

# Agenda Report

**DATE:** MARCH 12, 2001

**TO:** CITY COUNCIL/PASADENA COMMUNITY DEVELOPMENT COMMISSION

**FROM:** CYNTHIA J. KURTZ, CITY MANAGER/CHIEF EXECUTIVE OFFICER

**SUBJECT:** JOINT PUBLIC HEARING: APPROVAL OF DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN PASADENA HOUSING INVESTORS, L. P. AND PASADENA COMMUNITY DEVELOPMENT COMMISSION FOR HERITAGE SQUARE MIXED-USE SENIOR HOUSING COMPLEX AT 730-790 NORTH FAIR OAKS AVENUE, RELOCATION/RENOVATION OF HISTORIC "DECKER HOUSE", REPLACEMENT HOUSING PLAN AND RELOCATION PLAN

## RECOMMENDATIONS:

It is recommended that:

1. The City Council and the Pasadena Community Development Commission (Commission") hold a joint public hearing to consider the proposed Heritage Square Mixed-Use Senior Housing Complex located at 730 N. Fair Oaks Avenue and the relocation/renovation of the "Decker House" (together, the Development) in accordance with the terms and provisions of that certain Disposition and Development Agreement (DDA) between Pasadena Housing Investors, L. P. (Developer) and the Commission;
2. The Commission adopt a resolution:
  - a. Finding and determining on the basis of the Initial Study prepared for the Development, that there is no substantial evidence that the Development will have a significant effect on the environment nor any potential for adverse effect on wildlife resources if certain specified mitigation measures are implemented;

- b. Approving the Mitigated Negative Declaration and directing the Secretary of the Commission to concurrently file with the Clerk of Los Angeles County a Certificate of Fee Exemption and a Notice of Determination;
  - c. Finding and determining that (i) the Development is consistent with the Redevelopment Plan for the Fair Oaks Avenue Redevelopment Project and would be compatible with surrounding land uses in the Fair Oaks Redevelopment Project Area subject to approval of the Fair Oaks/Orange Grove Specific Plan or a Planned Development (PD), (ii) Development will assist in the elimination of blight and provide housing for low and moderate income persons, (iii) the Development is consistent with the Commission's Five-Year Implementation Plan, and (iv) the consideration received by the Commission under the DDA is not less than the fair market value with the covenants, conditions and costs authorized by the DDA;
  - d. Approving the terms and conditions of DDA in connection with the Development;
  - e. Approving the Replacement Housing Plan and the Relocation Plan;
  - f. Approving a journal voucher appropriating Commission funds in an amount not to exceed a total of \$2.9 million (HOME funds -\$1.5 million; Fannie Mae American Communities Fund - \$1 million and Low and Moderate Income Housing Trust Funds - \$0.4 million) to provide loan assistance to the Developer for acquisition, relocation, and rehabilitation costs related to the Development; and
  - g. Authorizing and directing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the DDA and take the actions necessary to complete the Development.
3. The City Council adopt a resolution:
- a. Authorizing the Commission to enter into the DDA; and
  - b. Authorizing the City Manager to take the necessary actions to complete the Development.

### **ADVISORY BODY RECOMMENDATIONS**

The Development concept plans, key terms of the DDA, Replacement Housing Plan, and Relocation Plan have been reviewed and approved by the following advisory bodies: Senior Commission (January 9, 2001); Fair Oaks Project Area Committee (January 10, 2001); Northwest Commission (January 17, 2001); and Community Development Committee (January 18, 2001). The Fair Oaks/Orange Grove Specific Plan Coordinating

Committee and the Planning Commission were presented with this matter as an information item on January 16, 2001 and February 21, 2001, respectively.

In their respective approvals, the Northwest Commission emphasized the importance of establishing high standards for the Heritage Square landscape element, and the Community Development Committee suggested that the Developer seek other financial resources, if available, to limit the amount of Commission assistance necessary for the historic restoration of the Decker House project. Both of these recommendations have been incorporated into the DDA.

### **EXECUTIVE SUMMARY**

The proposed Development provides for the acquisition of property and the construction of the Heritage Square mixed-use senior housing complex at 730-790 N. Fair Oaks Avenue (the Site) and the relocation/renovation of the historic Decker House by Pasadena Housing Investors, L.P., a California limited partnership, pursuant to the terms and conditions of the DDA (Key Terms and Conditions of DDA, Exhibit I). Pasadena Housing Investors, L.P. consists of Simpson Housing Solutions, LLC, general partner, a nationally-recognized housing development and management company and Atlantic & Pacific Development Corporation, a local owner participant and limited partner. Additionally, Maynard Jackson Securities, Inc. will assist the Developer with the financing of the Development. The Development consists of the construction of 106 new rental housing units (plus on-site amenities) for seniors, 4,000 square feet of ancillary commercial/service space and a 2,236 square foot recreation room/community center. The units will be affordable to and occupied by very low and low-income senior households for a minimum period of 40 years, in compliance with the federal low income housing tax credit restrictions. In addition, the Development includes the relocation and renovation of the Decker House structure, a Cultural Historic Landmark, for re-use as two affordable housing units for low and moderate-income households.

The total development cost is \$17.1 million, towards which the Commission shall provide \$2.9 million in loan assistance, or \$26,852 per affordable unit. The other financing sources for the Development include Federal Low Income Housing Tax Credits (LIHTC), Los Angeles County "City of Industry Funds", Federal Home Loan Bank "Affordable Housing Program (AHP)" Funds, conventional permanent loan funds, and partial deferral of Developer fees (Developer Note).

### **BACKGROUND**

In March 1990, Thomas Scott, who owns property at 750 N. Fair Oaks Avenue, acquired from the Commission the adjacent unimproved parcel at 738 N. Fair Oaks Avenue for the proposed Heritage Square development. The sale of the property was provided through a purchase money mortgage from the Commission in the amount of \$82,783 ("Purchase Financing"). Mr. Scott acquired the parcel with the intent of developing a commercial

project. However, the subsequent downturn in the real estate market, site location, zoning and difficulties encountered in securing conventional financing made a commercial development economically infeasible.

In October 1997, the Commission issued a Notice Of Funding Availability (“NOFA”) announcing the availability of approximately \$1.6 million in financial assistance for affordable housing projects. Subsequently, on April 13, 1998, the Commission conditionally approved funding commitments for ten affordable housing developments. Among them was a proposal submitted by Urban Development Company (of which Mr. Scott is the chief executive officer) for predevelopment financing in connection with the proposed Heritage Square mixed-use senior housing development.

In January 1999, the Commission entered into an Exclusive Negotiation Agreement (No. CDC-295) with Urban Development Company to negotiate the terms and conditions of a Commission Predevelopment Loan Agreement and, ultimately, a Disposition and Development Agreement (DDA) for the proposed Heritage Square development. At that time, Urban Development Company (later to be incorporated as Atlantic & Pacific Development Corporation), indicated that the proposed Development would be undertaken as a joint venture with Simpson Housing Solutions, LLC (formerly Kaufman & Broad Multi-Housing Group, Inc.). This partnership would eventually be formalized as Pasadena Housing Investors, L.P., (the “Developer”). Launched in 1994, Kaufman & Broad Multi-Housing Group (a division of Kaufman & Broad Home Corp.) has built and/or financed over 8,000 affordable housing units nationwide. Kaufman & Broad Multi-Housing Group was renamed Simpson Housing Solutions, L.L.C. after it was acquired by Denver-based Simpson Housing Limited Partnership in June 2000. Since 1948, Simpson Housing Limited Partnership has constructed over 21,000 multi-family housing units nationwide, with 5,400 units currently under development.

In October 1999, the Commission entered into a Predevelopment Loan Agreement (No. CDC-342) with Urban Development Company. Pursuant to the Predevelopment Loan Agreement, the Commission modified the repayment terms of the original Purchase Financing and extended a \$70,000 loan for certain predevelopment activities in connection with the proposed Development. These activities included a market study, property appraisals, architectural plans and project management. In addition, the Commission retained Keyser Marston Associates to perform a financial analysis, Shober-Livas Relocation to determine the relocation costs, Donna Desmond Associates to estimate business goodwill costs, and Smith-Emery GeoServices to perform the necessary Phase I Environmental Assessment associated with the Development.

Upon conclusion of these analyses and determination of the Development’s feasibility, in May 2000, the Developer commenced negotiations with adjacent property owners for acquisition of the remaining six parcels comprising the Site (Parcel Map, Exhibit II). The Developer has demonstrated good faith, diligent efforts to secure site control and finance the Development. If, despite these efforts the Developer is unable to secure site control of one or two of the properties, the Commission may, at the Developer’s expense, attempt to assist with the purchase of these properties to encourage revitalization of the project

area. The Developer's successful acquisition and construction of the proposed Heritage Square will provide for continuation of the Commission's revitalization efforts within the Fair Oaks Avenue Redevelopment Project Area which have most recently included construction of the Raymond Grove Mixed-Use Development, Renaissance Plaza Shopping Center and expansion of Foothill Vocational Opportunities, Inc. Training Workshop.

### **HERITAGE SQUARE DEVELOPMENT CONCEPT**

The proposed Heritage Square mixed-use senior housing development will be located on a 2.08-acre site (90,480 sq. ft.) and provide 106 rental dwelling units affordable to very low and low-income senior households. The dwelling units consist of 1- and 2-bedroom floor plans (530 sq. ft. and 695 sq. ft., respectively), and are handicapped-accessible and adaptable. Each unit will have a covered balcony. Heritage Square includes ancillary commercial/service space (4,000 sq. ft.) and a recreation room/community center (2,236 sq. ft.). 88 on-grade parking spaces will also be provided for the development, which exceeds the 68-parking space minimum requirement under the applicable City codes.

The Heritage Square design is consistent with the density, scale and architectural standards set forth in the draft Fair Oaks/Orange Grove Specific Plan. The design and architectural quality of the proposed improvements, landscaping, open spaces, plazas and setback areas are also in accordance with the development standards set forth in the DDA's Scope of Development. \$2.5 million of the Commission's total loan assistance for the Development shall be applied toward the site acquisition, relocation, and development costs of Heritage Square. Suarez Architects is the architect and concept design plans (site plan, floor plans, elevations, perspective rendering, etc) are attached as Exhibit III.

Property management of the Site will be provided during all phases of the development, beginning with Developer site control through construction and occupancy, until the end of the Commission's 55-year affordable housing covenant term. The Heritage Square complex will include two on-site resident managers. The Developer operates its own property management affiliates and currently provides management services for over 27,000 dwelling units nationwide.

The surrounding land uses are compatible and support the mixed-use development (residential/commercial). Residents will benefit from Heritage Square's close proximity to all major services (grocery, pharmacy, banking, parks, medical, personal services, automotive, etc.), including Renaissance Plaza, Jackie Robinson Park & Center and Pasadena Community Health Center.

### **RELOCATION/RENOVATION OF HISTORIC "DECKER HOUSE"**

Located on the Site at 750 N. Fair Oaks Avenue, the "Decker House" is a 3,514 square foot, two-story Queen Anne-style residential structure built during the Victorian era in

1892. It was designated by the City as a Cultural Heritage Landmark in 1988. The property is owner-occupied by Thomas Scott.

The Developer shall cause the Decker House to be relocated to an appropriate site within the City and renovated in accordance with the applicable Secretary of the Interior's Standards for Rehabilitation of Historic Buildings (Standards) as two affordable housing units for occupancy by low and moderate-income households. The Developer shall also procure the services of Pasadena Heritage to ensure that the relocation and rehabilitation of the Decker House will be performed in accordance with the Standards. \$400,000 of the Commission's total loan assistance for the Development is available for the Decker House site acquisition, relocation, and renovation costs. Pursuant to the DDA, the Developer shall be required to submit to the Director of Housing and Development and Community Development Committee for review and approval, a complete program for the implementation of the Decker House project.

## **DEVELOPMENT FEASIBILITY AND FINANCING**

### **Market Analysis**

In March 2000, The Concord Group prepared a market feasibility study for the Heritage Square Development. The study's methodology included (i) determination of the Development's market area; (ii) examination of demographic data; (iii) comparison of the Development to existing product in the market area; and (iv) research of planned and proposed affordable housing projects in the market area.

The study concluded that the under-served low income senior population in Pasadena represents a strong market for the Development, and projected that full absorption of the proposed 106 units should be achievable within eight months of the project's opening. This conclusion was based on the projected growth in Pasadena's senior population, the turnover rate of existing senior renters, and the limited supply of affordable age-restricted apartment projects. The study indicated that from 1990 to 1999, the senior population grew 11.8% compared to 7.8% for the general population, and projected that the senior age cohort will continue to outpace general population growth.

On the supply side, the study observed that there is a limited inventory of low income senior apartment projects in the market area, with no new projects recently opened. Two senior housing projects are in planning stages: a 65-unit development located at 1880-1900 N. Fair Oaks Ave. (northeast corner of Fair Oaks Ave. and Tremont St.), and the 44-unit "Washington Theater" project (the latter, however, involves the adaptive reuse of an existing 35-unit apartment building and adjacent 8 unit bungalow). Conversely, 114 affordable senior housing units were lost in February 2000 when the owner of La Villa Lake Apartments at 1070 N. Lake Avenue exercised their option to terminate its project-based Section 8 rental assistance contract with the federal government. The net effect is an increase of only 50 new project-based affordable rental housing units.

Finally, the study also recommended that the Site location should contain only limited commercial space to meet the needs of local residents. The retail and service options to be considered for the Development's commercial space should include uses such as small/specialty grocery store, video store, medical supply store, etc.

**Development Cost and Financing**

The Development's estimated total cost is \$17,226,000:

\$ 4,868,490	Acquisition, predevelopment, relocation, fixtures & equipment
11,403,310	Construction costs (includes Decker House)
<u>954,200</u>	Lease-up and financing costs
\$17,226,000	

The Developer has demonstrated good faith, diligent efforts to secure site control of the properties comprising the Site. The DDA provides that if despite good faith, diligent efforts the Developer is unable to secure site control of one or two of the properties, the Commission shall attempt to acquire said properties ("Remaining Properties"). Keyser Marston Associates' financial analysis in the Section 33433 Summary Report for the Development (Exhibit IV) concluded that the consideration paid by the Developer for site assemblage and relocation including Commission-assisted acquisition if required, based on the conditions, covenants and development costs required by the DDA is not less than the fair reuse value of the properties, and that the Commission is not providing more assistance than is warranted by the Development. Additionally, development of the Site will improve vacant and underutilized real property with newly constructed affordable senior housing that will relate to and enhance the surrounding neighborhood in architectural quality, scale and land use.

The amount of Commission loan assistance for the Development pursuant to the DDA is \$2.9 million (\$26,852/unit). This amount is comprised of \$1.5 million HOME funds, \$1.0 million Fannie Mae American Communities Fund, and \$0.4 million Low and Moderate Income Housing Trust Fund. Uses of the Commission Loan proceeds shall be restricted to property acquisition, tenant relocation, and relocation/rehabilitation of the Decker House. The Commission financial assistance consist of two loans, each evidenced by a promissory note and secured by a trust deed: a) Senior Housing Loan for the Heritage Square Development (\$2.5 million) and b) the Decker House Loan (\$0.4 million). The Decker House Loan, as proposed, carries a 3% interest rate with monthly amortized payments over a 40-year term; the DDA provides for modification of these repayment terms by the Chief Executive Officer if necessary to make the Decker House project financially feasible. Repayment on the Senior Housing Loan consists of two components, the "Amortized Portion" and "Residual Receipts Portion":

Amortized Portion (\$1.0 million) -- 37-year term; 3% interest rate; annual amortized payments beginning in seventh year.

Residual Receipts Portion (\$1.5 million) -- 40-year term; 5% interest rate; annual payments based upon availability of residual receipts.

The repayment streams on the Commission Senior Housing Loan are contained in the operating pro forma (attached to the DDA) which was also reviewed by Keyser Marston Associates, and determined to be reasonable and in accordance with industry standards.

The average Commission loan assistance, \$26,852, is considered to be a relatively low amount in redevelopment agency funding for the provision of very low and low income housing.

The proposed permanent financing for the Development is summarized as follows:

\$ 9,380,000	Low Income Housing Tax Credit (LIHTC) Equity
2,900,000	Commission Loans
2,720,000	Conventional Permanent Loan (residential, retail, support space)
1,000,000	County of Los Angeles "Industry Funds"
500,000	Federal Home Loan Bank Affordable Housing Program (AHP)
150,000	Developer Note
<u>576,000</u>	Supplemental Sources
\$17,226,000	

The amount identified as Supplemental Sources (\$576,000) include additional financial assistance from the County of Los Angeles "Industry Funds" and Federal Home Loan Bank AHP should these respective sources increase their funding allocations. Furthermore, there is potential for an increase in the amount of the Developer Note from Developer fee deferment.

As to the Purchase Financing (\$82,783) and Predevelopment Loan (\$70,000) which the Commission extended to Mr. Scott and Urban Development Company, respectively, the Developer shall insure that immediately upon the Developer securing site control of the entire Site, the outstanding principal amount on these two loans will be repaid to the Commission. In that event, the Commission shall forgive all accrued interest on the two loans and reconvey the trust deeds securing them.

### **INITIAL STUDY AND MITIGATED NEGATIVE DECLARATION**

The Initial Study was undertaken by the Commission, as the lead agency, in accordance with the California Environmental Quality Act, to determine whether an Environmental Impact Report (EIR) a Negative Declaration or a Mitigated Negative Declaration must be prepared. The Initial Study resulted in a Mitigated Negative Declaration describing the reasons why the proposed Development will not have a significant impact on the environment if certain specified mitigation measures are implemented. The Initial Study for the Development specified one mitigation measure relating to vehicular and pedestrian traffic. A traffic study was prepared by the Developer to evaluate the traffic-



related effects of the proposed Development on the surrounding area. The City's Public Works and Transportation Department evaluated the traffic study and the impact of the Development on circulation and determined that, due to the nature of the proposed Development as senior housing, pedestrian activities will be significant near the intersection of Fair Oaks Avenue and Painter Street. The department recommended the installation of some form of pedestrian warning system to minimize any potential conflicts between vehicles and pedestrians at this intersection. The Development will be required to comply with this mitigation measure.

In addition to the traffic mitigation measure, the Initial Study noted certain discretionary actions which are necessary in order for the Development to proceed: (a) City Council adoption of the Fair Oaks/Orange Grove Specific Plan, or approval of a General Plan amendment and Planned Development (PD) zone change; (b) Commission determination that the proposed Development would be compatible with surrounding uses in the Fair Oaks Redevelopment Project Area; and (c) Cultural Heritage approval of a Certificate of Appropriateness for the relocation and renovation of the historic "Decker House". These discretionary actions are described in more detail below:

#### **Draft Fair Oaks/Orange Grove Specific Plan**

The Heritage Square residential/commercial land use, as proposed, does not conform with the Site's current zoning (IG-General Industrial); however, it is consistent with the land use designations and design standards contained in the draft North Fair Oaks/Orange Grove Specific Plan. The draft Specific Plan, if adopted, would designate the properties along Fair Oaks Avenue, south of Mountain Street as Sub-Area 3, which is equivalent to a change from IG to CL (Limited Commercial), with an RM-48 residential overlay to encourage limited commercial uses and provide flexibility for housing. The draft Specific Plan will thereby permit a maximum housing density on the Site of 125 dwelling units (this figure includes a 25% density bonus). Heritage Square contains only 106 dwelling units.

The draft Specific Plan is not expected to be scheduled for consideration by the Planning Commission earlier than March 28, 2001. If the draft Specific Plan is approved by the Planning Commission and City Council, and the Environmental Impact Report is certified, Heritage Square will be consistent with the applicable City code and no further land use entitlements for Heritage Square will be required prior to issuance of a building permit. However, if the draft Specific Plan is not adopted the proposed Heritage Square would not be consistent with the existing zoning designation. In this event, in order for the Development to proceed, both a General Plan Amendment and Planned Development (PD) zone change would be required to prior to issuance of any building permits.

#### **Fair Oaks Avenue Redevelopment Plan -- Determination of Compatibility with Surrounding Uses**

The Fair Oaks Avenue Redevelopment Plan designates the southern portion of the Site for industrial use, but allows commercial as an alternate use subject to applicable City

codes. The remainder of the Site is designated solely for industrial use subject to applicable City codes. The proposed mixed-use (residential/commercial) development does not fully conform to the currently designated land uses in the Fair Oaks Avenue Redevelopment Plan.

However, pursuant to Section 411 of the Third Amendment To The Fair Oaks Avenue Redevelopment Plan, the Commission may authorize additions, alterations, repairs or other improvements in the Redevelopment Project Area for uses which do not conform to the provision of the Redevelopment Plan where in the determination of the Commission such improvements would be compatible with surrounding land uses and permitted under applicable City codes. More specifically, multi-family residential and mixed (residential/commercial) land uses are currently located on the Site and immediately to the east and south of the proposed Heritage Square on Raymond Avenue and Orange Grove Boulevard; specifically, the Raymond Grove Mixed-Use Development. Heritage Square is also in close proximity to numerous commercial land uses/services (grocery, pharmacy, banking, restaurants, medical, supportive services, etc.) along Fair Oaks Avenue and Orange Grove Boulevard. Therefore, staff is requesting a determination by the Commission, in accordance with Section 411, that Heritage Square is compatible with the surrounding land uses and developments subject to approval of the Fair Oaks/Orange Grove Specific Plan or a Planned Development (PD).

#### **Relocation and Renovation of Decker House**

According to the Initial Study, an intensive-level survey of historic properties has been completed, but not yet adopted by the City's Cultural Heritage Commission. One residential building on the Development Site, 750 N. Fair Oaks Avenue, which is proposed to be relocated, was identified in the survey as historically significant. This building, known as the Decker House, is a designated landmark and, therefore, has a status code of "5S1". This means that CEQA regulations for historic resources apply to this property. All other buildings and structures on the Development Site do not require compliance with regulations to protect historic resources.

Relocation and renovation of the Decker House will require approval of a Certificate of Appropriateness by the Cultural Heritage Commission. The proposed relocation/renovation of the Decker House must comply with the Secretary of the Interior's Standards for Rehabilitation of Historic Buildings ("Standards"). To ensure compliance with the Standards, the Developer shall be required to submit a Decker House relocation and renovation plan for review and approval by the staff of the City's Design and Historic Preservation Section, the Community Development Committee, and the Chief Executive Officer.

#### **REPLACEMENT HOUSING PLAN AND RELOCATION PLAN**

The State of California Health and Safety Code §33413 requires that the Commission set forth a plan for the replacement of dwelling units removed from the low and moderate-

income housing market as a result of the proposed Development. Ten such units would be removed. Eight units will be demolished and the two units comprising the Decker House shall be relocated off-site. As stated in the Replacement Housing Plan, (Exhibit V) replacement housing will be provided by the proposed Development.

Currently, nine businesses and ten households occupy the Site. Under federal law, businesses and households displaced as a result of the proposed Development may be eligible to receive relocation assistance. Shober-Livas Relocation, the Commission's relocation consultant for the Development, has conducted initial interviews of the potential displacees and prepared the Relocation Plan for Commission approval (Summary of Relocation Program, Exhibit VI). The Relocation Plan sets forth the method or plan for the relocation of each displacee, including a description of the relocation payments to be made and a plan for disbursement; procedures for locating and referring eligible households to comparable replacement dwellings; procedures for business relocation; an enumeration of activities undertaken with other social service agencies; and a formal grievance procedure for use by displacees seeking administrative review of Commission determinations.

#### **AVAILABILITY OF DOCUMENTS FOR PUBLIC REVIEW**

A public notice of the availability for review of the Initial Study, Relocation Plan, Replacement Housing Plan, DDA, and Section 33433 Summary Report in the City Clerk's Office and other locations was published in the Pasadena Star News on January 16, 22, and 29, 2001. DDA attachments include Site Legal Description, Site Map, Schedule of Performance, Development and Operating Pro Formas (Heritage Square and Decker House), Form of Grant Deed, Scope of Development, Form of Certificate of Completion, Heritage Square Regulatory Agreement, Commission Note and Trust Deed, Decker House Regulatory Agreement, and Equal Employment Opportunity forms.

#### **HOUSING IMPACT**

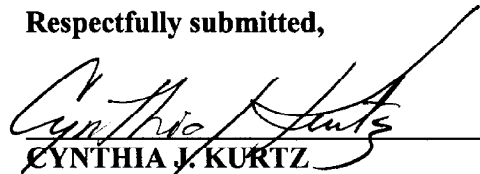
The Development will add 106 dwelling units to the city's affordable senior housing inventory. An indicator of the need for additional housing of this type can be found in the current long waiting lists for existing affordable senior rental housing projects in the city. The Development will also result in the relocation and renovation of the historic Decker House for reuse as two affordable rental housing units for low and moderate-income households. Furthermore, the increasing need and goal for the provision of affordable housing, especially senior housing, was cited in The Myers Group's "City of Pasadena Housing Analysis (December 1999)," Housing Element Needs Assessment (May 2000) and Five-Year Consolidated Plan (June 2000). The Development also meets the goals and objectives of the Commission's Five-Year Implementation Plan 1999-2004, Five-Year Public Housing Plan, Priority Work Program, and the City of Pasadena General Plan Housing Element.

**FISCAL IMPACT**

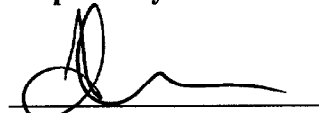
Approval of the subject recommendations will provide Commission loan assistance to Heritage Square Investment, L. P., as a loan for the Heritage Square and Decker House Development totaling \$2.9 million: \$1.5 million HOME funds (Account No. 221-684110-52312); \$1.0 million Fannie Mae American Communities Fund (Account No. 810-684120-51104); and \$0.4 million Low and Moderate Income Housing Trust Fund (Account No. 810-684120-52312). Of this total, \$2.5 million will be allocated for development of Heritage Square and \$0.4 million for the relocation/renovation of the Decker House. The Commission loan assistance will be repaid over a 40-year period at approximately 4% blended interest rate. The \$2.5 million Heritage Square loan will be repaid as follows: \$1.0 million over a 37-year term @ 3% interest rate with annual amortized payments beginning in the seventh year; and \$1.5 million over a 40-year term @ 5% interest rate from annually available residual receipts. The Decker House loan will be repaid via monthly amortized payments over a 40-year term @ 3% interest rate; the DDA provides for modification of these repayment terms by the Chief Executive Officer if necessary to make the Decker House project financially feasible.

Currently, the Commission receives approximately \$9,320 annually in tax increment revenues from the eight properties in the Development Site. It is contemplated that the proposed Heritage Square complex will be declared exempt from payment of real property taxes. In this event, pursuant to the terms of the DDA, the Developer shall pay to the Commission, in lieu of property taxes, the sum of \$9,320 per year, subject to annual increases of 2%.

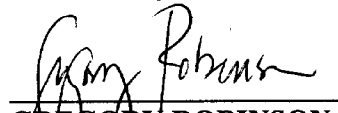
**Respectfully submitted,**

  
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**CYNTHIA J. KURTZ**  
City Manager/Chief Executive Officer


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