

DATE: JANUARY 24, 2000

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

**FROM: CYNTHIA J. KURTZ
CHIEF EXECUTIVE OFFICER**

**SUBJECT: APPROVAL OF OWNER PARTICIPATION AND HOME LOAN
AGREEMENT WITH PASADENA NEIGHBORHOOD HOUSING
SERVICES FOR THE REHABILITATION OF SIX (6) RENTAL
UNITS AT 1525-1535 N. EL SERENO AVENUE, PASADENA**

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission (the "Commission") take the following actions:

A. Adopt a resolution:

1. Finding that the rehabilitation of the existing units at 1525- 1535 N. El Sereno Avenue, Pasadena, and the rental of the six (6) dwelling units ("Project") does not have a significant effect on the environment and has been determined to be categorically exempt under Class 3 of the California Environmental Quality Act ("CEQA"), and specifically, Section 15303 of the State CEQA Guidelines.
2. Authorizing and directing the Secretary of the Commission to prepare and file with the County Clerk a Notice of Exemption for the Project under and pursuant to Sections 15303 and 15305 of the State CEQA Guidelines.
3. Approving the terms and provisions of the Owner Participation and HOME Loan Agreement ("OPLA") between the Commission and Pasadena Neighborhood Housing Services ("PNHS") as modified by the Northwest Commission; and
4. Authorizing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the OPLA.

- B. Approve a journal voucher transferring \$127,000 from the 1996-97 HOME Investment Partnership (HOME) Rental Rehabilitation Program (Account No. 221-68411052301) to the Pasadena Neighborhood Housing Services Project account pursuant to the terms and provisions of the OPLA.**

EXECUTIVE SUMMARY:

The proposed Commission loan of \$127,000 provides federal HOME Investment Partnership (HOME) funds to PNHS to rehabilitate six (6) separate cottages located at

1525-1535 N. El Sereno Avenue, Pasadena. The Project consists of four, two-bedroom units and two, one-bedroom units. PNHS purchased the property in 1992 for \$184,000. Washington Mutual Bank holds the current first deed of trust which has an outstanding balance of \$167,761.

PNHS has requested a loan from the Commission's Rental Rehabilitation Program to rehabilitate the 6 rental units in compliance with existing City zoning codes. The Commission's loan will be secured by a second deed of trust against the property. The Commission's appraisal, dated May 11, 1999, indicates an after rehabilitation value of \$360,000. The combined Commission and Washington Mutual Bank loans (\$294,761) constitute an after rehabilitation loan-to-value ratio of approximately 82%.

The units are currently rented to low-income households and require improvements to comply with federal housing quality standards and city codes. The rehabilitation cost is \$21,167 per unit, which is well below the allowable federal HOME Program per unit subsidy limit of \$79,535 for a one-bedroom unit and \$96,714 for a two-bedroom unit. The units will also be covenanted for a period of fifteen (15) years for rental to low and very-low-income households (five units to households at or below 60% of median income and one unit to households at or below 50% of median income).

ADVISORY BOARDS:

The subject recommendation was presented to the Northwest Commission (NWC) at its meeting of July 21, 1999, and the Pasadena Community Development Committee (Committee) meeting of November 11, 1999. The NWC approved a modified recommendation to the Commission which requires PNHS to install new wood windows and doors that compliment the architectural style of the units, and to provide for temporary on site relocation of the existing tenants while their units are being rehabilitated. The Committee concurred and approved at its meeting of January 13, 2000, the NWC's modified recommendation.

BACKGROUND:

The City has received U. S. Department of Housing and Urban Development (HUD) funds for affordable housing programs under the federal HOME Investment Partnership (HOME) Program since 1992. The HOME funds have been administered in conjunction with the Commission's Low and Moderate Income Housing Trust Fund to provide for new housing construction, tenant-based rental assistance, homebuyers' assistance, homeowner and rental rehabilitation activities. In June, 1999, the Commission approved \$445,000 in HOME funds to provide financial assistance under the Rental Rehabilitation Program.

The proposed Project is being recommended for funding under the Rental Rehabilitation Program. The scope of improvements include: 1) the new construction of two additional bedrooms in one unit; 2) exterior and interior painting of all units; 3) new plumbing fixtures for all units (tubs, toilets, sinks with vanities); 4) repairing existing and installing new wood frame windows and window screens; 5) new front doors with deadbolt locks which compliment the existing architectural style of the houses; 6) new electrical wiring; 7) bolting of existing structures to foundations for earthquake reinforcement; 8) fenced

patio areas for each unit; 9) new trash enclosure; 10) repairs to carports; 11) smoke detectors; and 12) additional planting to compliment existing landscaping.

TERMS AND CONDITIONS OF THE OPLA:

1. The Commission will loan PNHS the amount of \$127,000 from HOME Rental Rehabilitation Program funds. The Commission loan will be secured by a second deed of trust against the property, which will be junior to the existing Washington Mutual Bank loan of \$167,761.
2. The Commission loan shall bear 4% interest for a term of (30) year. PNHS shall be required to make amortized payments on the Commission's loan in the amount of \$606.32 per month (principal and interest), beginning the earlier of the first month after the Commission issues to PNHS a Certificate of Completion, or June 30, 2000, and continuing until the date that is 30 years thereafter (the "Maturity Date"). On the maturity date, the entire principal balance of the Commission Loan, plus accrued but unpaid interest, if any, shall be due and payable in full, without demand.
3. The Commission will covenant all six units for a period of fifteen (15) years to be rented to low and very low-income households (five units to households at or below 60% of median income and one unit to a household at or below 50% of median income, adjusted for family size), commencing upon completion of the rehabilitation.
4. Prior to disbursement of the Commission loan funds, PNHS will be required to meet all conditions precedent including compliance with HOME federal regulations, and submittal of Affirmative Action Plan, Construction Drawings, Liability Insurance, Marketing Plan, etc., as set forth in the OPLA.
5. PNHS shall make every effort to insure the safety of all tenants during the course of rehabilitation by proper noticing to tenants of the days work will be performed within their units and appropriate warnings with respect to the use/presence construction equipment and materials on site. Currently, five of the six units are occupied. If required, PNHS shall provide temporary on site relocation to the tenants during the rehabilitation process utilizing the vacant unit.
6. PNHS will be required to retain and provide to the Commission, as an element of the Commission's annual review of income and expenses of the project, all information reported to the Internal Revenue Service.
7. PNHS will be required to maintain and provide the Commission with annual information regarding the income of the tenant households, the rents charged, and access for on-site inspection of the rental units to ensure PNHS's compliance with the Commission Rental Rehabilitation Program requirements.

HOUSING IMPACT:

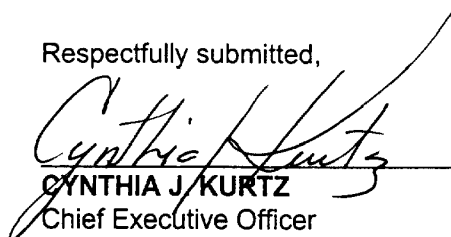
Approval of the subject recommendation will allow the retention and rehabilitation of the proposed project of six rental housing units for occupancy by lower-income and very-low- income households for a covenanted term of fifteen (15) years.

The proposed project complies with the goals and objectives of the Commission's Five Year Affordable Housing Plan (1995-2000), the Consolidated Plan, the General Plan Housing Element, the Commission's Priority Work Program, and the Housing Element of the Northwest Pasadena Community Plan.


FISCAL IMPACT:

The Commission's HOME Rental Rehabilitation Fund Account (Account No. 221-68411052301) will be reduced by \$127,000 and the monies allocated to PNHS to assist in the rehabilitation of the property located at 1525-1535 N. El Sereno Avenue, Pasadena.

Respectfully submitted,


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Chief Executive Officer


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Reviewed by:


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Approved by:


RICHARD J. BRUCKNER
Director

(PCDC PNHS EL SERENO)