

DATE: MARCH 29, 1999

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

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

**SUBJECT: APPROVAL OF COMMISSION LOAN AGREEMENT ("CLA")
BY AND BETWEEN THE PASADENA COMMUNITY DEVELOPMENT
COMMISSION ("COMMISSION") AND HERITAGE HOMEOWNERSHIP
PARTNERS ("DEVELOPER") FOR THE DEVELOPMENT OF THREE
AFFORDABLE OWNERSHIP HOUSING UNITS**

RECOMMENDATION:

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

- A. Find and determine that under the California Environmental Quality Act ("CEQA"), the three properties to be purchased by the Developer and all other actions and proceedings and documents described therein are categorically exempt under Classes 1, 3, and 5 of CEQA and specifically, Sections 15305 of the State CEQA Guidelines and authorize and direct the Secretary of the Commission to prepare and file with the County Clerk Notices of Exemption.
- B. Approve the terms and provisions of the Commission Loan Agreement ("CLA") between the Commission and the Developer in the amount of \$141,180 from Housing Trust Funds (Account No. 810 68412051208).
- C. Authorize and direct the Chief Executive Officer to execute, and the Secretary to attest, the OPLA, and such subordination agreements as may be reasonably required by the first mortgage lender.

ACTION OF ADVISORY BOARDS:

The Northwest Commission ("NWC") and the Pasadena Community Development Committee ("Committee") reviewed and approved the recommendation on Wednesday, March 17, 1999, and Thursday, March 25, 1999, respectively.

EXECUTIVE SUMMARY:

This Commission Loan Agreement ("CLA") shall provide financial assistance for the acquisition, rehabilitation, and resale to low and moderate-income homeowners of three, older single-family residences in the Garfield Heights area of Pasadena. The specific properties will be selected by Pasadena Heritage ("Developer") and approved by the Housing Administrator pursuant to the CLA.

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8.A.

The Developer shall target older, abandoned and/or foreclosed properties which will be rehabilitated through the Developer's "Heritage Homeownership Partners" program. Prior to acquisition, each house must be submitted to the Housing Administrator for approval, which approval may be withheld at the Housing Administrator's reasonable discretion. However, should the Housing Administrator refuse to accept any house, the Developer is still obligated to locate, acquire, rehabilitate and resell three (3) houses.

The Developer will use funds from its Preservation Fund and short-term loans from the National Trust for Historic Preservation's Inner-City Ventures Fund ("NTP") to acquire and rehabilitate the houses. The \$141,180 in Commission assistance will provide three individual loans for an amount not to exceed \$47,060 each, secured by second deeds of trust on each house. These loans will provide funds to the Developer for the acquisition and rehabilitation costs of each house. Upon completion of each house, the property will be sold to low and moderate-income homebuyers. The new homebuyers will be eligible for homebuyer assistance through the forgiveness of \$15,000 of the Commission loan and conversion of the remaining balance to an amortizing, 30-year, second mortgage at an 1.5% to 2.5% interest rate based on borrower's income level and capacity to repay.

BACKGROUND:

On April 13, 1998, the Commission conditionally approved Housing Trust funds (\$141,180) to assist the Developer acquire, rehabilitate, and sell three properties located in the Garfield Heights area to lower and moderate-income homebuyers within a two-year period. The Developer entered into an Exclusive Negotiation Agreement ("ENA"), dated September 8, 1998, for a 120-day period, to negotiate diligently and in good faith to fulfill the requirements needed for the preparation of a CLA by and between the Commission and the Developer. A request to extend the ENA for an additional 60 days was reviewed and approved by the Commission on Monday, March 1, 1999, to provide for continuation of the negotiations.

Pasadena Heritage was the proposer under the Notice of Funding Availability ("NOFA") and entered into the ENA with the Commission. Pasadena Heritage has subsequently created a supporting non-profit subsidiary organization, Heritage Homeownership Partners, to assume the responsibilities of Developer of this project.

Acquisition and Constructing Financing:

The Developer will locate three (3) houses in need of repair in the Garfield Heights area and use funds from its Preservation Fund and a short-term loan from the National Trust for Historic Preservation's Inner-City Ventures Fund ("NTP") to acquire and rehabilitate the houses. The houses will be acquired and rehabilitated separately within the two-year term of the Developer's "Heritage Homeownership Partners" program. The Commission will provide individual loans of an amount not to exceed \$47,060 to partially reimburse the NTP for part of the acquisition and rehabilitation of each house. The Commission's assistance, during the acquisition and rehabilitation phase, will be bridge loan(s) and offered at 2% interest. The accrued interest will be forgiven on the loan(s) upon completion of each house and subsequent sale to a qualified homebuyer.

Permanent Financing:

After rehabilitation, the properties will be offered for sale to low and moderate-income homebuyers. The homebuyers will be eligible for homebuyer assistance through the forgiveness of \$15,000 of the \$47,060 Commission loan and conversion of the remaining loan balance to an amortizing, 30-year, second mortgages at interest rates of 1.5 to 2.5% based on homebuyer's income level and capacity to repay. These mortgages may be deferred up to five years, if

necessary, and the amortized interest during this period may be forgiven on a case-by-case basis at the discretion of the Housing Administrator. The borrower's financial condition will be reviewed annually during the five-year deferment to ascertain the capacity of the homebuyer to begin payments before the five-year period ends.

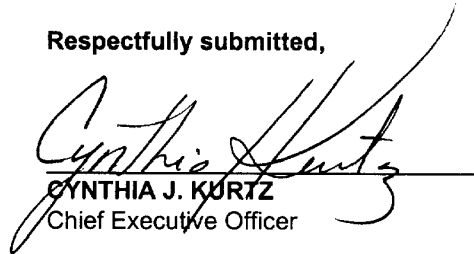
HOUSING IMPACT:

Approval of the subject recommendation shall result in the restoration and provision of three (3) affordable, homeownership units and the restoration of three deteriorating properties in the Garfield Heights area of Pasadena. The net effect represents an increase in the City's affordable homeownership housing stock to low and moderate-income homebuyers and the removal of blighting conditions. This affordable housing activity is consistent with the goals and objectives of the Commission's Affordable Housing Plan 1995-2000, the Commission's Priority Work Program, the City of Pasadena's General Plan (Housing Element), the Northwest Pasadena Community Plan (Housing Element), and the Community Development Block Grant Consolidated Plan.

FISCAL IMPACT:

There is no impact on the General Fund by this action. The Commission conditionally committed \$141,180 to fund this affordable housing activity upon completion of the ENA requirements. Low and Moderate Income Housing Trust Funds are currently available in account number 810-684120-51208 for this project.

Respectfully submitted,



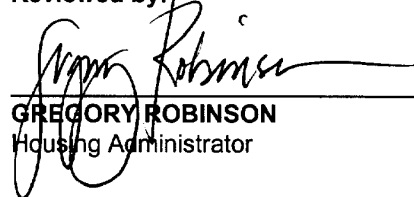
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