

DATE: DECEMBER 20, 2004
TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION
FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER
SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT
WITH AFFORDABLE HOUSING SERVICES, INC. FOR DEVELOPMENT
OF AFFORDABLE PERMANENT SUPPORTIVE HOUSING PROJECT
AT 270 E. PARKE STREET

RECOMMENDATION

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

- A. Find and determine that the project ("Project") described in the proposed Owner Participation and Loan Agreement ("OPLA") is categorically exempt under the California Environmental Quality Act ("CEQA") and, specifically, under Section 15301 of the State CEQA Guidelines, and authorize 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. Approve the terms and provisions of the OPLA between the Commission and Affordable Housing Services, Inc. ("Developer"), including the provision of Commission financial assistance for the Project totaling \$968,000 from the Commission's Housing Opportunities Fund;
- C. Approve a journal voucher entry appropriating to the "AHS Parke Street" project \$968,000 from the Housing Opportunities Fund - Low and Moderate Income Housing Trust Funds; and
- D. Authorize the Chief Executive Officer of the Commission to execute and the Secretary to attest, the OPLA and any and all documents necessary to effectuate the terms and provisions of the OPLA.

ADVISORY BODY RECOMMENDATIONS

The Northwest Commission unanimously recommended the Pasadena Community Development Commission ("Commission") approve the staff recommendation at its meeting on November 23, 2004. The Community Development Committee unanimously recommended the Commission approve the staff recommendation at its meeting on December 9, 2004.

BACKGROUND

The sponsor of the proposed project is Affordable Housing Services, Inc. ("Developer"), a community-based non-profit housing sponsor established in 1993. The Developer has operated a number of supportive housing projects including the Navarro House located at 1516 N. Navarro Avenue.

PROJECT CONCEPT

The Developer has owned the property located at 270 E. Parke Street since 1997. It is comprised of two contiguous lots with a total square footage of approximately 24,218 square feet or 0.56 acres. The property is improved with eight townhouse dwelling units built in 1972. The zoning designation for the property is RM-16 which, with a 25% density bonus, allows a total density of 12 units.

Under the proposed terms of the Owner Participation and Loan Agreement ("OPLA"), summarized in Exhibit "A" of this report, the Developer will rehabilitate the eight existing, rental townhouse units (currently occupied) and construct four rental units, a community room for use by the residents, a 24-space carport with an open-air patio on top, and a tot lot. The rental office and the first floors of all units, including bedrooms in the 4- and 5-bedroom units, will be accessible. Project concept design drawings are attached to this report as Exhibit "B". The proposed scope entails the rehabilitation of the existing eight units (three 5-bedroom units, four 3-bedroom units, and one studio); the construction of four dwelling units (two 4-bedroom units and two 2-bedroom units); and the construction of an office where supportive services will be provided.

All 12 units will be affordable to very low and low income renters. Two of the four units to be constructed will house up to eight individuals receiving assistance under the Commission's federally-funded Shelter Plus Care program. Of the remaining ten units, three will be provided with the Commission's Project-Based Section 8 rental assistance. The income and affordability restrictions will be covenanted against the property for a period of 55 years.

PROJECT FINANCING

Permanent financing for the development of the Project is as follows:

\$ 968,000	Commission loan
350,000	HUD Supportive Housing Program funding
<u>1,146,000</u>	Private conventional loan
\$2,464,000	Total

Under the terms of the OPLA, the Commission will provide the Developer a loan in an amount not to exceed \$968,000 from the Commission Housing Opportunities Fund (Low and Moderate Income Housing Trust Funds) to assist with the development of the Project. The loan proceeds will be used to refinance existing debt on the property (\$350,000) and eligible Project development costs (\$618,000). The loan will be secured by a second trust deed recorded against the property, subordinate to conventional financing, and bearing interest at the fixed rate of 3% per annum over a 55-year term. Annual amortized loan payments would be required beginning three months after project completion.

Additionally, \$499,981 in financial assistance will be provided by the U. S. Department of Housing and Urban Development, under the Stewart B. McKinney Homeless Assistance Act Permanent Supportive Housing program. \$350,000 of the McKinney Act funds, provided as a loan, will be used for Project costs associated with the construction of the new dwelling units. This loan, secured by a subordinated trust deed recorded against the property, will bear simple interest at the rate of 1% per annum over a 55-year term. Payment on this loan would be in the form of affordable housing and supportive services to be provided by Developer for the eligible tenants, as required per the terms of a recorded covenant agreement. This loan would be accelerated in the event Developer defaults on the terms of the covenant agreement.

The balance of the required permanent financing for the Project, \$1,146,000, will consist of a private conventional loan which the Developer will be required to secure prior to closing of the Commission loan. The Commission loan may be reduced if project costs fall below \$2,464,000 and/or conventional permanent financing exceeds \$1,146,000.

A key component of this project is the provision of supportive services. These services include assessment and case management to assist formerly homeless tenants (participating in the Commission's Shelter Plus Care program) in setting goals and developing skills needed to achieve independent living. These services will be funded by the remaining McKinney Act funds, as a grant, in the amount of \$149,981 for the first three years of project operation (\$49,994 per year). After the initial three-year period, the McKinney Act funding is renewable to continue the delivery of these services. Other tenants housed in the complex will also receive supportive services (e.g., after-school tutoring, English as Second Language classes, etc.).

The federal McKinney Act funds totaling \$499,981 for this project were awarded to the Commission in December 2002 under the Permanent Supportive Housing component of HUD's Continuum of Care funding program and will be made available pursuant to a Sub-Recipient Agreement between the Commission and Developer. The Commission will also allocate to the Project three Project-based Section 8 Housing Choice Vouchers.

The Project's total development cost is approximately \$2,464,000. The Project's development and operating budgets were analyzed by financial consultant Keyser Marston Associates Inc. (KMA). According to KMA's analysis, the amount, terms, and conditions of the proposed Commission financial assistance are warranted by the Project's economics. The Commission's loan assistance in the amount of \$968,000 equates to a local subsidy of \$80,667 per unit which is a reasonable level of subsidy for very-low and low-income rental housing with supportive services

LOCAL HIRING; OTHER OPLA PROVISIONS

Pursuant to the First Source Hiring Ordinance, P.M.C. 14.80, the Developer will be required to enter into a First Source Hiring Agreement, which will establish a minimum percentage of construction-related payroll that must be completed by local labor. The Developer will also be required to adhere to the City's equal opportunity in contracting policies.

ENVIRONMENTAL FINDING

The proposed Project has been determined to be categorically exempt under Section 15301 of the California Environmental Quality Act Guidelines.

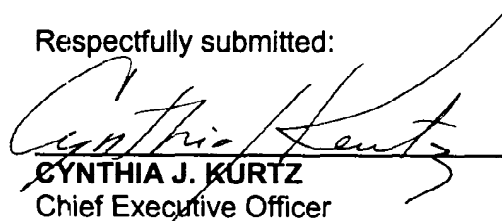
HOUSING IMPACT

Approval of the subject recommendation and completion of the proposed Project will result in the provision of affordable rental housing for 18 very low and low income households. This affordable housing activity is consistent with the goals and objectives of the Commission's Affordable Housing Plan 2000-2004, Implementation Plan 1999-2004, Priority Work Program, and the City's General Plan (Housing Element), Five-Year Consolidated Plan (2000-2005).

FISCAL IMPACT

Approval of the subject recommendation will result in the appropriation of \$968,000 from the Commission's Housing Opportunity Fund (Low and Moderate Income Housing Trust Funds) for the proposed Project. There are sufficient monies in the Housing Opportunity Fund for this appropriation.

Respectfully submitted:




CYNTHIA J. KURTZ
Chief Executive Officer

Prepared by:



JAMES WONG
Senior Project Manager

Approved by



RICHARD V. BRUCKNER
Director of Planning and Development

EXHIBIT "A"

AFFORDABLE HOUSING SERVICES

**270 E. Parke Street
Pasadena**

**KEY TERMS AND CONDITIONS OF
OWNER PARTICIPATION LOAN AGREEMENT**

I. Developer Entity

- The developer entity is Affordable Housing Services ("AHS"), a non-profit organization.

II. Land Use Entitlements

- The existing zoning designation for the project site is Residential (RM-16) providing for a maximum density of 9 units. The proposed development consists of eight units with new construction of four additional units.
- Density bonus - 3 units.
- Developer intends to request waiver of development standards (as provided under City's Density Bonus Ordinance) to allow: a) reduction in main garden area requirement by 3.55%; b) reduction in total garden area requirement by 3%.

III. Site Control

The project site is owned by AHS.

V. Project Financing

Developer has requested that Commission provide financial assistance for the development of the proposed Project.

- Commission Housing Opportunities Fund ("HOF") Loan: A loan in the amount of \$968,000 secured by a second trust deed recorded against the property. This loan bears compounded interest at the rate of 3% per annum over a term of 55 years. Monthly amortized loan payments would be required beginning three (3) months after project completion. The funding source of this loan is Low and Moderate Income Housing Trust Funds from the Commission's Housing Opportunities Fund.
- Supportive Housing Program ("SHP") Loan: A loan in the amount of \$350,000 secured by a subordinate trust deed recorded against the property. Loan bears simple interest at the rate of 1% per annum over a 55-year term. Payment on this loan would be in the form of affordable housing and supportive services provided by the Developer for the eligible tenants. This loan would be accelerated in the event Developer defaults on the terms of the Affordable Housing Covenant Agreement

requiring the provision of affordable housing and supportive services. These loan proceeds shall be used for Project costs associated with the construction of the new dwelling units. The funding source of this loan is federal "McKinney Act" funds which HUD awarded to the Commission in December 2002.

- Developer's "Sources and Uses" for the project financing:

Sources:

\$ 968,000	Commission Loan
350,000	HUD Supportive Housing Program ("SHP") Loan
<u>1,146,000</u>	Private conventional financing
\$ 2,464,000	Total

Uses:

\$ 376,000	Refinancing and Relocation
1,604,000	New Construction/Rehab
<u>484,000</u>	Indirect and Financing Costs
\$ 2,464,000	Total

- Commission shall provide three (3) project-based vouchers under the Section 8 HCVP Project-based Voucher Assistance Program.
- To the extent that, upon Project completion, actual Project development costs total less than \$2,464,000, any Commission funds not disbursed shall be applied towards the outstanding interest and principal on the Commission HOF Loan.
- Commission shall provide McKinney Act grant funds in the amount of \$149,981 for the provision of supportive services over a three-year period (\$49,994 per year).
- City shall provide partial waivers of plan review fee and building permit fee pursuant to Resolution No. 6681, and partial waiver of construction tax pursuant to Ordinance #6472.

VI. Scope of Development

- Project shall consist of the rehabilitation and new construction of 12 affordable rental housing units at 270 E. Parke St. to provide housing for 12 households and supportive services for 8 adults and/or adults with children.
- The Development shall be designed in accordance with all applicable city codes, including the General Plan and the Villa Parke Redevelopment Plan.
- Where feasible, first floors of all units shall incorporate "universal design" standards for handicapped accessibility. (These standards shall be specified in the OPLA Scope of Development).
- Project shall provide 24 on-site residential parking spaces per waiver to permit 14 new compact parking stalls in addition to the 10 existing full stalls

- Commission shall defer its design review of the Development to the City's design review process. However, Developer shall be required to provide Concept Design Drawings, 50% Design/Development Documents, and 100% Design/Development Documents.

VII. Schedule of Performance

- Developer shall adhere to the performance elements identified in the OPLA Schedule of Performance which includes commencement of rehabilitation/construction upon design review approval and issuance of building permit and completion by December 1, 2005. Other performance elements shall be identified in the OPLA Schedule of Performance.

VIII. Relocation

- Temporary on-site relocation of eight (8) low-income tenants currently residing in existing units to newly constructed units at rear of Project while existing units are being rehabilitated.
- Two-night motel stays during fumigation of main building.

IX. Marketing Plan

- Developer shall coordinate its residential marketing activities with its social service provider, or other qualified social provider, to the extent allowable under fair housing law, to consider for occupancy of the dwelling units in the following order of priority : 1) formerly homeless, disabled persons for the Shelter+Care units, 2) displaced Pasadena residents; 3) households on the Section 8 waiting list; 4) local residents; 5) persons who are employed in Pasadena; and 6) all others.
- Developer shall prepare a Marketing Plan for all vacant units and coordinate its residential marketing activities with the City of Pasadena's Section 8 Waiting List and the local market.

X. Affordable Housing Covenant Agreement

- The Agreement shall include rent and income limits, non-discrimination provisions, and property management/maintenance requirements. Commission shall monitor the project's compliance with the Agreement.
- The dwelling units shall be rented to and occupied by very-low (60% or below of median income) adults with disabilities and families or to low-income persons (60% to 80% of median income), subject to the restrictions of the funding source designated for the given dwelling unit.
- Agreement shall run with land for a minimum of 55 years.

XI. Property Management

- Commission shall approve or disapprove property management company selected by Developer. Commission approval shall not be unreasonably withheld.
- Developer shall be required to operate the Project in accordance with a Commission-approved property management plan which will include an annual property inspection by the Commission.

XII. Equal Employment Opportunity/Affirmative Action; Local Hiring

- Developer/owner, and tenants shall comply with city's EEO/AA policies. Developer has submitted AA forms.
- Pursuant to the First Source Hiring Ordinance, P.M.C. 14.80, the Developer will be required to enter into a First Source Hiring Agreement, which will establish a minimum percentage of construction-related payroll that must be completed by local labor.

XIII. Insurance

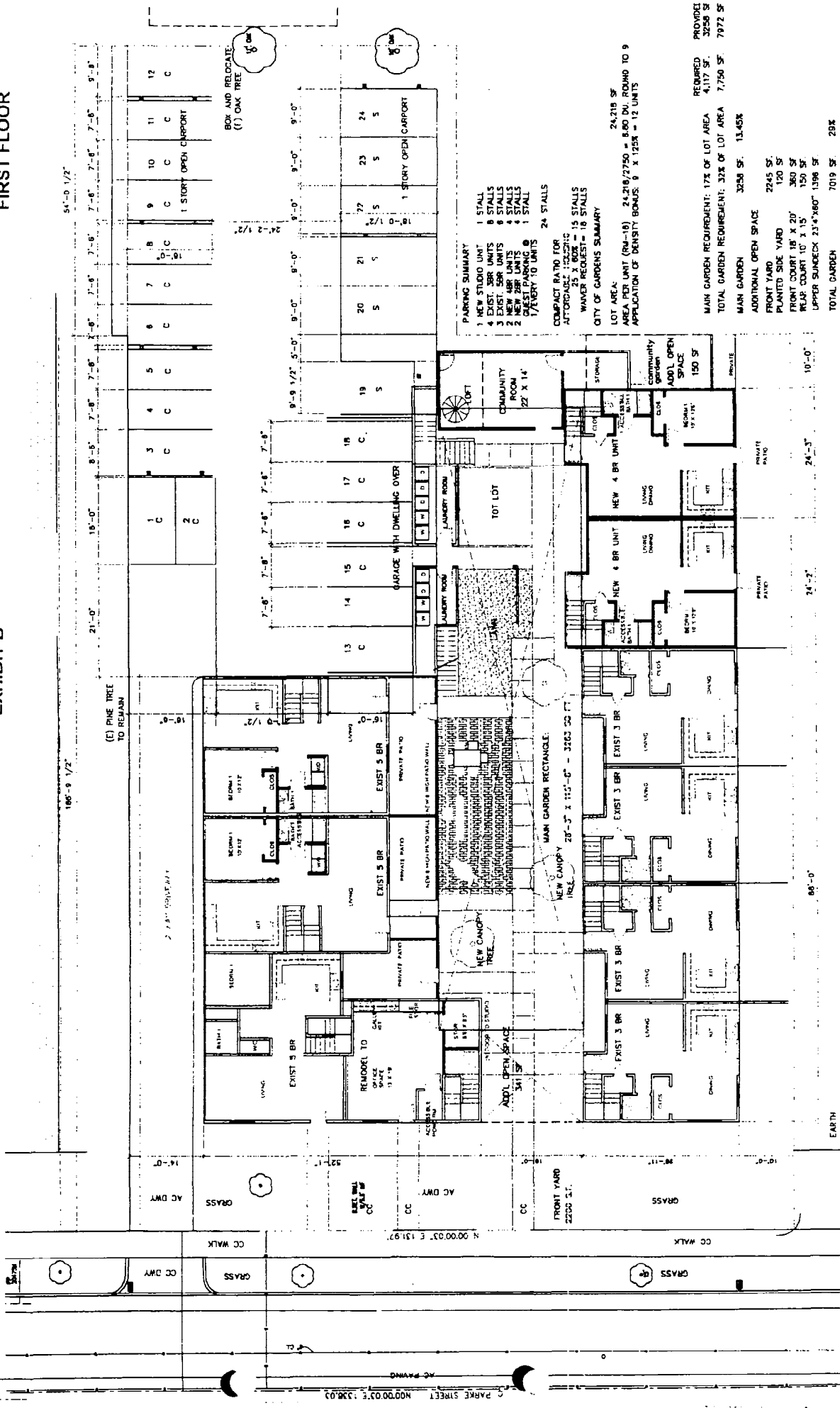
- Developer shall comply with city's insurance requirements.
- Developer agrees to and shall indemnify the Commission and City from and against all claims and expenses arising from or in connection with the Developer, or its lessees, use of the Property or performance of the obligations under the terms of the OPLA.

XIV. Miscellaneous

- Developer shall select and Commission shall approve the supportive service provider.

EXHIBIT B

FIRST FLOOR



PARKING SUMMARY
 1 NEW STUDIO UNIT
 4 EXIST. 3BR UNITS
 3 EXIST. 5BR UNITS
 2 NEW 4BR UNITS
 2 EXIST. PARKING @ 1 STALL
 17 NEW PARKING @ 1 STALL
 17 NEW 10 UNITS

COMPACT RATIO FOR AFFORDABLE HOUSING
 25 X 6025' = 15 STALLS
 WALKER REQUEST = 16 STALLS
 CITY OF GARDENS SUMMARY
 LOT AREA: 24,218 SF
 AREA PER UNIT (RM-18) 24,218/2750 = 8.80 DU. ROUND TO 9
 APPLICATION OF DENSITY BONUS: 9 X 125% = 12 UNITS

MARK GARDEN REQUIREMENT: 17% OF LOT AREA 4,117 SF
TOTAL GARDEN REQUIREMENT: 32% OF LOT AREA 7,750 SF
MARK GARDEN: 3250 SF 13.45%
ADDITIONAL OPEN SPACE:
 FRONT YARD 2245 SF
 PLANTED SIDE YARD 120 SF
 FRONT COURT 18' X 20' 360 SF
 REAR COURT 10' X 15' 150 SF
 UPPER SUITE CK 23'4"X60' 1396 SF
TOTAL GARDEN: 7019 SF 29%

MARK GARDEN RECTANGLE:
 28'-3" X 115'-6" = 3263 SQ FT

NEW CANOPY TREE:
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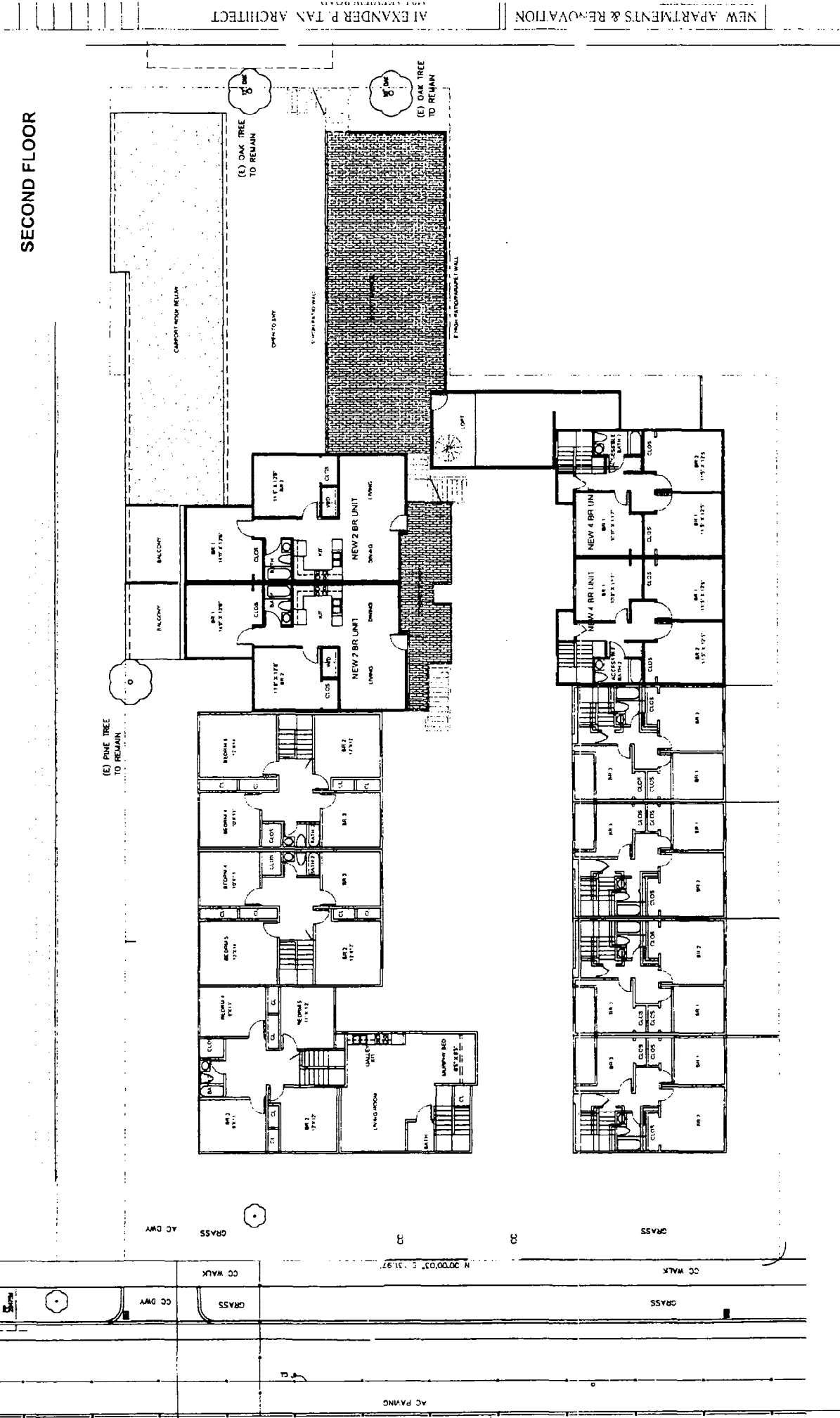
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SECOND FLOOR



SECOND FLOOR PLAN