

DATE: SEPTEMBER 11, 2000

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: APPROVAL OF FEDERAL NATIONAL MORTGAGE ASSOCIATION (FANNIEMAE) AMERICAN COMMUNITIES FUND CREDIT FACILITY LOAN (\$5 MILLION) AND DOWN PAYMENT ASSISTANCE INVESTMENT NOTE (\$250,000) SET-ASIDES FOR NORTHWEST PASADENA TARGET AREA

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") approve the Set-Asides of \$5 million from the American Communities Fund Credit Facility Loan and \$250,000 from Down Payment Assistance Investment Note for affordable housing activities within the Northwest Pasadena Target Area.

EXECUTIVE SUMMARY:

On August 21, 2000, the Pasadena Community Development Commission (Commission) and City Council approved the Commission entering into agreements with the Federal National Mortgage Association for an American Communities Fund Credit Facility Loan (\$6.5 million) and a Down Payment Assistance Investment Note (\$1 million) to supplement and enhance the Commission's existing affordable housing programs. These programs include homeownership opportunities, down payment assistance, homeowner rehabilitation, rental rehabilitation and support for new affordable housing construction.

At the meeting, there was discussion regarding targeting the use of these funds. The staff recommendation allocates a portion of each of these funds to the Northwest Pasadena Target Area. This recommendation is consistent with the recommendation of both the Northwest Commission and the Fair Oaks Project Area Committee. The Commission previously on January 25, 1999 approved the designation of the Northwest Pasadena Target Area (Exhibit A) for the expenditure of \$5 million from the American Communities Fund Credit Facility Loan.

BACKGROUND:

On October 15, 1998, U. S. Senator Dianne Feinstein convened a meeting of Mayors from a select number of Los Angeles cities inviting each to participate in a new Federal National Mortgage Association (FannieMae) Neighborhood Initiatives. The FannieMae Neighborhood Initiatives Program would provide funding to the City of Pasadena through two programs:

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1. American Communities Fund Credit Facility Loan: This program provides a line of credit or loan up to \$6.5 million (originally \$5 million).
2. Down Payment Assistance Investment Loan Program: This program provides \$1 million in loan funds of which a qualified new homebuyer can receive a second trust deed loan of up to \$15,000 toward the purchase of an existing housing unit anywhere in the City of Pasadena.

Originally, Fannie Mae requested that all participating localities identify specific target areas within a 6 to 8 blocks radius where the revitalization effort would be concentrated for the greatest possible impact and visibility. However, after review and discussions of this matter with the Commission, Housing and Development Department, Human Services Recreation & Neighborhoods Department (Neighborhood Connections), Finance Department, and Planning & Permitting Department (Code Enforcement & Neighborhood Revitalization Program), the Northwest Pasadena Target Area was selected and approved by Fair Oaks Project Area Committee, Northwest Commission, Community Development Committee and finally the Commission on January 25, 1999. The target area is bounded by Montana Avenue on the north, Marengo Avenue on the east, Lincoln Avenue on the west and the 210 Freeway on the south and west.

The target area, although larger than that originally requested by FannieMae, was felt to address the housing needs of the residential community surrounding the Renaissance Plaza Shopping Center and other residential/commercial revitalization activities currently being undertaken along the Fair Oaks corridor. The designation of the target area also provides for focused continuation of the Commission's northwest neighborhood revitalization strategy which includes residential rehabilitation, affordable housing production (ownership & rental), and commercial revitalization activities currently underway in the Downtown Redevelopment Project Area, Fair Oaks Redevelopment Project Area, Lincoln Triangle Revitalization Area, Villa Parke Revitalization Project Area, and portion of the Madison Neighborhood Revitalization Area.

Originally, the American Communities Fund Credit Facility Loan was for \$5 million and allocated exclusively to the target area. However, based on favorable negotiations with FannieMae, the terms of the Credit Facility Loan were adjusted to provide the Commission funds \$6.5 million for a ten year period. It was therefore recommended by Northwest Commission on August 2, 2000 and Fair Oaks Project Area Committee on August 9, 2000 that the \$5 million continue to be set-aside for the target area and the additional \$1.5 million be expended for affordable housing activities outside the northwest community. Additionally, the two advisory bodies also recommended that \$250,000 (25%) of the \$1 million Down Payment Assistance Investment Note also be set-aside for the northwest community.

HOUSING IMPACT:

It is anticipated that the funding commitment from the American Communities Fund Credit Facility Loan (\$6.5 million) will provide for the rehabilitation and/or new construction of approximately 250+ housing units and the Down Payment Assistance Investment Note (\$1 million) will assist 100+ prospective homebuyers purchase existing housing units.

The proposed use of the funds are consistent with the goals and objectives of the Commission's Implementation Plan (1999-2004), 2000-2001 Priority Work Program, Five Year Consolidated Plan, Five Year Public Housing Agency Plan, General Plan Housing Element, and Housing Element of the Northwest Pasadena Community Plan.

CHILDREN, YOUTH AND FAMILY IMPACT:

The provision of approximately 350 affordable housing units as adequate shelter for low and moderate-income families will have a direct and positive impact on the achievement of a balanced quality of life for the affected households. Additionally, utilization of the Federal National Mortgage Association financing vehicles, along with the participation of local Pasadena lenders, represents the initial step in forging an effective public/private partnership for leveraging greater financial resources to address the growing affordable housing needs of Pasadena families, citywide. These actions reaffirm the Commission's commitment to the provision of decent, safe and sanitary housing for children, youth and family members of all ages.

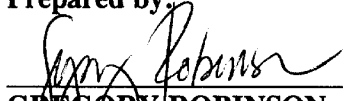
FISCAL IMPACT:

Approval of this recommendation targets the use of \$5 million in previously allocated funds from the American Communities Fund Credit Facility Loan and \$250,000 in funds from the Down Payment Assistance Investment Note (DPAIN) Loan for affordable housing activities within the Northwest Pasadena Target Area.

Respectfully submitted,

for Cynthia J. Kurtz
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Prepared by:



GREGORY ROBINSON

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RICHARD J. BRUCKNER

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