

# Agenda Report

February 2, 2015

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**THROUGH:** ECONOMIC DEVELOPMENT AND TECHNOLOGY COMMITTEE  
(FEBRUARY 2, 2015)

**FROM:** HOUSING AND CAREER SERVICES DEPARTMENT

**SUBJECT:** APPROVAL OF KEY BUSINESS TERMS OF A SECOND AMENDMENT TO DEVELOPMENT, LOAN AND LEASE AGREEMENT WITH HERITAGE SQUARE HOUSING PARTNERS, L.P. FOR THE RELOCATION OF THE DECKER HOUSE FROM 750 N. FAIR OAKS AVENUE TO 738 N. FAIR OAKS AVENUE; APPROPRIATION OF HOUSING FUNDS IN THE AMOUNT OF \$225,000

## **RECOMMENDATION:**

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

- 1) Find that the proposed business terms, as described in this agenda report, of the Second Amendment to Development, Loan, and Lease Agreement with Heritage Square Housing Partners, L.P. for the relocation of the Decker House from 750 N. Fair Oaks Avenue to 738 N. Fair Oaks Avenue are consistent with the Categorical Exemption Class 31 under Section 15331 of the California Environmental Quality Act Guidelines for "Historical Resource Restoration/Rehabilitation";
- 2) Approve key business terms of the Second Amendment to the Development, Loan and Lease Agreement as set forth in this agenda report; and
- 3) Amend FY 2015 operating budget of Housing and Career Services Department and approve a journal voucher appropriating \$225,000 from Inclusionary Housing Trust Fund balance (Fund 619) to the Heritage Square Project (Account No. 8167-619-684140-55-51333) in connection with the relocation of the Decker House.

**ADVISORY BODY RECOMMENDATION:**

At a special meeting on January 22, 2015, the Northwest Commission voted to recommend to the City Council approval of the staff recommendation, but with the provision that all contracts between the City and Heritage Square Housing Partners, L.P. include a "24-hour construction clause" as a means to ensure that the senior housing project is completed and placed in service within the timeframe set forth by the State tax credit program requirements.

Staff response: City law does not allow 24-hour construction. Pasadena Municipal Code Section 9.36.070 limits construction activity from 7:00 a.m. to 7:00 p.m. Monday through Friday, and from 8:00 a.m. to 5:00 p.m. on Saturday. Furthermore, the existing construction contract documents between the developer and general contractor contains adequate provisions for the timely completion of the construction project. These provisions include a construction schedule, liquidated damages for delay, and owner's right to require that the general contractor "take all measures necessary to expedite the work including but not limited to working additional shifts or overtime, supplying additional labor, equipment, facilities, and other similar measures". For these reasons, staff is not recommending that the 24-hour construction clause be included in the proposed business terms.

**BACKGROUND:**

In September 2014, developer BRIDGE Housing Corporation ("BRIDGE" or "Developer") received from the California Tax Credit Allocation Committee a reservation of Low Income Housing Tax Credits which will yield approximately \$14.8 million in equity for the development of the 70-unit Heritage Square senior rental housing project, to be located on City-owned land at 750-790 N. Fair Oaks Avenue. On December 30, 2014, BRIDGE successfully closed on the conventional construction financing, a \$19.3 million loan from Wells Fargo Bank.

The project is in the final stage of the City plan check process. However, as a condition of City building permit issuance, a Certificate of Appropriateness approved by the Historic Preservation Commission is required for the relocation of the historic Decker House at 750 N. Fair Oaks Avenue, located on the southern end of the Heritage Square project construction site. The Decker House was constructed in 1892 and designated by the City in 1988 as a historic landmark. The last private owner was Tom Scott before the property was acquired by the City in 2004.

Over the past four years the City has made several attempts to relocate the Decker House. In July 2010 the Housing Department issued a Request For Proposals ("RFP") which included up to \$200,000 in funding assistance; however, no proposals were submitted. The Housing Department then explored other options to relocate the Decker House including: a) incorporating the historic structure within potential housing developments by local developers Heritage Housing Partners and Trademark Development; b) evaluating vacant land available on the market as possible relocation

sites; and c) utilizing the Decker House for classroom use in a proposal submitted by The Waverly School. However, none of these options came to fruition and the Housing Department issued another RFP in August 2014 which provided up to \$450,000 in funding assistance. Proposals were submitted by Affordable Housing Services and Calvary Christian Methodist Episcopal Church; however, neither application passed RFP minimum threshold requirements.

To ensure that the development of the Heritage Square project stays on schedule, staff proposes that the responsibility for relocating the Decker House be transferred from the City to the Developer. This approach provides the Developer with control over the timing of the Decker House relocation in relation to the senior housing project construction schedule. This approach is preferable from the City's standpoint because the City would not need to provide project management and incur liability in connection with the relocation of the structure. As proposed, the Decker House would be moved to a location at 738 N. Fair Oaks Avenue, within the adjacent 1.3 acre City-owned development site referred to as Heritage Square South (as shown in attached aerial map). It is contemplated that in the near future the City will issue an RFP to identify and select a developer for the development of a mixed-use affordable housing project on the Heritage Square South site. The Decker House would be incorporated within the development of Heritage Square South, and the developer of that project would be required to rehabilitate the Decker House in accordance with Secretary of Interior Standards for historic properties.

To transfer the responsibility for relocation of the Decker House to the Developer, the Development, Loan and Lease Agreement for the Heritage Square senior housing project, as amended by that certain First Amendment to and Assignment of Development, Loan and Lease Agreement between the City, BRIDGE Housing Corporation, and Heritage Square Housing Partners, L. P., dated December 29, 2014 (the "DLLA"), would need to be further amended.

#### **COUNCIL POLICY CONSIDERATION:**

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

#### **KEY BUSINESS TERMS OF SECOND AMENDMENT TO DLLA**

The proposed key business terms of the Second Amendment to the DLLA are as follows:

- The Scope of Development shall be amended to include the relocation of the Decker House as the Developer's responsibility. The Developer shall: a) obtain all required City approvals and permits in connection with relocation, including a Certificate of Appropriateness; b) perform lead-based paint abatement at the current Decker House site prior to relocation; c) move the Decker House to a

temporary location at 738 N. Fair Oaks Avenue; d) construct a foundation at 738 N. Fair Oaks Avenue; e) move the Decker House onto the permanent foundation.

- City shall provide additional housing loan funds in the amount of \$225,000 to cover the cost of the amended Scope of Development, resulting in an increase of the City loan principal amount from \$1,400,000 to \$1,625,000. The Decker House relocation costs are as follows:

Plan development (Civil/Architectural)	\$ 25,000
Lead and asbestos abatement	\$ 34,687
Relocate house to a temporary location and Cribbing	\$ 60,000
Cribbing rental	\$ 13,700
Relocate Decker House from temporary location to final location	\$ 20,000
Grading for new foundations at permanent location	\$ 10,000
Concrete footings (allowance)	\$ 20,000
Contractor Profit and Overhead	\$ 4,886
Permit fees	\$ 4,500
Contingency	\$ <u>32,227</u>
TOTAL	\$225,000

- The Schedule of Performance shall be revised to incorporate the Decker House relocation project.

### **ENVIRONMENTAL ANALYSIS:**


The "Historical Resource Restoration/Rehabilitation" Categorical Exemption Class 31 under Section 15331 of the California Environmental Quality Act ("CEQA") Guidelines pertains to projects that are limited to the maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards for the treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings.

It has been determined that the Decker House project, pursuant to the proposed agreement between the City and Developer, is consistent with Class 31 projects under CEQA Guidelines Section 15332 and is thereby exempt from CEQA and no further CEQA review is required.

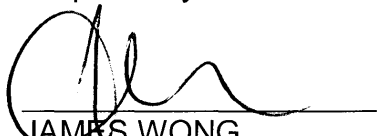
**FISCAL IMPACT:**

The proposed increase in the amount of \$225,000 in the City's loan under the proposed Second Amendment to the DLLA will be drawn from the City's Inclusionary Housing Trust Fund balance (Fund 619), resulting in a balance of approximately \$2.67 million in non-committed Inclusionary funds. The principal amount of the City loan would be increased from \$1,400,000 to \$1,625,000.

Respectfully submitted,

  
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