

## Agenda Report

April 26, 2021

**THROUGH: Economic Development and Technology Committee  
(April 20, 2021)**

**FROM: William K. Huang, Housing Director**

**SUBJECT: APPROVAL OF BUDGET AMENDMENT AND LOAN AGREEMENTS  
FOR FIVE (5) PROJECTS UNDER THE SECOND UNIT ACCESSORY  
DWELLING UNIT LOAN PILOT PROGRAM**

### **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed actions are exempt from the California Environmental Quality Act ("CEQA") in accordance with State CEQA Guidelines Sections 15301 (existing facilities), and there are no features that distinguish the project from others in the exempt class and, therefore, there are no unusual circumstances;
2. Approve a budget amendment appropriating \$674,500 from the Inclusionary Housing Trust Fund's unappropriated fund balance to the Housing Department's FY 2021 Operating Budget to be used for loan funding (\$600,000) and third-party project management contract services (\$74,500); and
3. Approve the five (5) loan agreements totaling \$600,000 for accessory dwelling unit projects under the Second Unit Accessory Dwelling Unit Pilot Program (the "Program") as described in the agenda report; and
4. Authorize the City Manager to execute, and the City Clerk to attest, the loan agreements, and any and all documents to effectuate the Program.

### **BACKGROUND:**

In 2020 the Housing Department launched the Second Unit ADU Loan Pilot Program (the "Program") with a budget totaling \$674,500 (\$600,000 for loans, \$74,500 for third-party project management). Through this affordable housing initiative homeowners are incentivized to create an accessory dwelling unit (ADU) to be operated as an affordable rental unit on their property. The Program provides homeowners with comprehensive

Second Unit ADU Program

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assistance for financing and project management assistance for the constructing of a new ADU or rehabilitation of an existing one. Specifically, the Program offers two options with financial assistance: 1) build an ADU through new construction or garage conversion; or 2) rehabilitate and bring up to code an existing unpermitted ADU. Design with Skill, the consultant under contract with the City (the "ADU Consultant") was selected through a Request for Proposal (RFP) process. The ADU Consultant will provide advice to homeowners in choosing the designers, builders, planners, and contractors needed for the ADU design and construction. The ADU Consultant will assist the homeowner at every stage from pre-design to permitting to bid preparation, and project oversight.

The Department performed community outreach over a two week period through local newspaper advertising, press releases and social media posts, and held two virtual information sessions. Over 30 applications were received during the 30-day window. Applications for new ADU construction projects were scored and prioritized based on location in CDBG census tracts and property valuation thresholds. Applications to rehabilitate unpermitted ADUs were scored and prioritized based on existing open citations, and property location in CDBG census tracts. The highest ranked applications were selected resulting in the five (5) loans summarized in the following table:

<b>Applicant's Name</b>	<b>Property Address</b>	<b>Council District</b>	<b>Loan Option Type</b>	<b>Loan Amount</b>
Elizabeth Holle	560 Prescott Street Pasadena, Ca 91104	3	New ADU Construction	\$150,000
Jeffrey Hayden	1181 Lincoln Avenue Pasadena, Ca 91103	1	New ADU Construction	\$150,000
Marcelo Bugarin	681 E. Elizabeth Street Pasadena, Ca 91104	1	New ADU Construction	\$150,000
Carmen Lopez	1295 N. Raymond Avenue Pasadena, CA 91103	3	Unpermitted ADU	\$75,000
Hilda Menakian & Robert Blakeley	1552 Asbury Drive Pasadena, Ca 91104	2	Unpermitted ADU	\$75,000

Key repayment terms and requirements for each loan option are as follows:

**Option #1 - New ADU Construction Loans up to \$150,000**

- 3-year loan term with 1% simple interest
- No payments required for the term of the loan
- Loan must be paid in full through refinance prior to the end of the term
- Homeowner agrees to rent the ADU exclusively to Pasadena housing voucher tenants for seven years

**Option #2 - Existing Unpermitted ADU Loans up to \$75,000**

- 20-year loan term with 1% simple interest
- Deferred payments for the first five years
- Loan must be paid in full prior to the end of the term
- Homeowner's household income cannot exceed 80% area median income

On March 18, 2021, the Internal Housing Loan Committee recommended approval of the proposed loans.

**COUNCIL POLICY CONSIDERATION:**

This proposed action supports the City Council Strategic Planning Three-Year Goals in the areas of improving affordable housing, mobility and accessibility throughout the City of Pasadena; and supporting and promoting the quality of life and the local economy.


**ENVIRONMENTAL ANALYSIS**

The proposed actions are exempt from the California Environmental Quality Act ("CEQA") in accordance with State CEQA Guidelines Sections 15301 (existing facilities). Section 15301(e)(1) exempts from CEQA review the addition (and similarly, the rehabilitation of an addition) to an existing use of not more than 2,500 square feet. Each of the units discussed herein is substantially less than 2,500 square feet.


**FISCAL IMPACT:**

Approval of this action will increase the Housing Department's FY 2021 Operating Budget by \$674,500. Funding for this action will come from the unappropriated fund balance of the Inclusionary Housing Trust Fund. Appropriations in the amounts of \$600,000 will be allocated for funding of the loan (23916003-816700-51402) and \$74,500 for project management (23916052-811400-51017).

Respectfully submitted,

  
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Jim Wong (Apr 15, 2021 11:21 PDT)  
**WILLIAM K. HUANG**  
Housing Director

Prepared by:

  
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Approved by:

  
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**STEVE MERMELL**  
City Manager