

DATE: May 8, 2000

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

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

SUBJECT: APPROVAL OF AMENDMENT TO COMMISSION LOAN AGREEMENT ("CLA") BY AND BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION ("COMMISSION") AND HERITAGE HOMEOWNERSHIP PARTNERS ("DEVELOPER") FOR THE ACQUISITION/REHABILITATION OF THREE OR MORE AFFORDABLE OWNERSHIP HOUSING UNITS

RECOMMENDATION:

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

- A. Approve an Amendment to the Commission Loan Agreement ("CLA") No. CDC-329 between the Commission and the Developer in the amount of \$140,000.
- B. Approve a journal voucher transferring \$140,000 from the Los Robles Townhomes Project Account No. 810-684120-51308 to Heritage Homeownership Partners' Project Account No. 810-684120-51313.
- C. Authorize and direct the Chief Executive Officer to execute, and the Secretary to attest, the Amendment to the CLA and such subordination agreements as may be reasonably required by first mortgage lenders.

ACTION OF ADVISORY BOARDS:

The Northwest Commission ("NWC") reviewed and approved the recommendation on Wednesday, April 19, 2000 and the Pasadena Community Development Committee on April 27, 2000.

EXECUTIVE SUMMARY:

This Amendment to the CLA provides additional financial assistance to Heritage Homeownership Partners ("Developer") for the acquisition, rehabilitation, and resale to low and moderate-income homebuyers of older single-family residences in the Garfield Heights area of Pasadena and older single-family residence in the Washington Neighborhood Revitalization Program area. The Developer shall target older, abandoned and/or foreclosed properties for rehabilitation and homeownership. The specific properties will be selected by Developer and approved by the Housing Administrator pursuant to the CLA.

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 \$140,000 in Commission assistance will supplement the financing stated above by providing individual loans in an amount not to exceed \$46,667 at an interest rate of 2% and secured by a second deed of trust on each house, respectively for the rehabilitation of the

properties. Upon completion of the rehabilitation, each property will be sold to a low or moderate-income homebuyer. The new homebuyers will be eligible for Commission Homeownership assistance through the conversion of the Commission's existing loan to a new amortizing, 30-year second mortgage at an interest rate of 1.5 to 2.5% based on the borrower's income and capacity to repay. Additionally, given the homebuyer's financial need, up to \$15,000 of the Commission loan may be forgiven and/or the loan payments deferred for up to five years consistent with the Homeownership Opportunities Program ("HOP").

BACKGROUND:

On March 29, 1999, the Commission approved Low and Moderate Income ("LMI") Housing Trust funds in the amount of \$141,180 to assist the Developer to acquire, rehabilitate, and sell three properties located in the Garfield Heights area to lower to moderate-income homebuyers within a two-year period. To date, the developer has acquired three properties since Commission loan approval. Two of the properties have been rehabilitated and sold to low-to-moderate-income, first-time homebuyers. The third property is currently under rehabilitation.

The Developer has demonstrated its capacity to implement this new homeownership program by the acquisition and rehabilitation of the three homes in less than one year of its proposed two-year program. The Developer would like to assure continuance of its homeownership program and has requested additional funding from the Commission to achieve this end.

At this time, \$140,000 in Housing Trust Funds has become available due to the unsuccessful negotiations of another conditionally approved project. The proposed project, located at 1456 N. Los Robles Avenue, "Los Robles Townhomes", consisting of the construction of four new moderate-income ownership housing units, was not able to proceed. It is staff's recommendation that the currently available funds (\$140,000) be reallocated to the Developer for continuation of the Heritage Homeownership Partners program.

Acquisition and Constructing Financing:

The Developer will locate three or more houses in need of repair in the Garfield Heights and Washington Neighborhood Revitalization Program areas 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 \$46,666 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 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 new homebuyers will be eligible for Commission Homeownership assistance through the conversion of the Commission's existing loan to a new amortizing, 30-year second mortgage at an interest rate of 1.5 to 2.5% based on the borrower's income and capacity to repay. Additionally, given the homebuyer's financial need, up to \$15,000 of the Commission loan may be forgiven and/or the loan payments deferred for up to five years. The accruing interest during the deferment period may also be forgiven on a case-by-case basis at the discretion of the Housing Administrator. The borrower's financial condition will also be reviewed annually during the five-year deferment to ascertain the capacity of the homebuyer to begin payments before the deferment period ends.

Potential homebuyers must meet the following criteria to be eligible to purchase an HHP home:

- Participants cannot have held title to a single-family residence with the past three years
- Total household income must range from 8% to 120% of the Los Angeles area median income limits
- Participants must have a pre-qualification statement from their lending institution indicating the maximum conventional mortgage available to them
- Participants must commit to occupy the home as their primary residence
- Preference will be give to:
 - Northwest Pasadena renters seeking to purchase their first home
 - Persons who currently reside or work in Pasadena
 - Persons who desire to own and maintain an historic home
 - Persons committed to becoming active in neighborhood improvement efforts

To date, the program's marketing outreach to local residents has been through Neighborhood Connections and neighborhood association newsletters. Should the need arise, the Developer would place advertisements in local newspapers of the program's availability.

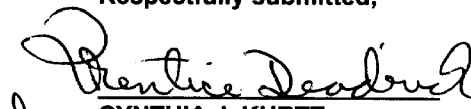
HOUSING IMPACT:

Approval of the subject recommendation shall result in the provision of three or more affordable, homeownership units and the restoration of deteriorating properties in the Garfield Heights and Washington Neighborhood Revitalization Program areas 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.

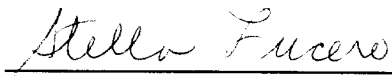
FISCAL IMPACT:

\$140,000 in Low and Moderate Income ("LMI") Trust Funds, which was conditionally committed to assist in the financing of a new four unit affordable homeownership project, has now expired and is now available for reallocation. The subject recommendation will transfer \$140,000 in LMI Housing Trust Funds from the Los Robles Townhome Project Account No. 810-684120-51313 for the continuation of the Heritage Homeownership Partnership program Account No. 810-684120-51308.

Respectfully submitted,


for **CYNTHIA J. KURTZ**
CHIEF EXECUTIVE OFFICER

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