item #16 to read "The Developer shall be required

be required to achieve **at least** 20% local hiring, 20% local subcontracting, and 20% local purchasing (materials) requirements (Local Benefit Requirements)."

BACKGROUND:

At its regular meeting of September 12, 2011 the City Council unanimously approved a staff recommendation to enter into exclusive negotiations with BRIDGE Housing Corporation ("Developer") to negotiate the business points of a Development And Lease Agreement (the "DLA") for the development of the Heritage Square affordable senior rental housing project located at 750-790 N. Fair Oaks Avenue (the "Heritage Square Project" or "Project"). Accordingly, pursuant to Exclusive Negotiations Agreement No. 20,755, City Housing staff and Developer have negotiated the DLA key business points, which are set forth in Exhibit "A" of this agenda report. The DLA stipulates, among other things, ground lease terms and payments; a payment in-lieu of property taxes; and local benefit requirements and plan. In the staff agenda report for the above-mentioned City Council action of September 12, 2011, reference was made to a "Community Benefit Agreement". As a point of clarification, this is a term which pertains to a type of agreement between a developer and a community-based organization and is not enforceable by the local governmental jurisdiction which is a typically non-party in such an agreement. Although this term has been used interchangeably with "local benefit agreement" or "local benefit plan", it has been staff's intent that the local benefit requirements for the Developer be included as enforceable provisions of the DLA, and implemented in accordance with a local benefit plan. The Developer's draft local benefit plan will be presented for review and comment at a community meeting (scheduled on November 19, 2011; please see attached meeting flyer, Exhibit "B").

On November 10, 2011 the Developer will be submitting an application to the County of Los Angeles Community Development Commission to secure approximately \$2.25 million in "City of Industry" program funds for the Project. Without approval of the DLA key business points, the Developer will not be able to proceed with the funding application this year. At this time, it is not known if there will be a City of Industry funding round next year, given the uncertainty with redevelopment in the State.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Objectives.

ENVIRONMENTAL ANALYSIS:

The Project has been determined to be exempt from environmental review pursuant to the guidelines of the California Environmental Quality Act (Public Resources Code §21080(b)(9); Administrative Code, Title 14, Chapter 3, §15332, Class 32, In-Fill Development Projects). This exemption can be applied to projects that meet specific criteria: a) the project is consistent with the General Plan and Zoning Code provisions; b) the site is less than five acres and surrounded by urban uses; c) the site does not

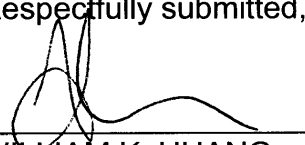
contain endangered habitat; d) the project would not result in significant air, noise, traffic or water impacts; and e) the site can adequately be served by public utilities.

The proposed Project is able to meet criteria a-e of the In-Fill exemption. Specifically, a traffic study and an air quality study were prepared which determined no significant impacts would result from the Project. The site can be served for water and utility needs and the residential use will not result in a significant noise impact.

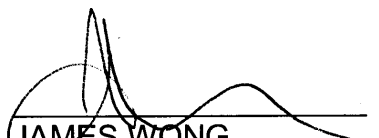
FISCAL IMPACT:

There is no anticipated fiscal impact on the current FY 2012 budget as a result of this action and there will be no indirect or support cost requirements that have not already been budgeted. The Developer's financing plan for the proposed Project does not require City Housing funding assistance. Should the Project be successfully developed and placed in service, the following fiscal impacts are anticipated: a) City General Fund revenue will increase in the annual amount of approximately \$50,000 from the Payment In-Lieu Of Taxes generated by the Project; and b) City Housing revenue will increase in the amount of approximately \$437,000 from a capitalized ground lease payment and ongoing nominal ground lease payments of \$1 annually. In this event, budget adjustments will be made at the appropriate time.

Respectfully submitted,


WILLIAM K. HUANG
Housing Director

Prepared by:


JAMES WONG
Senior Project Manager

Approved by:

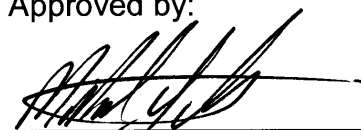

MICHAEL J. BECK
City Manager

EXHIBIT "A"

KEY BUSINESS POINTS of DEVELOPMENT AND LEASE AGREEMENT ("DLA") Between BRIDGE Housing Corp. and City of Pasadena

1. The Site is the 1.41 acre (61,475 sq. ft.) property located at 760 to 790 N. Fair Oaks Avenue, owned by the City of Pasadena ("City").
2. The Project entails the proposed development on the Site of a 70-unit rental housing complex as more particularly described in the DLA Scope of Development. The Project dwelling units shall be restricted at affordable rents for very low income seniors aged 62 years or older.
3. The Developer is BRIDGE Housing Corporation, a non-profit public benefit California corporation based in San Francisco.
4. The Developer shall not assign all or any part of the DLA or the Site without the prior consent of the City.
5. There shall be no change in the ownership, management, or control of the Developer without the prior written consent of the City. It is contemplated that Developer will create a single-purpose limited partnership in which the Developer will be the general partner for the purpose of syndicating tax credits and undertaking the ownership, development, and management of the Project, in which case City consent shall not be unreasonably denied.
6. The City shall ground lease the Site to the Developer by means of a Ground Lease Agreement. The Ground Lease term shall extend 55 years from the Certificate of Occupancy issuance date. The Developer shall make ground lease payments to the City consisting of: a) a capitalized ground lease payment in the amount of approximately \$437,000 due upon closing date of Project construction financing; and b) annual ground lease payments in the amount of \$1.00. The ground lease shall be subject to termination provisions in the event of non-performance by the Developer under the Ground Lease Agreement or the DLA.
7. The total development cost for the Project is approximately \$20,922,321.
8. The Developer's financing plan proposes to secure the following funding sources:
 - a) HUD 202 Capital Advance financing for 53 restricted units;
 - b) Los Angeles County Innovation Fund for predevelopment funds (trust deed loan secured by Project Site);
 - c) Los Angeles County Industry program for construction/permanent funds (trust deed loan secured by Project Site);

- d) Investor equity from the sale of 4% tax credits with equity pricing at \$1.00;
- e) Tax-exempt bond construction loan (trust deed loan secured by Project Site); and
- f) Pasadena Section 8 Project-Based rental subsidy for 16 restricted units.

9. The financing for the development of the Project is summarized as follows:

	Predevelopment	Construction	Permanent
County Innovation Fund	\$1,000,000	\$0	\$0
Tax Exempt Bond	\$0	\$14,431,660	\$0
HUD 202 Capital Advance	\$0	\$0	\$8,600,787
County Industry Program	\$0	\$2,250,000	\$2,250,000
Tax Credit Investor Equity	\$0	\$1,670,140	\$8,350,699
General Partner Equity	\$0	\$835	\$1,720,835
TOTAL	\$1,000,000	\$18,352,635	\$20,922,321

- 10. If, at the time of closing on the construction financing the Developer has been able to generate equity at a greater equity pricing, Developer shall remit to the City 50% of any additional equity amount which shall be applied as a ground lease payment to the City. However, at the Housing Director's determination, the amount of this payment may be offset by any increase in the development cost budget.
- 11. The effective term of the DLA shall provide Developer with sufficient time to secure all financing commitments necessary for the development of the Project. Developer intends to apply for County Industry financing in 2011 and HUD 202 financing in 2012. The DLA Schedule of Performance shall provide Developer with the opportunity, if necessary, to resubmit applications for County Industry financing in 2012 and HUD 202 financing in 2013. If all necessary financing sources for the Project are not secured by June 30, 2014, the DLA shall be subject to automatic termination.
- 12. The Developer shall make an annual Payment In-Lieu Of Property Taxes ("PILOT") to the City in the amount of \$50,000 which, however, shall be subject to approval by HUD if the project receives Section 202 program funds.
- 13. An Agreement Containing Covenants shall restrict 69 dwelling units for occupancy by senior households whose income shall not exceed Very Low Income, and one unit (unrestricted as to rent and income) for occupancy by a resident manager.
- 14. The Developer shall complete the Project in accordance with a Scope of Development (an exhibit to the DLA) and plans approved by the City. The Scope

of Development shall provide details on the Developer's obligation to construct on the Site a high quality, three-story 70-unit affordable rental complex for very low income seniors. The Project shall also include 44 at-grade parking spaces, community space, and landscaping and open space.

15. City's CALGreen Tier 1 Green Design Measures (61 total): The Developer shall meet 39 and exceed 22 of the Measures, as specified in the Developer's RFP proposal package.
16. The Developer shall be required to achieve 20% local hiring, 20% local subcontracting, and 20% local purchasing (materials) requirements ("Local Benefit Requirements").
17. Developer shall prepare and submit a Local Benefit Plan to the Housing Director for approval in accordance with the timeframe set forth in the Schedule of Performance and as a condition prior to the Project entering into construction. The Local Benefit Plan will specify how the Developer will meet the Local Benefit Requirements and how Developer implementation of the Plan will be monitored by the City. With respect to monitoring, the Plan will stipulate at a minimum that Developer shall submit to the City Purchasing Division for examination the following monthly documentation covering the previous month: a) worker payrolls; b) payments to sub-contractors; and c) materials purchase receipts.
18. Prior to the Developer's submittal of the Local Benefit Plan to the Housing Director, a community meeting will be held to review and comment on the Plan. During the Project's construction period, the Developer shall provide a monthly Local Benefit Plan progress report to City which will be transmitted to the Fair Oaks Project Area Committee.
19. The Local Benefit Plan shall be enforceable by the City under the DLA. Upon Project completion the City will perform a close-out audit of the Developer's compliance with the Local Benefit Plan. If the City determines that the Local Benefit Requirements have not been achieved, the Developer shall be required to remit to the City a Local Benefit Requirements Fee in the amount of up to \$125,000 to be offset from the developer fee. Determination of the actual Fee amount will be based on the percentage of Local Benefits Requirements achieved, by taking an average between all three categories (i.e., hiring, subcontracting, and purchasing). The Fee amounts would be set as follows:

% LBR Achieved	LBR Fee
Less than 20%	\$25,000
Less than 15%	\$50,000
Less than 10%	\$75,000
Less than 5%	\$100,000
0%	\$125,000

20. The Developer shall carry out the development of the Project in conformity with all applicable state and federal labor standards.
21. The Developer shall comply with all City polices and ordinances.
22. The Developer shall abide with City indemnification and insurance requirements.
23. The Developer shall develop the Project in accordance with the timeframe set forth in the Schedule Of Performance (an exhibit to the DLA).
24. The Developer shall submit to the Housing Director for approval a tenant marketing and selection plan that complies with the requirements of the City's Local Preference and Priority System Guidelines, subject to applicable state and federal housing regulations.
25. Prior to the lease of any restricted unit, Developer shall submit to the Housing Department a completed income computation form certifying that the tenant leasing the restricted unit meets the applicable income and age requirements and is therefore an eligible tenant.
26. During the term of the Agreement Containing Covenants, the affordable rent to be charged shall comply with applicable standards as required by the funding sources for the Project.
27. The Project shall be managed, maintained and operated by the Developer in accordance with a Management Plan which shall be submitted to the Housing Director for approval within the timeframe set forth in the Schedule of Performance. The Management Plan shall include provisions for an on-site resident manager.
28. Developer shall submit a Supportive Services Plan to the Housing Director for approval within the timeframe set forth in the Schedule of Performance.
29. The City Manager or his designee shall have the authority to agree to minor or technical amendments to the DLA or any other instruments associated herewith to effectuate the purposes of the DLA.
30. The Developer shall file with the City an Annual Report. The Annual Report shall include an independently audited financial report and a certification by the Developer as to the information described in the Agreement Containing Covenants and other information as the Housing Director may require.

EXHIBIT "B"

FLYER FOR COMMUNITY MEETING, NOVEMBER, 19, 2011



CITY OF PASADENA
Housing Department

COMMUNITY MEETING

Heritage Square
Affordable Senior Housing Development
(Project Site: 750 - 790 N. Fair Oaks Avenue)

PLEASE JOIN US!

**Discussion of Implementation of Local Benefit
Requirements for the Heritage Square
Senior Housing Project**

Saturday, November 19, 2011

Jackie Robinson Center, Auditorium
1020 North Fair Oaks Avenue

2:00 P.M. to 4:00 PM

For questions, contact:
Jim Wong, Housing Department, (626) 744-8316, jwong@cityofpasadena.net

*The Pasadena ARTS Route 20 and Metro Line 260 both provide direct bus service to the Jackie Robinson Center.
ARTS route schedules are available at <http://www.cityofpasadena.net/artsbus>.
Metro bus and Gold Line schedules are available at www.metro.net.
Transit information is also available at www.qo511.com or by calling 511.*