

**DATE: JANUARY 26, 2004**

**TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION**

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

**SUBJECT: HERITAGE SQUARE AFFORDABLE SENIOR HOUSING  
COMPLEX AT 730-790 N. FAIR OAKS AVENUE;  
IMPLEMENTATION AGREEMENT TO FIRST AMENDED AND  
RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT  
WITH PASADENA HOUSING INVESTORS, L. P.**

**RECOMMENDATION:**

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

1. Approve the terms and condition of the Implementation Agreement To First Amended and Restated Disposition and Development Agreement No. CDC-439-1 (the “Agreement”) between the Commission and Pasadena Housing Investors, L. P. (“Developer”); and
2. Authorize and direct the Chief Executive Officer of the Commission to execute, and the Secretary to attest the Agreement, and to take any actions necessary to implement the Agreement

**ADVISORY BODY RECOMMENDATIONS**

The Fair Oaks Project Area Committee, at its special meeting on January 8, 2004, unanimously recommended Commission approval of the subject recommendation.

The Northwest Commission, at its regular meeting on January 13, 2004, unanimously recommended Commission approval of the subject recommendation.

The Community Development Committee was scheduled to consider the subject recommendation at its regular meeting on January 22, 2004. The Committee’s action will be reported to the Commission via a memorandum.

**BACKGROUND**

On March 24, 2003 the Pasadena Community Development Commission (“Commission”) approved the terms and conditions of that certain First Amended and

Restated Disposition and Development Agreement No. CDC-439-1 (the "DDA") with Pasadena Housing Investors, L. P. ("Developer") in connection with the proposed Heritage Square 104-unit senior affordable rental housing complex located at 730-790 N. Fair Oaks Avenue (the "development"). The DDA provided for, among other things: Commission loan assistance totaling \$4.9 million for the development (\$4.5 million for the Heritage Square senior housing project and \$400,000 for the Decker House project); and a "Closing Date" of December 1, 2003 by which date the Developer was to have secured all necessary financing to acquire all eight properties comprising the development site.

The Developer has been successful in maintaining site control of the development properties and has opened escrow on seven of the parcels, with the eighth parcel under a purchase contract and expected to be in escrow by January 9, 2004. However, the Developer has not been able to secure State of California Low Income Housing Tax Credits ("LIHTC"), a critical project financing component totaling approximately \$9.6 million. While the Developer submitted two applications to the State which scored well in the spring 2003 and summer 2003 funding rounds, they did not, unfortunately, receive a tax credit reservation due to the highly competitive nature of the allocation process. However, changes are being proposed for the upcoming spring 2004 funding cycle which if approved, will provide applications for senior housing projects such as Heritage Square a greater advantage in the allocation process.

Recognizing the key neighborhood revitalization potential represented by the Heritage Square development site within the Fair Oaks/Orange Grove Specific Plan area in northwest Pasadena, staff believes that it would be in the best interests of the community for the Commission to preserve this redevelopment opportunity by acquiring the development site. This would be accomplished by the Commission advancing the \$4.9 million in loan funds that have been committed to the development and applying this amount towards real property acquisition. With the Commission as owner of the development site, the Developer would be given an additional opportunity to apply for State tax credits in the spring 2004 funding round. While the Developer attempts to secure the necessary financing, the Commission will also explore, with the community, alternative development options for the project site. To implement this proposal, certain terms of the DDA would be amended by the proposed Implementation Agreement, the key terms of which are attached to this report as Exhibit "A".

#### **DEVELOPMENT FINANCING STATUS**

In June 2003 the Developer secured a \$500,000 Affordable Housing Program grant from the Federal Home Loan Bank. On January 13, 2004 staff was informed by the County of Los Angeles Housing Authority that the Developer's application for \$1 million in "City of Industry" funds will be recommended for approval by the County Board of Supervisors by mid-February 2004. And, in Spring 2004, the Developer will submit an application to the State of California for Low Income Housing Tax Credit financing totaling approximately \$9.6 million.

## **HOUSING IMPACT**

Commission approval of the subject recommendation and completion of the Heritage Square development will result in the addition to the city's housing inventory of 104 rental dwelling units affordable to very low- and low-income senior households, and the preservation of the historic "Decker House" for reuse as two affordable housing units for low- and/or moderate-income families. In addition, the development will mitigate existing blighting conditions within the Fair Oaks Redevelopment Project area and Fair Oaks/Orange Grove Specific Plan area.

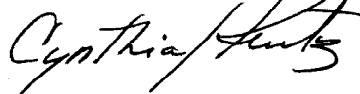
## **FISCAL IMPACT**

The Commission's total financial commitment to the Heritage Square development remains at the previously approved \$4.9 million, which amount will be drawn by the Commission Chief Executive Officer from readily available affordable housing funds.

The proposed \$4.9 million advance by the Commission for site acquisition will consist of \$4.5 million currently designated for the Heritage Square Senior Housing Loan, plus \$400,000 currently earmarked for the Decker House Loan. In the event that the Heritage Square development moves forward, the Commission's site acquisition advance would be recast as the Senior Housing Loan in the amount of \$4.9 million, with repayment components consisting of \$3.9 million residual receipts payments and \$1 million amortized payments.

During the period in which the development site is under Commission ownership, it may be necessary to advance relocation costs to existing tenants as they decide to relocate. The actual amount will be based upon assessments made at the time of relocation. It is contemplated that the rent revenue collected by the Commission from existing tenants will partially offset tenant relocation costs paid by the Commission. The existing Heritage Square agreement provides for the Commission to be reimbursed for these costs.

Respectfully submitted,

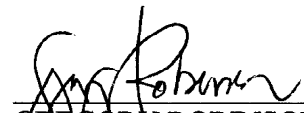


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