

**DATE:** MAY 13, 2002

**TO:** PASADENA COMMUNITY DEVELOPMENT COMMISSION

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

**SUBJECT:** APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT (OPLA) AND A MCKINNEY ACT SUPPORTIVE HOUSING PROGRAM SUB-RECIPIENT AGREEMENT (SRA) BY AND BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION (COMMISSION) AND AFFORDABLE HOUSING SERVICES (AHS) FOR THE REFINANCING, REHABILITATION AND OPERATIONS OF A 6-BEDROOM RESIDENCE AT 1516 N. NAVARRO AVENUE, PASADENA.

**RECOMMENDATION:**

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

Adopt a resolution:

- A. Finding and determining that the project ("Project") described in the proposed Owner Participation and Loan Agreement ("OPLA") and McKinney Supportive Housing Program (SHP) Sub-Recipient Agreement (SRA) executed by Affordable Housing Services (AHS) is categorically exempt under the California Environmental Quality Act ("CEQA") and, specifically, under Section 15301 of the State CEQA Guidelines and authorizing the Secretary of the Commission to file with the County Clerk a Notice of Exemption for the Project pursuant to Section 15301 of the State CEQA Guidelines.
- B. Approving the terms and provisions of both the OPLA and SRA between the Commission and AHS including Commission assistance in the amount of \$406,668 (HOME Program - \$200,000; McKinney SHP - \$206,668).
- C. Authorizing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the OPLA and SRA.

**ACTION OF ADVISORY BOARDS:**

The subject recommendation was reviewed by the Community Development Committee, Housing Sub-Committee on March 7, 2002, the Northwest Commission on April 9, 2002, and the Community Development Committee on May 9, 2002. The Housing Sub-Committee and the Northwest Commission recommended approval of the subject project. Staff will report orally on the action taken by the Community Development Committee.

## **EXECUTIVE SUMMARY:**

Approval of the Owner Participation Loan Agreement ("OPLA") shall provide Commission funds to Affordable Housing Services to pay off and reduce existing mortgages on the 1516 N. Navarro Avenue property, Council District 1, and to provide affordable rental units and on-going social services to six, very-low-income residents. Financing for the project will be from federal funding, the HOME Program and the McKinney SHP Grant. This project meets the criteria of these federal programs.

## **BACKGROUND:**

Affordable Housing Services (AHS) is a non-profit, affordable housing development company established in 1993. AHS has managed five sober living facilities varying in size from 6-resident tenants to 25-resident tenants. AHS has also managed a number of other supportive housing facilities, one of which provided supportive housing to recovering drug dependent females.

In 1994, AHS purchased the Navarro House (Project), located at 1516 N. Navarro Avenue. The Project site is 15,200 sq. ft. and located in a multi-family residential zone which allows up to 2 units per lot. The site has 75 feet of frontage on Navarro Avenue with a depth of 200 feet. The site is improved by the Navarro House, a 2,200 square foot, two-story residence and two-car garage. The house and garage are located at the rear of the lot and the middle section is green open space. The front portion of the site contains 24 raised planters where AHS and Navarro House tenants have planted flowers and vegetables that are sold to produce income. The house was moved to its present location on the site in 1991. At the time of relocation, the house underwent moderate rehabilitation including replacement of the roof but no improvements were made to accommodate handicapped accessibility. AHS has also performed minor renovations in subsequent years.

## **DEVELOPMENT CONCEPT:**

The Project will provide suitable housing accommodations and supportive services for six adults with disabilities in order to assist the transition of these persons with special housing needs into independent living. The existing house and grounds are not currently accessible by persons with disabilities and will require the improvements noted in the OPLA Scope of Development. The Project improvements will allow the property to accommodate disabled clients and includes installation of the following features: 1) roll-in shower in first floor bathroom, 2) ramps at the front, side, and back of the residence, 3) enlarged doorways for wheelchair accessibility, 4) kitchen cabinets, appliances, and a sink for wheelchair accessibility, 5) a ramp and new door to downstairs bedroom, 6) new flooring and upper balcony enclosure, 7) new treads and tile steps on interior staircase, 8) new heater, 9) new tile flooring in all rooms, 10) landscaping and an irrigation system, 11) new gravel for parking area, and 12) new windows to match existing windows and screens. AHS shall also provide furnishings for each unit including new bedroom furniture, sofa, chairs, television, fans for the bedrooms and common areas, window treatments, and yard maintenance equipment.

The McKinney SHP Gant requires AHS to implement certain performance measures to obtain/retain permanent housing for the residents along with the provision of supportive services. These activities include: 1) completion of renovations within six months of grant award; 2) coordination with Eaton Canyon Foundation (supportive service provider) for assessment and case management of each resident; 3) setting goals for residents to attain clean, sober living; 4) participation in dwelling and grounds maintenance; 5) participation in AIDS education program and other educational courses; 6) formation of a tenant association at the home, and developing

the skills needed to obtain independent permanent housing. The McKinney SHP Grant also restricts the number of clients housed at the Navarro House to 6 eligible persons at one time. The performance of the services must be completed by February 28, 2004.

**PROJECT FINANCING :**

The total project cost is \$609,817 which provides for mortgage debt reduction, rehabilitation, social services and operating expenses. Sources and uses of funds are as follows:

	<u>Development Cost</u>	<u>Commission Loan</u>	<u>McKinney Grant</u>	<u>AHS</u>
Mortgage Refinancing	\$219,000	\$ 72,100	\$ 59,400	\$ 87,500
Rehabilitation	<u>\$159,430</u>	<u>\$127,900</u>	<u>\$ 12,500</u>	<u>\$ 19,030</u>
Sub-total	\$378,430	\$200,000	\$ 71,900	\$106,530
<b><u>3-Year Operating Costs</u></b>				
Supportive Services	\$ 54,376		\$ 54,376	
Operating Expenses AHS	<u>\$177,011</u>	_____	<u>\$ 80,392**</u>	<u>\$ 96,619*</u>
Sub-total	\$231,387		\$134,768	\$ 96,619
Total	\$609,817	\$200,000	\$206,668	\$203,149

\* Projected Income

\*\* Commission Administration  
Expense portion (\$4,920)

The Commission Loan of \$200,000 at 2% interest for a 30-year term will be secured by a second trust deed with Loan payments deferred for the first year. The amortized loan payment will be \$773.00 per month for 29 years commencing in the second year. The McKinney SHP Grant will provide funds for the supportive services and operating expenses for three years. This program has been providing supportive services and operating expense grants to municipalities for over 20 years. It is anticipated that the McKinney SHP will continue to be awarded to AHS in future years.

On March 30, 2002, the terms and conditions of the Commission financial assistance were reviewed by Keyser Marston Associates Inc. (KMA). KMA found the terms of the Commission assistance to be acceptable given the restrictions on rental income for low-income housing developments and the stipulated conditions of the federal funding.

**ENVIRONMENTAL FINDING:**

This project has been determined to be Categorical Exempt, Section 15301, under the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act of 1969, per 24 CFR 58.35(a), for protection of the environment.

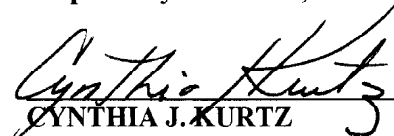
**HOUSING IMPACT:**

Approval of the subject recommendation shall provide for the rehabilitation and occupancy of six affordable housing units by adults with disabilities. This affordable housing activity is consistent with the goals and objectives of the Commission's Affordable Housing Plan 2000-2004, the Commission's Implementation Plan 1999-2004, the Commission's Priority Work Program, the City of Pasadena's General Plan (Housing Element), the Northwest Pasadena Community Plan (Housing Element), and the City's Five Year Consolidated Plan.

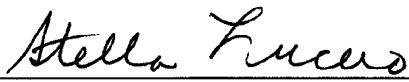
**FISCAL IMPACT:**

HOME Rental Rehabilitation Program Funds in the amount of \$362,800 are currently available in Account (221-684110-52301) to fund this Project. Approval of the subject recommendation will decrease the account by \$200,000 with a resultant remaining balance of \$162,800. The \$206,668 McKinney Supportive Housing Program Grant for this Project is available to the Commission from the U. S. Department of Housing & Urban Development for reimbursement of eligible Project expenditures. Keyser Marston Associates, the Commission's financial consultant, analyzed the Project's anticipated cash flow and determined that the net present value of the projected payments on the Commission's Loan is \$79,000. Therefore, the net cost to the Commission is \$121,000 (\$200,000 - \$79,000).


**Respectfully submitted,**

  
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Chief Executive Officer

**Prepared by:**

  
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**Reviewed by:**

  
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FOR Housing and Community Development  
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**Approved by:**

  
FOR RICHARD BRUCKNER  
Director, Planning & Development