

DATE: FEBRUARY 3, 2003

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICE

**SUBJECT: APPROVAL OF SUB-RECIPIENT AGREEMENT; \$621,000
COMMISSION FUNDING ASSISTANCE TO PASADENA
NEIGHBORHOOD HOUSING SERVICES FOR MORTGAGE
ASSISTANCE PROGRAM**

RECOMMENDATION:

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

1. Approve the terms and provisions of the Sub-Recipient between the Pasadena Community Development Commission ("Commission") and Pasadena Neighborhood Housing Services ("PNHS"), pursuant to which the Commission shall provide funding assistance not exceeding \$621,000 to PNHS for implementation of its Mortgage Assistance Program (the "Program") consistent with Attachment A;
2. Authorize and direct the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the Sub-Recipient Agreement ("Agreement") and any and all documents necessary to effectuate the terms and provisions of the Agreement, and implementation of the Program; and
3. Approve a journal voucher appropriating \$621,000 from the Commission's Fannie Mae American Communities Fund Credit Facility Loan Account (Account No. 810-684120-51204) to the PNHS Mortgage Assistance Program Account (Account No. 810-684120-51322).

ADVISORY BODY REVIEW

The staff recommendations were considered by the following advisory bodies:

Northwest Commission -- The staff recommendations for the proposed Program and key terms of the Sub-Recipient Agreement were considered and unanimously approved by the Northwest Commission at its meeting on January 14, 2003.

Community Development Committee -- The staff recommendations for the proposed Program and key terms of the Sub-Recipient Agreement were agendized for the Community Development Committee meeting of January 23, 2003, but no action was taken due to lack of a meeting quorum.

The staff recommendations for the proposed Pasadena Neighborhood Housing Services Mortgage Assistance Program (the "Program") and key terms of the Sub-Recipient Agreement were

reviewed and discussed by the Housing Subcommittee at its meeting on November 14, 2002 with no changes recommended.

BACKGROUND

On August 13, 2001, the Pasadena Community Development Commission ("Commission") approved conditional funding commitments totaling \$4,255,638 for the provision of affordable housing by seven housing sponsors selected through a competitive Notice Of Funding Availability process. Among the sponsors approved for funding commitments was non-profit housing sponsor Pasadena Neighborhood Housing Services ("PNHS"), with an allocation of \$621,000 from the Commission's Federal National Mortgage Association ("Fannie Mae") American Communities Fund Credit Facility Loan funds.

An Exclusive Negotiation Agreement ("ENA") was entered into between the Commission and PNHS, pursuant to which the two parties were to negotiate the terms and provisions of a Sub-Recipient Agreement (the "Agreement") specifying PNHS's obligation to implement the Mortgage Assistance Program (the "Program") and the Commission's obligation to provide Program funding assistance. Furthermore, in response to findings identified in an audit of PNHS in October 2000, the ENA required that the non-profit agency resolve all outstanding fiscal deficiencies and institute appropriate internal fiscal controls and management systems. City staff from the Planning & Development and Finance Departments, and consultant Conrad Business Services, Inc., have been monitoring PNHS's progress on this matter since November 2000, as well as providing technical assistance, and are satisfied that the audit findings have been addressed. A full-time accountant was hired by PNHS in November 2002. Furthermore, PNHS's fiscal control systems will be monitored on an on-going basis in accordance with the accounting requirements of the City's Finance Department.

PNHS MORTGAGE ASSISTANCE PROGRAM

Under the proposed Agreement, the Commission shall provide funding assistance totaling \$621,000 for the Program, to be utilized as follows:

- 1) \$540,000 for down payment loan assistance to very low-, low-, and moderate income first-time homebuyers in Northwest Pasadena; and
- 2) \$81,000 to support the Program's homebuyer/homeowner education component, as well as for PNHS administrative costs to implement the Program (e.g., borrower qualification, loan origination/underwriting, document processing).

The Program's objectives are to provide, within a one-year timeframe: a) loan assistance to a minimum of ten qualified homebuyers in Northwest Pasadena; and b) comprehensive homebuyer/homeowner counseling to approximately 450 prospective homebuyers and homeowners.

HOUSING IMPACT


Successful implementation by PNHS of the Mortgage Assistance Program will result in the provision of: a) affordable ownership housing to no fewer than ten very low-, low-, and

moderate income first-time homebuyers in Northwest Pasadena; and b) comprehensive homebuyer/homeowner counseling to approximately 450 households.

FISCAL IMPACT

Approval of the subject recommendation will result in the appropriation of \$621,000 from the Commission's Fannie Mae American Communities Fund Credit Facility Loan Account (Account No. 810-684120-51204), which has a current uncommitted balance of \$766,000, to the PNHS Mortgage Assistance Program Account (Account No. 810-684120-51322).


Respectfully submitted,


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