

DATE: DECEMBER 16, 2002
TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION
FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER
SUBJECT: APPROVAL OF THE SALE OF THE HOLLY STREET VILLAGE APARTMENTS (151 EAST HOLLY STREET) FROM PASADENA CIVIC CENTER WEST, L.P. TO THE SARES REGIS GROUP PER THE REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (AGREEMENT NO. CDC-127) INCLUDING THE PASADENA COMMUNITY DEVELOPMENT COMMISSION.

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission adopt a resolution approving the sale of the Holly Street Village Apartments from the current owner, Pasadena Civic Center West L.P., to a new partnership entity consisting the SARES-REGIS Group and Capri Capital Advisors, pursuant to Section 13 of Regulatory Agreement and Declaration of Covenants (Agreement No. CDC-127).

BACKGROUND:

In December 1991, the Pasadena Community Development Commission ("Commission") entered into Regulatory Agreement and Declaration of Restrictive Covenants (Agreement No. CDC-127) with Pasadena Civic Center West, A California Limited Partnership ("Owner") to finance the acquisition and construction of the multifamily residential housing project currently known as Holly Street Village Apartments located at 151 East Holly Street. The project was financed through the issuance of tax-exempt multi-family housing revenue bonds totaling \$39.4 million, which require that twenty percent (20%) of the 374 units be made available to very low-income households (75 very low-income units).

The Owner has entered into escrow for the sale of the Holly Street Village Apartments to a new partnership entity consisting the SARES-REGIS Group and Capri Capital Advisors ("Purchaser"). Per the Regulatory Agreement the sale requires Commission approval. Furthermore, the Regulatory Agreement sets forth certain conditions of sale:

- The owner shall not be in default;
- The continued operation of the project shall comply with the provisions of Regulatory Agreement and Declaration of Restrictive Covenants (Agreement No. CDC-127);
- The Purchaser or assignee shall be willing and capable of complying with the terms of the Regulatory Agreement and Declaration of Restrictive Covenants (Agreement No. CDC-127);
- The Purchaser or assignee shall execute any document requested by the Issuer or the Trustee with respect to the assumption of the Owner's obligations under the Regulatory Agreement and Declaration of Restrictive Covenants (Agreement No. CDC-127);
- Purchaser has proven experience in the business of developing, acquiring, and managing apartment projects similar to the Holly Street Village Apartments;
- Evidence that the Purchaser will assume the owner's obligations;
- The Owner shall pay all costs to transfer the title.

Documentation has been submitted by the Owner and Purchaser addressing the above conditions of sale. Staff has reviewed the documentation and has determined that all the conditions of sale have been satisfied.

Project Description

The Holly Street Village Apartments is a four-story, mixed-use development consisting of 374 rental residential units and 11,000 square feet of ground level retail space located along Holly Street and Marengo Avenue. Required parking for the residential units is provided on-site in a subterranean parking structure. Very-low income tenants occupy 77 (20.59%) of the 374 units.

The SARES-REGIS Group

The SARES-REGIS Group is the current on site property manager of the Holly Street Village apartments. They, therefore, have experience with administering the project's affordable housing requirements and obligations. The SARES-REGIS Group is a regional real estate firm providing comprehensive real estate services through its Commercial, Multifamily, and Homebuilding Divisions. The privately held company manages approximately \$2.1 billion in assets on behalf of its institutional partners and clients. These assets include 15 million square feet of commercial property, 10,400 apartment units and 1,000 acres of land. They have also purchased and /or developed approximately 34 million square feet of commercial property and more than 18,000 residential homes and apartments since their inception in 1975.

The company has three operating affiliates, SARES-REGIS Group of Northern California, Regis Homes, and Regis Contractors.

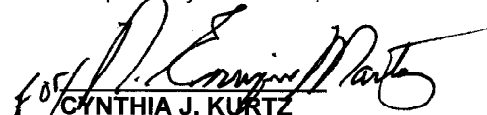
Bond Financing Pledge

The Commission currently has on deposit with the Bond Trustee \$4,000,000 of funds as security for a portion of the multifamily housing revenue bonds. The existing owner and its affiliate are obligated to reimburse the Commission for any loss of the Commission's pledge, and the Commission holds a deed of trust on the Project and a \$1,000,000 cash pledge from the existing owner to secure that obligation. The obligation of the existing owner and its affiliate to reimburse the Commission in the event of any default with respect to the bonds will be assumed by the purchaser. In addition, the deed of trust and \$1,000,000 of cash security in favor of the Commission will continue in place after the transfer.

FISCAL IMPACT:

All financial commitments and obligations agreed to by the current owner will be assumed and agreed to by the prospective new owner, including the obligation to continue to make debt service payments on bonds issued on behalf of the project, and to reimburse the Commission in the event of any default under the bond financing pledge. The security for such reimbursement obligation will continue in place after the transfer. The property is located within the Downtown Redevelopment Project Area; its sale will have a positive impact on the amount of tax increment generated by this development.

Respectfully submitted,


CYNTHIA J. KURTZ
Chief Executive Officer

Prepared by:



LEON WHITE
Project Planner

Reviewed by:



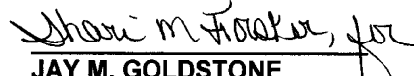
KIRK PELSNER
Development Administrator

Approved by:



RICHARD J. BRUCKNER
Director of Planning & Development

Concurrence:



JAY M. GOLDSTONE
Director of Finance