

DATE: AUGUST 23, 2004

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT WITH AFFORDABLE HOUSING CONSOLIDATED, INC. FOR CYPRESS TOWNHOMES PROJECT AT 537 N. CYPRESS AVENUE

RECOMMENDATION

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

1. Acknowledge that the construction of the 4-unit townhouse development at 537 N. Cypress Avenue, Pasadena (the "Project") has been determined to be categorically exempt under Class 3 of the California Environmental Quality Act (CEQA), and specifically, Section 15303 of the State CEQA Guidelines;
2. Approve the key terms and provisions of the Owner Participation and Loan Agreement (OPLA) (as summarized in Exhibit "A" of this report) between the Commission and Affordable Housing Consolidated, Inc. for the construction of the Project;
3. Authorize the Chief Executive Officer to execute, and the Secretary to attest, the OPLA and related documents; and
4. Approve a journal voucher transferring \$300,000 from the Housing Opportunity Fund (Account No. 8167-810-684120-55-51334) to the Cypress Townhomes Project (Account No. 8167-810-684120-51331).

ADVISORY BODY RECOMMENDATIONS

The Northwest Commission at its meeting of August 10, 2004, unanimously recommended approval of the staff recommendation.

The Community Development Committee, at its regular meeting of August 12, 2004, unanimously recommended approval of the staff recommendation.

BACKGROUND

On December 15, 2003, the Pasadena Community Development Commission ("Commission") approved an Exclusive Negotiation and Predevelopment Loan

Agreement (“ENPLA”) with Affordable Housing Consolidated, Inc. (the “Developer”) in connection with the proposed development at 537 N. Cypress Avenue (the “Property”) of a 4-unit ownership housing project (the “Project”).

Pursuant to the ENPLA, a Commission loan in the amount of \$50,000 was extended to the Developer to assist with predevelopment costs. The predevelopment loan is secured by a second trust deed recorded against the Property. The ENPLA also provided for the Commission and Developer to negotiate the terms of an Owner Participation and Loan Agreement (“OPLA”) setting forth obligations of the two parties with respect to additional loan assistance from the Commission and the construction of the Project by the Developer. Agreement on the OPLA’s key terms and conditions has been reached and are summarized in Exhibit “A” of this report.

The Developer originally submitted a proposal for this site under the 2002 Notice of Funding Availability (NOFA). However, the Project encompassed two sites and was planned for 12 townhouse units. The NOFA Review Panel disapproved the Project for consideration due to an incomplete proposal. The Developer then submitted a smaller-scaled Project in 2003 which is now presented for Commission review.

PROJECT CONCEPT

The Developer-owned property is located in the Lincoln Triangle neighborhood within the Downtown Redevelopment Project Area. The Property consists of a 10,260 square foot vacant parcel zoned RM-32 which allows a maximum density of eight dwelling units. The proposed Project consists of four townhouse-style units, with two detached units (1,761 sq. ft. each) located at the front and middle of the site, and two attached units (1,550 sq. ft. each) at the rear. As proposed, the two attached units will be restricted as affordable housing for moderate income families; the other two detached units will be market rate housing. All four units feature a 3-bedroom/2.5 bath floor plan with attached two-car garages. The Project design includes a main garden which is adjacent to the property immediately south (recently constructed as part of three for sale, market rate homes -- see Exhibit “B” for Project concept drawings.) The Developer intends to request zoning variances for the Project to allow: a) parking in the front 60 percent of the Property; b) reduction in the main garden dimension by approximately 11 percent; and c) a reduction in the main garden area by approximately 10 percent (however, the project as designed would be in compliance with the total gardens area requirement).

COMMISSION FINANCING TERMS; LOCAL HIRING; OTHER OPLA PROVISIONS

The Project’s total development budget is approximately \$1,484,000. Commission financial assistance totals \$300,000, consisting of the previously approved predevelopment loan in the amount of \$50,000 (second trust deed) in addition to \$250,000 for construction secured by a third trust deed (collectively, the “Commission Loan”). The Commission Loan carries no interest and has a term of three years. The Project economics and the terms of the proposed Commission financial assistance were

reviewed by consultant Keyser Marston Associates Inc. (“KMA”). KMA determined that the development of the Project would not be financially feasible without Commission loan assistance in the amount of \$300,000 interest-free. The Developer would be required to secure the balance of the required financing (\$1,184,000) from other sources.

The Developer will repay the Commission Loan (\$300,000) from the sale of the units. The Commission will recast up to \$250,000 of the loan repayment proceeds as down payment assistance in the form of second trust deed loans for qualified moderate-income first-time homebuyers of the two affordable units. The origination, underwriting, and repayment of these homebuyer assistance loans will conform with the guidelines under the Commission Homeownership Opportunities Program (“HOP”). Recent sales comparables indicate that the pricing of the Project townhouses would be \$425,000 for the market rate units and \$400,000 for the affordable units. The estimate for the affordable purchase price for the affordable 3-bedroom units is approximately \$204,000 each, thereby requiring a subsidy of \$196,100 per unit which will be funded from the following sources: \$125,000 Commission HOP loan, \$35,000 Developer’s credit/discount price, and a \$36,100 Developer’s Third Trust Deed.

The Commission HOP loans will have a 45-year term and bear interest at the rate of six percent. In addition, the HOP loan carries a shared appreciation requirement in the event of loan prepayment (from refinancing or resale of the dwelling unit). Furthermore, a restrictive covenant will be recorded against the affordable units for the life of the HOP loan, and will require, among other things, owner-occupancy and the granting to Commission of first right of refusal to acquire the dwelling unit should the owner elect to resell.

The Developer will be also required to enter into a First Source Agreement with the Commission pursuant to which Developer shall take all necessary steps to make employment opportunities in the Project available to local residents and those engaged in business in the City of Pasadena, and shall accord them such preference for such opportunities as may be practical.

The Developer will be required to construct the Project in accordance with the scope of development and within the schedule of performance set forth in the OPLA. The OPLA also stipulates that the Developer will meet all applicable City insurance and indemnification requirements and equal opportunity in contracting policies. Other key provisions of the OPLA are summarized in Exhibit “A”.

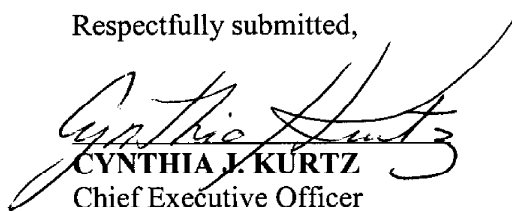
HOUSING IMPACT

Approval of the subject recommendation will provide the opportunity for the Commission to participate in the construction of four townhouse units (two affordable) for occupancy by first-time homebuyers. The proposed Project is consistent with the goals and objectives of the Commission’s Five-Year Implementation Plan (1999-2004), the Five-Year Consolidated Plan (2000-2005), the General Plan Housing Element, the Commission’s Priority Work Program, and the Housing Element of the Northwest Pasadena Community Plan.

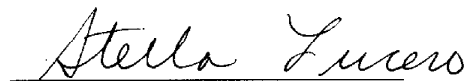
FISCAL IMPACT:

Approval of the subject recommendation will authorize the Commission's expenditure of \$300,000 for the Project (\$150,000 per affordable unit). There are sufficient funds in the Commission's Housing Opportunity Fund for this expenditure.

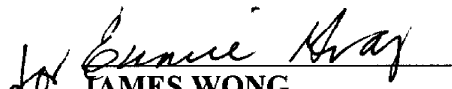
Respectfully submitted,


CYNTHIA J. KURTZ
Chief Executive Officer

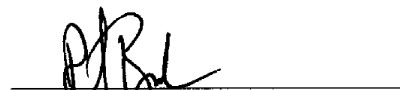
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