

**DATE:** JUNE 19, 2006

**TO:** PASADENA COMMUNITY DEVELOPMENT COMMISSION

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

**SUBJECT:** SECOND AMENDMENT TO OWNER PARTICIPATION AGREEMENT (CDC-333) WITH BEACON HOUSING, INC. TO PROVIDE LOAN ASSISTANCE IN AN AMOUNT NOT TO EXCEED \$30,200 FOR ELECTRICAL UPGRADES FOR 44-UNIT AFFORDABLE RENTAL HOUSING PROJECT AT 445 N. GARFIELD AVENUE

### **RECOMMENDATION**

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

1. Approve the terms and conditions of the Second Amendment to the Owner Participation Agreement ("OPA") (Agreement No. CDC-333) with Beacon Housing Inc., providing for Commission loan assistance in an amount not to exceed \$30,200 to upgrade the electrical system at 455 N. Garfield Avenue;
2. Approve a Journal Voucher transferring the amount of \$30,200 from the Low and Moderate Income Housing Trust Funds (Account No. 810-684120-51301) to the Beacon Housing Garfield Agape Court Apartments Project (Account No. 810-684120-51307) in accordance with the terms and provisions of the OPA; and
3. Authorize the Chief Executive Officer to execute and the Secretary to attest in a form satisfactory to the Commission's General Counsel all documents necessary to implement the OPA as amended.

### **ADVISORY BODY RECOMMENDATIONS**

The Community Development Committee at its regular meeting on June 8, 2006, considered the subject item and recommended the Pasadena Community Development Commission ("Commission") approve the staff recommendation.

The Northwest Commission considered the subject item at its regular meeting on June 13, 2006. Staff will report orally to the Pasadena Community Development Commission ("Commission") on the action taken by the Northwest Commission.

### **BACKGROUND**

Beacon Housing Inc. ("Owner") is a non-profit, affordable housing development company serving families in urban neighborhoods. They own the Garfield Agape Court Apartments located at 445 N. Garfield Avenue and Rosewood Court, a 65-unit apartment complex for seniors at 1880 N. Fair Oaks Avenue. On June 14, 1999, the Commission entered into Owner Participation Agreement No. CDC - 333 ("OPA") with the Owner which provided \$455,000 in financial assistance (\$320,000 loan and a \$135,000 grant) for the rehabilitation and conversion of the 53-unit Garfield Agape Court Apartments into 44 apartments for large families. On January 22, 2001 an amendment to the OPA was approved providing for an additional \$50,500 in Commission assistance for the installation of a new roof on the

apartment building. The renovated apartment complex includes a learning center with a computer room and activity room for children who reside in the building as well as the surrounding area. The Owner also established an after-school tutoring program for area children. Under the OPA, 11 units are covenanted to be affordable to households earning 50 to 65 percent of area median income (very low and low income). However, the Owner has voluntarily maintained the other 33 non-covenanted units at rents affordable to low income and moderate income households in order to receive the State Property Tax exemption.

The Owner is requesting \$30,200 in Commission assistance to replace and install new electrical sub-panels. Six of the units converted in 1999 to house larger families currently have more than one meter per unit and therefore are not in compliance with City Housing Code. To remedy this situation, the electrical system for the six units must be rewired per the City Housing code. The Commission total financial assistance to Garfield Apartments will be \$535,700. This represents a subsidy of \$44,642 for each covenanted unit (12 units) or \$12,175 per unit for the total 44 dwelling units.

The Owner has a commitment to providing affordable housing to very low, low and moderate income families and as a result their financial ability to make major repair is limited as a result of the rent-restricted cash flow. Currently the rents at Garfield Apartments range from \$575 to \$775 for the one-bedroom units and \$700 to \$920 for the two-bedrooms. The average market rate rents for comparable dwellings are \$840 for one-bedroom units to \$1,157 for two-bedroom units (source Beven and Brock). The cost of the electrical repairs would be a hardship to Owner's ability to maintain below market rents on the units not covered by the Commission's affordability covenant. Owner has provided to Commission staff their 2005 financial reports which indicate that the project cash flow is not sufficient to obtain conventional financing to make the required repairs.

#### **KEY TERMS AND PROVISIONS OF SECOND AMENDMENT TO OPA**

Pursuant to the terms of the proposed Second Amendment to OPA, the Commission shall provide Owner with loan assistance in an amount not to exceed \$30,200 for installation of new electrical sub-panels and the rewiring of the electrical system for six units. The Owner shall commence work on the electrical upgrades no later than July 1, 2006 with completion scheduled to occur no later than October 1, 2006. The number of restricted affordable low income units will be increased from 11 to 12, and the covenanted affordability period of the additional unit will be 55 years.

The additional funding will be added to the existing Commission loan increasing the principal amount from \$320,000 to \$350,200. The loan is an interest-only loan at an interest rate of 2% with a balloon payment of all outstanding principal and interest due at the end of the 40-year loan term. The current interest payment is \$533.33 per month. The estimated payment on the increased loan amount will be \$600.01. The loan is in its sixth year and the Owner is current in their loan payments. The existing loan term of 40 years will remain in place. The promissory note and recorded trust deed securing the loan will be amended to increase the amount of the loan to \$350,200.

The Owner agrees to provide to the Commission a copy of the annual property tax exemption compliance report, and to notify the Commission should the owner elect not to participate in the property tax exemption program.

The Owner shall be required to comply with City regulation and policies including First Source Hiring, and Local Preference and Priority System Guidelines. Please refer to Attachment "A" of this report for an outline of the key terms and provisions of the Second Amendment to the OPA.

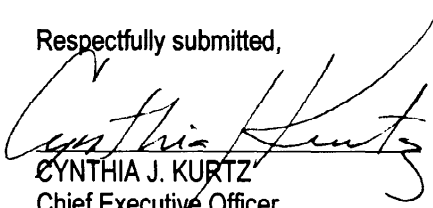
#### **HOUSING IMPACT**

The approval of the staff recommendation to amend the OPA will increase the number of covenanted affordable units from 11 to 12. The affordability period for the additional unit will be 55 years; the affordability period for the other 11 covenanted units will remain 40 years. The Owner will continue to maintain the 33 non-covenanted units at affordable rents in order to receive the property tax exemption from the State of California.

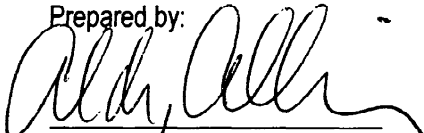
**FISCAL IMPACT**

The additional \$30,200 requested for the Beacon Housing Garfield Agape Court Apartments project will be allocated from the Commission's Low and Moderate Income Housing Trust Fund balance.

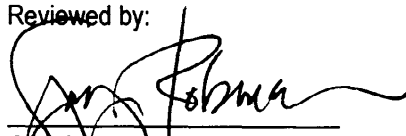
Respectfully submitted,

  
CYNTHIA J. KURTZ  
Chief Executive Officer

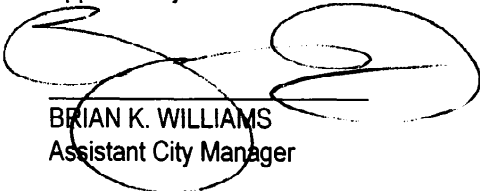
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Approved by:

  
BRIAN K. WILLIAMS  
Assistant City Manager

## **Attachment "A"**

### **GARFIELD AGAPE COURT APARTMENTS / BEACON HOUSING, INC.**

#### **KEY TERMS AND PROVISIONS OF**

#### **SECOND AMENDMENT TO OWNER PARTICIPATION AGREEMENT**

##### **I. Owner/Developer**

- ☐ The owner/developer is Beacon Housing, Inc., a California non-profit corporation.

##### **II. Property**

- ☐ The site is 445 N. Garfield Avenue, Pasadena, California 91103. The site is improved with a 44-unit apartment building. ("Garfield Apartments").
- ☐ In 1999, the building was converted from a 53-unit apartment building into a 44-unit building with an on-site learning center with computer lab, teen center, and community room.

##### **III. Scope of Development**

- ☐ Repair and Replace sub-panels and eliminate second meters in units that were converted.
- ☐ Replace sub feed for learning center.
- ☐ Install new plaque for meter label.

##### **IV. Project Financing**

- ☐ Pasadena Community Development Commission ("Commission") shall provide to Beacon Housing a loan in the amount not to exceed \$30,200 for Garfield Apartments.
- ☐ The work contract for the Scope of Development items and contractor invoices shall be subject to approval by the Housing and Community Development Administrator.

##### **V. Restrictive Covenant Agreement**

- ☐ The Covenant Agreement shall be amended to increase the number of "Assisted Units" from 11 to 12 units.
- ☐ Covenant Agreement shall run with the land for a minimum of 55 years for the one (1) new "Assisted Unit" and the balance of 40 years for the remaining 11 Assisted Units.

- ☐ Owner agrees to provide to the Commission a copy of the annual property tax exemption compliance report, and to notify the Commission should the Owner elect not to participate in the property tax exemption program.

#### X. Schedule of Performance

- ☐ Developer shall commence electrical upgrade work on the Project no later than July 1, 2006 with Completion scheduled to occur no later than October 1, 2006. Other performance elements shall be identified in the Amended OPA Schedule of Performance.

#### XII. Equal Employment Opportunity/Local Hiring/Local Preference/Fair Housing

- ☐ Owner shall comply with city's EEO/AA policies.
- ☐ Owner shall comply with the City's First Source Hiring Ordinance.
- ☐ Owner shall implement the City's and Commission's Local Preference and Priority System Guidelines whereby, to the extent permissible under applicable state and federal law, people who live and/or work in the City of Pasadena shall have priority over other persons to rent affordable housing units which are supported or sponsored by the City of Pasadena or Pasadena Community Development Commission in whole or part.
- ☐ Owner shall comply with all Federal laws pertaining to Fair Housing, Equal Opportunity and Handicapped Accessibility.

#### XIV. Insurance

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