

**DATE: AUGUST 8, 2005**

**TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION**

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

**SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT WITH TRADEMARK DEVELOPMENT, LLC FOR AN EIGHT UNIT PROJECT AT 1350 N. EL MOLINO AVENUE**

**RECOMMENDATION**

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

- A. Acknowledge that the construction of the 8-unit townhouse development (the "Project") has no negative environmental impacts and the project is exempt under the "General Rule" Section 15061(b) (3) 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 the State CEQA Guidelines;
- B. Approve the key terms and provisions of the Owner Participation and Loan Agreement (OPLA) (as summarized in Attachment A of this report) between the Commission and Trademark Development, LLC for the construction of the Project;
- C. Approve a journal voucher entry appropriating to the Trademark Development project \$1,350,000 from the Housing Opportunities Fund-Inclusionary Housing; and
- D. Authorize the Chief Executive Officer of the Commission to execute the OPLA and any and all documents necessary to effectuate the terms and provisions of the OPLA.

**ADVISORY BODY RECOMMENDATIONS**

The Northwest Commission at its meeting of July 26, 2005, unanimously approved the recommendation.

The Community Development Committee, at its meeting of July 28, 2005 approved the recommendation with one modification to the terms which requires a 99-year term for the secondary loan for the affordable units and the affordable housing covenant and agreement.

**DEVELOPER**

The Developer is Trademark Development, a Limited Liability Company consisting of partners Joel Bryant and Dan Akins who have completed two other residential projects in the Northwest area. The property is currently in escrow and the developer proposes to close in August, 2005.

**PROJECT DESCRIPTION**

The property (Attachment B) is located at the northeast corner of El Molino and Washington Boulevard (1350 North El Molino Avenue) in the North Lake Avenue Specific Plan area which is zoned CL (Limited Commercial). The residential project will be subject to the City of Gardens,

development standards. The property currently consists of a 14,270 square foot lot with an existing one-story 2,000 square foot market with a beer and wine license. The proposed project will result in termination of the liquor license, demolition of the existing building and parking lot.

The proposed project will consist of eight townhouse style units, seven attached units and one detached unit, approximately 1,300 square feet. Two of the eight units will be restricted as affordable housing for moderate income families; the other six will be market rate. The floor plan for the eight units consists of three bedroom/ two baths with an attached two-car garage.

### **PROJECT FINANCING**

The Commission will provide the Developer a loan in an amount not to exceed \$1,350,000 from the Commission Housing Opportunities Fund (Inclusionary Housing) to assist with the proposed project. The project's economics were reviewed by Keyser Marston Associates Inc ("KMA"). KMA determined that the development of the project would not be financially feasible without the Commission's financial assistance. The loan proceeds will be used for property acquisition (\$1,300,000), a subsidy of \$300,000 to moderate-income buyers through a recast of the payment proceeds and pre-construction costs of \$50,000. The loan will be secured by a second trust deed, subordinate to conventional financing, at a zero interest rate for 18 months. The loan would be paid in full upon the sale of the last units. The Commission will share in the profit of sales above the \$469,000 market price to a maximum of \$142,000, based on a share distribution of \$71,000 (interest loss) each for the Commission and the Developer.

Additionally, \$300,000 in financial assistance will be recast from the loan proceeds to be used as a subsidy of \$150,000 each for the two moderate-income units. This loan, which will be secured by a second trust deed for the buyer, will bear a simple interest rate of 6% per annum over a 45-year term. The loan will carry a shared appreciation requirement in case of loan prepayment, refinancing or resale of the dwelling units per the terms of the recorded covenant agreement. The buyers will have a silent third of \$74,000 which is the difference between the affordable price plus the subsidy and the market price for the two moderate-income units.

The Developer will secure conventional financing of \$1,728,845 for the project after the close of escrow on the land and prior to the start of construction. The project's total development cost is \$3,205,051. The total gross revenue for the project is \$3,304,000. The estimated purchase price for the affordable units is \$245,000 and for the market rate units is \$469,000.

### **LOCAL HIRING; OTHER OPLA PROVISIONS**

The Developer will also be required to enter into a First Source Agreement in compliance with the First Source Hiring Ordinance, P.M.C. Chapter 14.80. The Developer shall take all necessary steps to make employment opportunities in the project available to local labor 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 Attachment A.

### **ENVIRONMENTAL FINDING**

The proposed project has no negative environmental impacts and the Commission will acknowledge that the project is exempt under the General Rule.

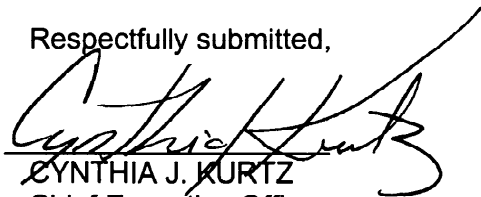
**HOUSING IMPACT**

Approval of the subject recommendation will provide the opportunity for the Commission to participate in the construction of eight townhouse units (two affordable). 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**

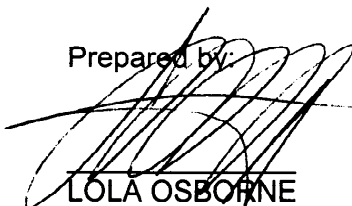
Approval of the subject recommendation will authorize the Commission's expenditure of \$1,350,000 for the Project (\$300,000 for affordable units). There are sufficient funds in the Commission's Housing Opportunity Fund for this expenditure.

Respectfully submitted,




CYNTHIA J. KURTZ  
Chief Executive Officer

Prepared by:




LOLA OSBORNE  
Project Manager

Approved by:



RICHARD BRUCKNER  
Director of Planning and Development

Concur:



BRIAN K. WILLIAMS  
Assistant City Manager

**ATTACHMENT A**  
**TRADEMARK DEVELOPMENT COMPANY**  
**1350 N. El Molino Avenue**  
**KEY TERMS AND CONDITIONS OF**  
**OWNER PARTICIPATION AND LOAN AGREEMENT**

**I. Developer Entity**

The Developer entity is Trademark Development, LLC.

**II. Land Use Entitlements**

- The existing zoning designation for the project site is CL (Commercial Limited) which utilizes the RM-32 residential standards for the proposed project.
- The maximum allowable density in the RM-32 zone would be 10 dwelling units. The developer plans to construct eight (8) units for ownership on site.
- The Developer intends to request waivers under the Density Bonus provisions and variances to permit: a) three-story height limit beyond the interior 16%; b) parking beyond the rear 60 percent of the site. c) massing of the building façade to extend beyond 60 feet in length along El Molino, d) deviation from the main garden shape, e) top plate height exceeds 23 feet, f) side yard setback from five feet to zero.

**III. Acquisition**

- The project site is in escrow with a tentative closing date in August, 2005.

**IV. Environmental Studies and Documentation**

- Phase 1 study required.
- Commission prepared a Notice of Exemption based on the project determination of "no environmental impacts".

**V. Project Financing**

Developer has requested that Agency provide financial assistance for the development of the proposed project.

- The total Commission financial assistance requested for the project is \$1,350,000 (second trust deed) which is in agreement with KMA's determination for assistance. These funds consist of a \$50,000 predevelopment loan and \$1,300,000 for land acquisition from the Housing Opportunities Funds from the Commission. The

Commission loan to the developer of \$1,350,000 will be repaid from the sale of the last units. The Commission loan carries no interest and has a term of 18 months. The Commission will recast \$300,000 from the repayment proceeds in the form of a second trust deed loan to qualified moderate buyers for the two affordable units. The estimated purchase price for the affordable units is \$245,000 and for the market rate units is \$469,000.

- The Commission Home Opportunities loan of \$300,000 will be secondary financing to qualified buyers and have a 45- year term with a six percent interest rate. In addition, the loan will carry a shared appreciation requirement in event of loan prepayment (from refinancing or resale of the dwelling units).
- Developer’s Source and Uses for the project financing

**Sources:**

Construction Loan	\$ 1,728,845
Commission Loan	1,350,000
Developer’s Equity	<u>126,206</u>
Total	\$3,205,051

**Uses:**

Land Acquisition	\$ 1,300,000
Direct Costs	891,350
Indirect Costs	837,495
Finance Cost	126,206
Pre-Development Costs	<u>50,000</u>
Total	\$3,205,051

In addition to the Agency’s financial assistance, City shall provide partial waivers of plan review fees and building permit fees for affordable units pursuant to Resolution No. 6681.

**VI. Scope of Development**

- The project shall consist of the new construction of two (2) affordable and (6) market rate townhouse style units at 1350 North El Molino Avenue to provide homeownership units to moderate-income households.
- Developer shall be required to provide Concept Design Drawings, 50% Design/Development Documents, and 100% Design/Development Documents.
- The development shall be designed in accordance with all applicable city codes, including the General Plan and the Villa Parke Revitalization Development Plan.

**VII. Schedule of Performance**

- Developer shall adhere to a Schedule of Performance elements identified in the OPLA Schedule of Performance in Attachment C.

### VIII. Relocation

- Relocation of commercial tenants shall comply with the State of California Government Code Section 7260 et seq. and Section 6000 et seq. of Title 25 of the California Code of Regulations.

### IX. Marketing Plan

- Developer shall coordinate its residential marketing activities to give priority first to displaced Pasadena residents, second, to local residents, third to persons who are employed in Pasadena, and four to all potential homebuyers.
- Dwelling units shall be occupied by homeowners.

### X. Affordable Housing Covenant Agreement

- The Agreement shall include income limits, and non-discrimination provisions, among other things. Agency shall monitor the project's compliance with Agreement.
- The two (2) affordable dwelling units shall be sold to moderate-income households with incomes from 110% of the median income.
- Agreement shall run with the land for a minimum of 45 years.

### XI. Equal Employment Opportunity/Affirmative Action

- Developer shall enter into a First Source Agreement with the Commission.
- Developer/owner shall comply with city's EEO/AA policies.

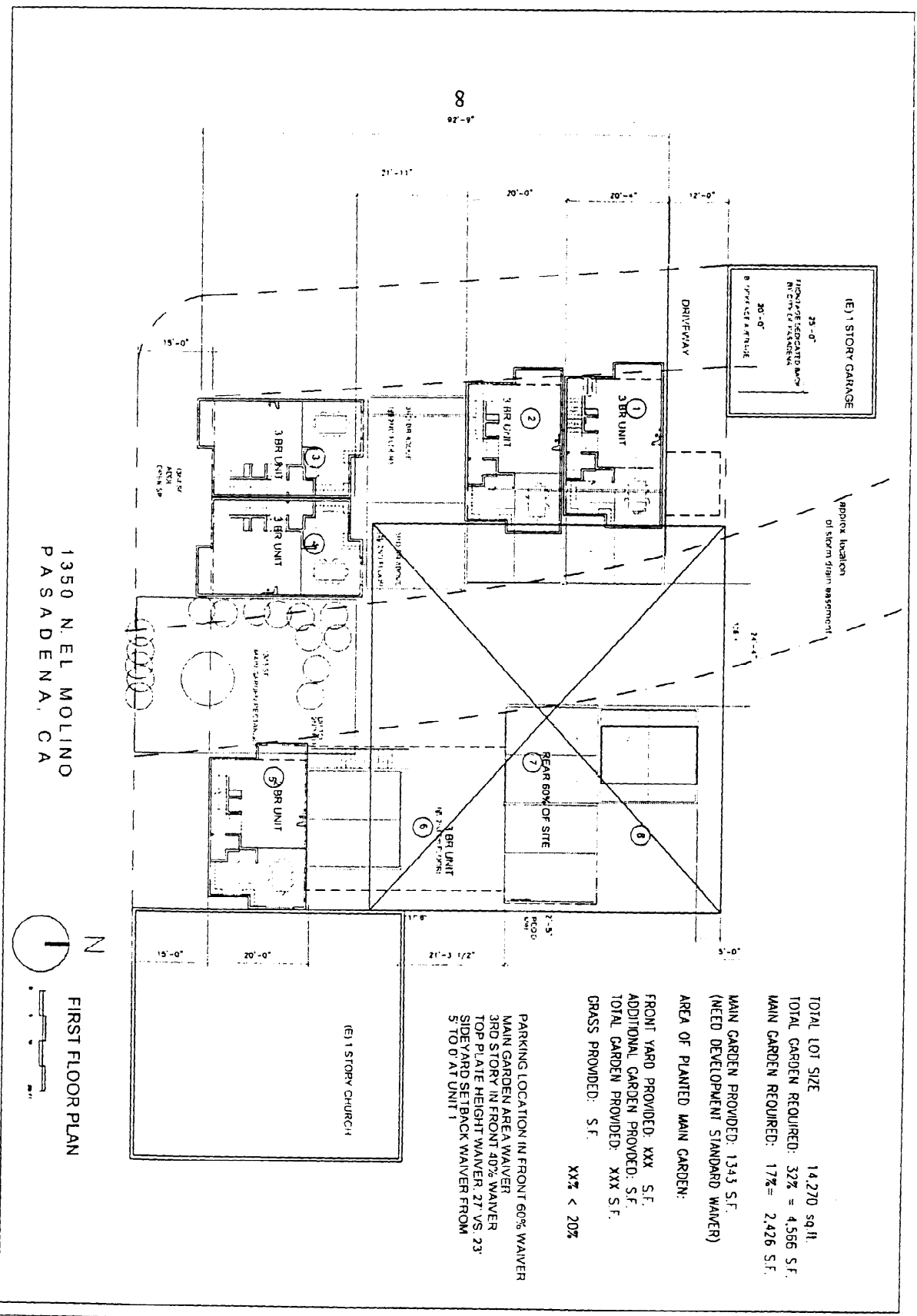
### XII. Insurance

- Developer shall comply with the City's insurance requirements.
- Developer to submit insurance policy.

### XIII. Miscellaneous

- Developer shall provide a finished project appraisal
- Developer shall provide proof of a Title report.
- Developer shall identify predevelopment costs.
- Site improvements shall be paid for by the Developer.
- Liquor license for beer and wine sales shall be cancelled by the Developer prior to the close of escrow.

ATTACHMENT B  
SITE PLAN/FLOOR PLAN



1350 N. EL MOLINO  
PASADENA, CA

N  
FIRST FLOOR PLAN

(E) 1 STORY GARAGE  
23'-0"  
FRONTAGE REQUIRED BY  
IN CITY OF PASADENA  
20'-0"  
BYPASS ARTICLE

Approx. location  
of storm drain easement

BEAR BODY OF SITE

(E) 1 STORY CHURCH

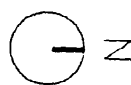
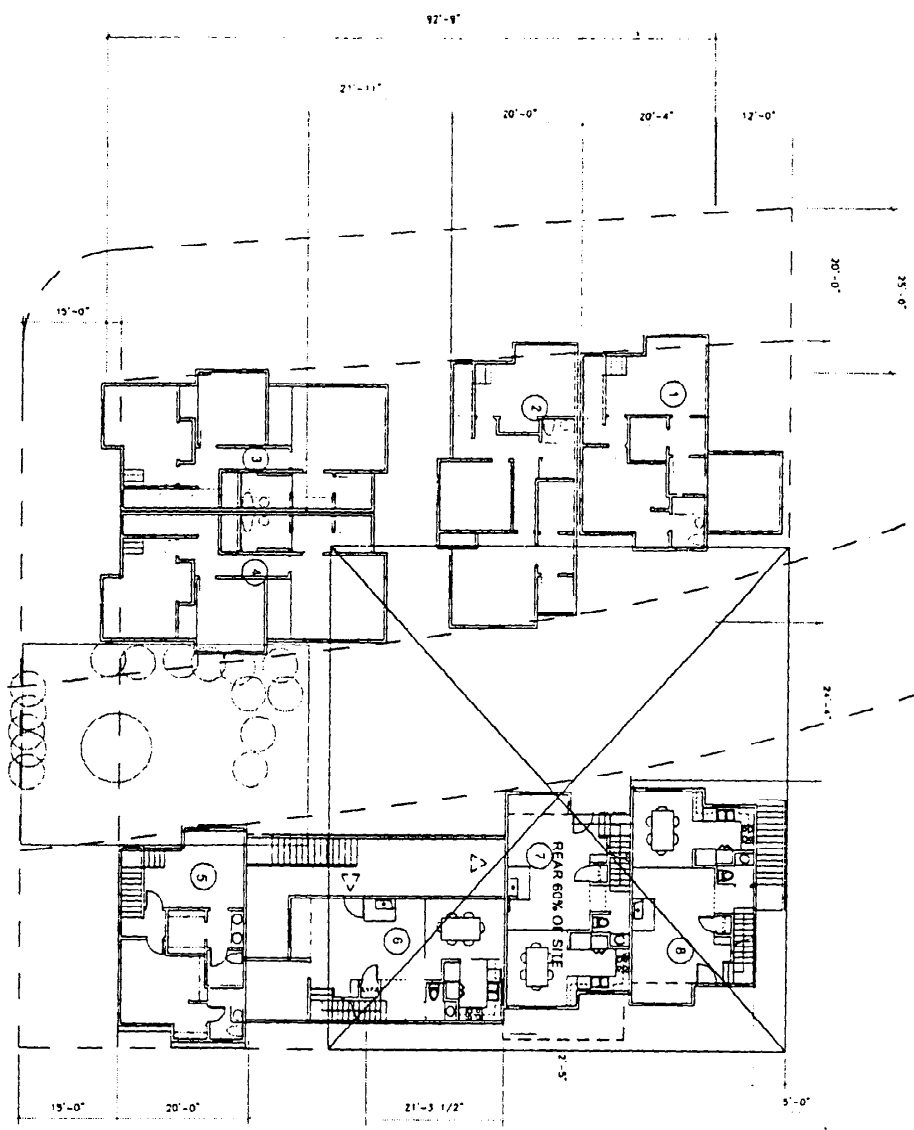
TOTAL LOT SIZE 14,270 sq.ft.  
TOTAL GARDEN REQUIRED: 32% = 4,566 S.F.  
MAIN GARDEN REQUIRED: 17% = 2,426 S.F.  
MAIN GARDEN PROVIDED: 1343 S.F.  
(NEED DEVELOPMENT STANDARD WAIVER)  
AREA OF PLANTED MAIN GARDEN:  
FRONT YARD PROVIDED: XXX S.F.  
ADDITIONAL GARDEN PROVIDED: S.F.  
TOTAL GARDEN PROVIDED: XXX S.F.  
GRASS PROVIDED: S.F.  
XX% < 20%

PARKING LOCATION IN FRONT 60% WAIVER  
MAIN GARDEN AREA WAIVER  
3RD STORY IN FRONT 40% WAIVER  
TOP PLATE HEIGHT WAIVER: 27' VS 23'  
SIDEYARD SETBACK WAIVER FROM  
5 TO 0' AT UNIT 1

8 UNIT CONDOMINIUM 1350 N. EL MOLINO AVE PASADENA, CALIFORNIA	TRADEMARK DEVELOPMENT 113 N. ELECTRIC AVE SUITE 201 PASADENA, CALIFORNIA 91103 TEL: 791-1111 FAX: 791-1111	ALEXANDER P. TAN ARCHITECT 140 LAKEVIEW ROAD PASADENA, CALIFORNIA 91105 TEL: 791-1111 FAX: 791-1111
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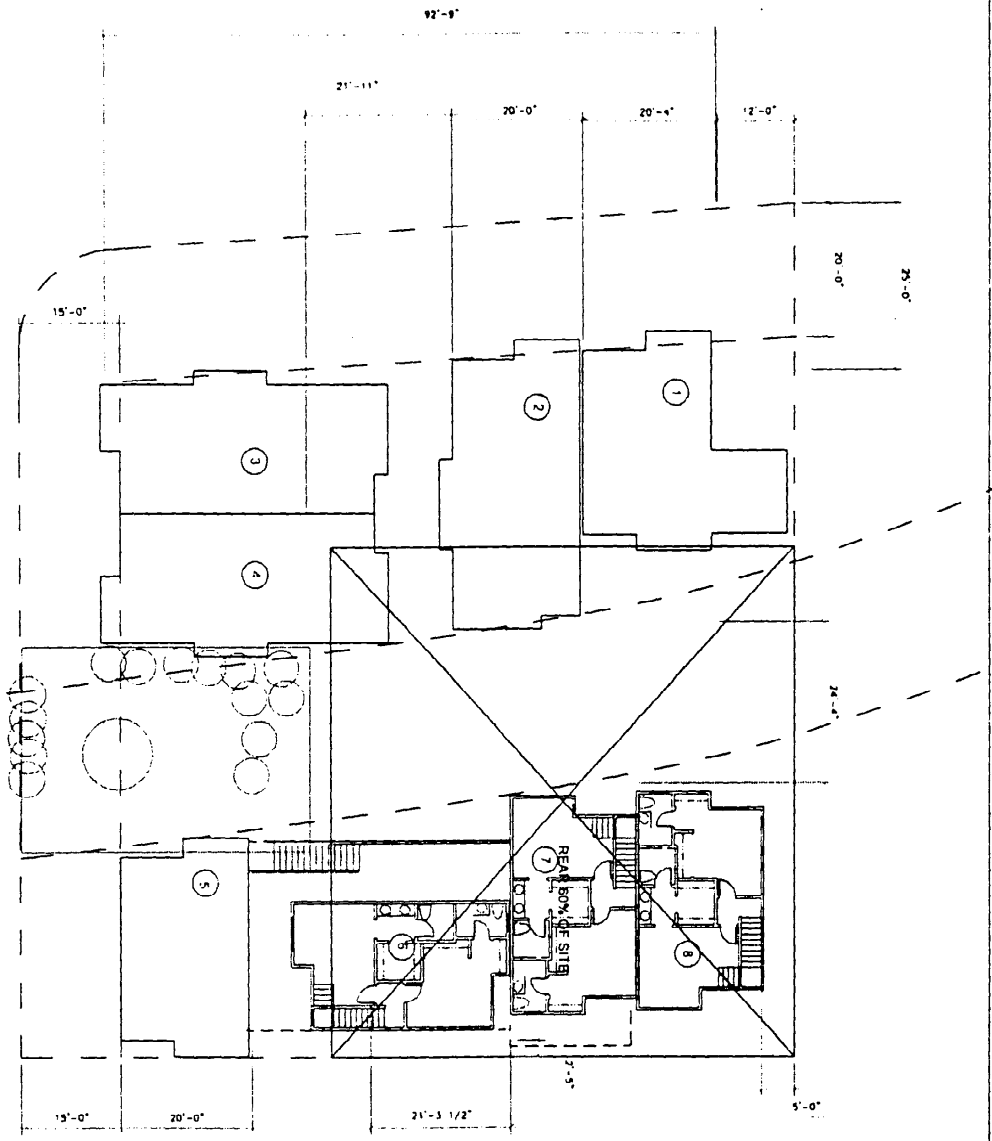
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SECOND FLOOR PLAN



A2	8 UNIT CONDOMINIUM 1350 N. EL MOLINO AVE. PASADENA, CALIFORNIA	TRADEMARK DEVELOPMENT 135 N. ELECTRIC AVE., SUITE 203 PASADENA, CALIFORNIA 91105 (818) 795-4444	ALEXANDER P. TAN ARCHITECT 440 LAKEVIEW ROAD PASADENA, CALIFORNIA 91105 (818) 795-4444									
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N  
THIRD FLOOR PLAN

8 UNIT CONDOMINIUM  
1350 N 11 MOLINO AVE  
PASADENA, CALIFORNIA

TRADEMARK DEVELOPMENT  
133 S ELECTRIC AVE SUITE 201  
PASADENA, CALIFORNIA 91103

ALEXANDER P. TAN ARCHITECT  
440 LAKELINE ROAD  
PASADENA, CALIFORNIA 91105  
TEL: 624-1144 \*\*\*\*\*

**ATTACHMENT C  
SCHEDULE OF PERFORMANCE**

**ATTACHMENT C**  
**SCHEDULE OF PERFORMANCE**  
**TRADEMARK DEVELOPMENT**  
**1350 N. EL MOLINO**

**Performance Elements**

**Schedule**

**1. Equal Opportunity Contracting**

Developer shall submit to the Commission completed and executed Equal opportunity Contracting forms as specified in the OPLA.

Prior to Commission execution of the OPLA

**2. Insurance**

Developer shall submit satisfactory evidence that it has secured all indemnification and insurance policy coverage as specified in the OPLA.

Prior to Commission execution of the OPLA.

**3. Execution of Owner Participation and Loan Agreement**

Developer and Commission shall execute the Owner Participation and Loan Agreement ("OPLA")

On or before August 15, 2005

**4. Satisfaction of Conditions Precedent to Disbursement of Commission Loan**

Developer shall satisfy the conditions the conditions precedent to disbursement of Commission Loan set forth in the OPLA

Within 5 days after the execution of the OPLA.

**5. Recordation of Commission Loan Documents**

Commission shall cause the Commission Trust Deed, Agreement Containing Covenants Affecting Real Property, and a request for Notice of Default to be recorded in accordance with the OPLA.

Immediately after satisfaction of all of the Conditions Precedent set forth in the OPLA.

6. Submission-Zoning and Design Review Documents

Developer shall submit Zoning applications and Design Review drawings and plans to: a) Commission Chief Executive Officer designees for approval b) City Planning and Development Department staff.

Within 30 days after the recordation of Commission Loan documents.

7. Approval- Density Bonus Waivers and Variances

Commission Chief Executive Officer or designees and Planning staff shall approve, conditionally approve or disapprove applications for Waivers and Variances for the project.

Within 60 days after the Zoning application is deemed complete.

8. Approval- Design Review documents  
Commission Chief Executive Officer or designees and Design staff shall approve, conditionally approve or disapprove Design Review documents.

Within 30 days after the Design application is deemed complete.

9. Governmental Permits

Developer shall obtain all permits required by the Commission or any other governmental agency having jurisdiction in accordance with the OPLA.

Prior to construction where deemed applicable.

10. Commencement of Affirmative Marketing Plan

Within 90 days of the Commission execution of the OPLA.

11. Disbursement of Commission Loan funds.

Within 5 days after the execution of the OPLA.

12. Submission of Affirmative Marketing Plan.

Developer shall submit to the Commission or its designee its Affirmative Marketing Plan.

Within 90 days of Commission execution of the OPLA.

13. Approval of Affirmative Action Marketing Plan.

The Commission or designee shall provide the Developer with a written response approving, conditionally approving, or disapproving the Affirmative Marketing Plan.

Within 30 days after receipt from the Developer

14. Completion of Construction  
Developer shall complete construction of the Improvements.

Not later than twelve (12) months after Commencement of Construction.

15. Issuance of Certificate of Completion.  
Commission shall issue Developer a Certificate of Completion in accordance with the OPLA.

Upon determination by the Commission that the Improvements have been completed in conformance with the OPLA.