

Agenda Report

August 15, 2016

TO: Honorable Mayor and City Council

FROM: Housing and Career Services Department

SUBJECT: APPROVAL OF KEY BUSINESS TERMS OF A HOUSING GRANT AGREEMENT WITH COMMUNITY ARMS, L.P. AND A COMMITMENT OF HOUSING FUNDS IN THE AMOUNT OF \$463,000 FOR SECURITY UPGRADES AT THE COMMUNITY ARMS APARTMENT COMPLEX AT 151 E. ORANGE GROVE BOULEVARD

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the installation of specified security upgrades at the Community Arms apartment complex at 151 E. Orange Grove Boulevard does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) of the State California Environmental Quality Act ("CEQA"), and, specifically, Section 15301 of the State CEQA Guidelines;
2. Approve the key business terms of the Housing Grant Agreement (the "Grant Agreement"), as described in this agenda report, between the City and Community Arms, L. P. ("Owner");
3. Approve a carry forward in the amount of \$420,000 in Home Investment Partnerships program ("HOME") funds (HUD Program Year 2015);
4. Approve an amendment to the FY 2017 Operating Budget of the Housing and Career Services Department by appropriating an amount of \$43,000 in Inclusionary Housing funds from unappropriated fund balance; and
5. Authorize the City Manager to enter into the Housing Grant Agreement with Owner in an amount not to exceed \$463,000, and approve other documents as necessary to implement the staff recommendation.

ADVISORY COMMISSION RECOMMENDATION:

The staff proposal for City funding of the Project was brought to the Northwest Commission at its regular meeting of August 9, 2016 for consideration of a recommendation to the City Council. The Northwest Commission unanimously approved a recommendation which allows the City funding to be structured in such a way that facilitates the Owner's current negotiations with the exiting limited partner investors and, ultimately, to refinance the project.

BACKGROUND:

Community Arms is a 133-unit apartment complex located at 151 E. Orange Grove Boulevard ("Community Arms"). It was built in 1973 with development and operating subsidies from the U. S. Department of Housing and Urban Development ("HUD") for operation as affordable rental housing for very low income families. The owner of Community Arms is a limited partnership, Community Arms, LP ("Owner"), formed in June 2002. As indicated in the Community Arms audited financial statements for years 2014 and 2015, the partners of Community Arms, LP consist of Community Bible Community Development Corporation ("CBCDC") as General Partner; RCHP SLP III, LP as Special Limited Partner; and Centerline Capital Housing Partnership III, LP as Investor Limited Partner. It should be noted that the General Partner is not Community Bible Church (located at 2124 N. Altadena Avenue, Altadena). The church was involved in setting up CBCDC as an affordable housing mission-based nonprofit. It is common in the affordable housing industry for faith-based organizations to establish nonprofits for the purpose of developing affordable housing.

In 2014 the Owner submitted to the City an application for 2014-2015 Community Development Block Grant funding in the amount of \$50,000 to purchase and install a security camera system. The application was unfunded, but Housing staff commenced efforts in coordination with the Owner and the Police Department to develop a more comprehensive program of site upgrades to enhance the safety and security of the residents at Community Arms and of the surrounding neighborhood. The efforts involved numerous discussions and site visits over the past two years, with the Owner submitting an updated funding proposal in January 2016. The proposal underwent further modifications with a final proposal submitted on August 2, 2016. The Community Arms Security Upgrade project (the "Project") will include a camera surveillance system, improved exterior lighting, new gating and fencing improvements, related landscaping, and project management. The project budget totals \$463,000. The Project implementation timeframe is four months, beginning in September 2016.

At its regular meeting of March 14, 2016, the City Council, in a public hearing, approved a Substantial Amendment to Annual Action Plan 2015-2016 which, among other things, allocated \$420,000 in Program Year 2015 Home Investment Partnerships program ("HOME") funds for the Project. City Council approval of the staff recommendation will enable the City to formally commit to the Project the allocation of HOME funds, with an additional amount of \$43,000 in Inclusionary Housing funds, under the proposed terms of the Housing Grant Agreement.

The City and Owner had been working since May 2014 under the premise that the City funding would be structured as a loan, until August 9, 2016 when Owner informed Housing department staff that the City funding assistance needs to be in the form of a grant. The Owner advised staff that it is currently in negotiations to buy out the interest of the exiting limited partner investors, with the objective of refinancing the existing debt on the property in the near future. The investors and lender have no appetite for additional debt and, for this reason, the Owner does not wish to encumber the property with a City loan for the Project and requests that the City funding be structured as a grant. Notwithstanding this change in working premise, there are sufficient public benefits from the proposed security upgrades such that the City should proceed with the recommended grant funding for the Project.

The City and Owner must enter into the Housing Grant Agreement by the HUD/HOME commitment deadline of August 31, 2016, otherwise the HOME funds in the amount of \$420,000 will be subject to recapture by HUD. If the Owner does not complete the Project in accordance with the terms of the Housing Grant Agreement, the agreement will be terminated and any HOME funds disbursed by the City to the Project will be subject to repayment to HUD.

KEY BUSINESS TERMS OF HOUSING GRANT AGREEMENT:

The proposed Housing Grant Agreement (the "Grant Agreement") between the City and Owner includes the following key business terms:

- a) City shall provide funding in an amount not to exceed \$463,000 in the form of a grant to Owner to assist in the implementation of the Project (the "City Grant").
- b) The Grant Agreement shall contain a scope of work and uses of funds that are substantially in the form as submitted to the City by Owner in its Project proposal, as amended on August 2, 2016. Eligible cost items shall include materials and installation for a security camera system; gates, gate control and fencing; security lighting; security landscaping; and project management.
- c) The City Grant funds shall be held by the City and disbursed to Owner subject to City approval of Owner's monthly draw requests which shall include Owner-certified vendor invoices for work completed and materials purchased. City may independently verify any invoices which the City deems prudent or necessary.
- d) Owner shall conduct monthly, on-site construction meetings to review, among other things, draw requests to be submitted to the City and project progress.
- e) Owner shall adhere to a Schedule of Performance with an overall project timeframe of four months beginning in September 2016. The Grant Agreement will provide for reasonable time extensions at the City's sole discretion.
- f) Owner shall comply with all applicable City ordinances, policies and regulations including the City's First Source Hiring ordinance.

- g) The Community Arms property shall be deed-restricted in favor of the City under an affordable housing regulatory agreement with a term of five years in accordance with HOME per-unit subsidy guidelines.
- h) Owner shall comply with all applicable HOME statutes and regulations.

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 Plan.

ENVIRONMENTAL ANALYSIS:

The installation of the specific security upgrades at the Community Arms apartment complex at 151 E. Orange Grove Boulevard does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) of the State California Environmental Quality Act ("CEQA"), and, specifically, Section 15301 of the State CEQA Guidelines. Class 1 specifically exempts from further CEQA review the repair, maintenance or minor alteration of existing structures where there is negligible or no expansion of the use. The minor alterations of the type contemplated under the Project are specifically contemplated under Class 1. Hence, the proposed security upgrades at Community Arms qualify the project under the Class 1 Categorical Exemption.

FISCAL IMPACT:

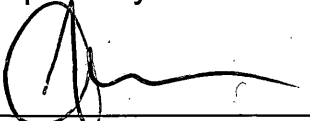
Funding for this action will be addressed by a budget amendment to increase the Fiscal Year 2017 Operating Budget of the Housing and Career Services Department in the amount of \$463,000 to the Community Arms Project. The action will carry forward an amount of \$420,000 from HUD Program Year 2015 HOME funds; and \$43,000 in Inclusionary Housing funds.

Respectfully submitted



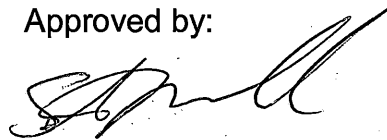
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