

TO: CITY COUNCIL **DATE: AUGUST 6, 2007**
PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CITY MANAGER/CHIEF EXECUTIVE OFFICER

SUBJECT: JOINT MEETING: DISPOSITION AND DEVELOPMENT AGREEMENT WITH TRADEMARK DEVELOPMENT COMPANY, LLC FOR A FOUR-UNIT RESIDENTIAL/TWO-UNIT ARTISAN LOFT OWNERSHIP PROJECT AT 1150 N. ALLEN AVENUE

RECOMMENDATION:

- A. It is recommended that the City Council approve the transfer of real property located at 1150 N. Allen Avenue (the "Property") to the Pasadena Community Development Commission, and
- B. It is recommended that the Pasadena Community Development Commission ("Commission") take the following actions:
 - 1. Acknowledge that the proposed project, construction of a 4-unit residential/2-unit artisan loft ownership development at 1150 N. Allen Avenue ("the Project"), has been determined to be categorically exempt under Section 15332 of the State of California Environmental Quality Act Guidelines, and authorize the Secretary of the Commission to file with the County Clerk a Notice of Exemption for the Project;
 - 2. Approve the key terms and conditions of the Disposition and Development Agreement ("DDA") between the Commission and Trademark Development Company, LLC ("Developer") for the construction of the Project;
 - 3. Approve a journal voucher appropriating an amount not to exceed \$448,000 from Housing Opportunities Fund (Workforce Reward - \$198,000 and HELP Funds - \$250,000) for homebuyers of the workforce/affordable housing units in the Project; and
 - 4. Authorize and direct the Chief Executive Officer of the Commission to execute, and the Secretary to attest the DDA and related documents, and to take any actions necessary to implement the DDA.

ADVISORY BODY RECOMMENDATION:

The Community Development Committee at its regular meeting on July 26, 2007 considered the subject item and unanimously approved the staff recommendation.

EXECUTIVE SUMMARY

The proposed Disposition and Development Agreement ("DDA") between the Pasadena Community Development Commission ("Commission") and Trademark Development Company, LLC ("Developer") requires the Developer to construct a 4-unit residential/2-unit artisan loft ownership development at 1150 N. Allen Avenue ("the Property"). The Property is currently owned by the City and will be conveyed to the Commission for disposition to the Developer. The

proposed project will consist of one affordable moderate income housing, two workforce housing units, one market rate housing unit and two market rate units designed as artisan lofts with commercial office space ("the Project"). The Commission will provide the Developer a purchase money mortgage in the amount of \$1,266,000 for the purchase of the Property. The Developer will repay the Commission loan upon the sale of the units and may receive credit for a land write-down in an amount not to exceed \$106,000, subject to the Project meeting net profit threshold requirements. Additionally, the Commission will provide second trust deed loan assistance, in an amount not to exceed \$448,000 (averaging \$149,333 per unit), to the homebuyers of the affordable and workforce units. If the land credit is required, the Commission's total maximum subsidy would be \$554,000, or an average of \$184,667 per restricted unit. The Key Terms and Provisions of the DDA are attached as Exhibit "A". The financing terms for the proposed Project were reviewed and determined acceptable by Wald Realty Advisors ("WRA"), the Commission's financial consultant.

BACKGROUND

At its meeting of September 19, 2005, the City Council approved the purchase of 1150 N. Allen Avenue ("Property") for construction of an affordable ownership housing project. The Property has a total area of 11,500 square feet and is currently improved with a vacated service station.

Subsequent to the purchase, the Commission issued a Request for Proposals (RFP) on January 17, 2006 to solicit ownership housing development proposals for the Property. The proposal deadline for the RFP was February 27, 2006. Five developers responded to the RFP: Trademark Development Company, LLC, Hanrich Enterprises, Century Housing, Bakewell/Affordable Housing Consolidated, and Pasadena Neighborhood Housing Services/East Los Angeles Housing Corp.

On May 8, 2006, an evaluation committee was convened to review the submitted proposals and select a developer. The evaluation committee consisted of three city staff members (Housing and Community Development (2) & Planning and Development Department (1)), the Brigden Ranch Homeowner's Association President, a local neighborhood resident, and a Community Development Committee member. Keyser Marston Associates (KMA), Commission's financial consultant, presented their financial analysis of the proposals but did not serve on the committee. Each proposal was evaluated utilizing the following criteria: Administrative Capacity, Project Financing and Feasibility, Project Design and Neighborhood Impact, Affordability, and Local Business Preference.

Trademark Development Company, LLC was selected as the preferred developer by the evaluation committee. Trademark Development Company, LLC ("Developer") is a Pasadena based for-profit real estate development company, which specializes in the design, construction, and sales of new homes. The Developer has developed several projects in Pasadena including the Lincoln Classics at 459-461 Lincoln Avenue; the Cypress Classics at 525 Cypress Avenue and predevelopment is currently underway for the El Molino Townhomes at 1350 El Molino Avenue. On December 28, 2006, the Commission approved an Exclusive Negotiation Agreement ("ENA") with Trademark Development Company, LLC.

PROJECT CONCEPT

The Property's existing zoning designation is "CL" with a recent height overlay of 28 feet. The proposed Project consists of the construction of a 4-unit residential/2-unit artisan loft ownership

development. One unit will be restricted as affordable housing for moderate income families and two will be restricted as workforce housing. The other three units will be market rate. Two of the market rate units will incorporate commercial office space creating a unique option for professional artisans. The units will have attached garages and will comply with existing zoning requirements. The Project will have passive open space along Brigden Road. The two artisan loft units will face Allen Avenue. The concept plan for the proposed Project is attached as Exhibit "B".

On July 14, 2007, staff and the Developer attended a neighborhood meeting to present the proposed project. The presentation included a discussion of the proposed use and project design. The meeting was well attended and included members of the Brigden Ranch Homeowner Association and other neighborhood residents. In reviewing the project, the principal questions raised by attendees were regarding traffic impacts (in particular, egress from the project onto Allen Avenue) and commercial uses. The Developer and staff will seek adjustments to the project design to mitigate the noted traffic concerns. With respect to the latter issue, restrictions pertaining to the allowable commercial uses in the artisan loft units will be contained in the homeowner association covenants, conditions and restrictions (CC&Rs), as well as in covenants recorded against each artisan loft units. Upon conclusion of the presentation, the neighborhood residents present expressed overwhelming support for the proposed project.

KEY TERMS AND PROVISIONS OF DISPOSITION & DEVELOPMENT AGREEMENT (DDA)

The City, as current owner, will convey the Property to the Commission for sale to the Developer at a price of \$1,266,000. The Project's total development budget is approximately \$2,941,459. The Developer will be required to provide evidence of conventional construction financing for the project in a form acceptable to the Chief Executive Officer or her designee prior to the transfer of the Property. Upon completion of the Project the Developer may receive a credit in an amount not to exceed \$106,000 as a land write-down, if warranted, based on the recent property appraisal by Nagasaki & Associates. However, if net profits from the sale of the Project units exceed \$385,000 the credit will be decreased accordingly until the total purchase price for the Property is repaid to the Commission.

The Commission loan shall be secured by a first deed of trust and carry deferred interest at the rate of 3% for a term of three years and repaid from the Project sale proceeds on a pro rata basis per unit. If the Developer constructs the Project within the three-year period, the DDA provides for the forgiveness of the accrued loan interest.

The estimated sales prices for the three restricted units are \$189,000 for the affordable unit and approximately \$390,000 and \$434,000 for the two workforce units. The Commission shall provide down-payment assistance not to exceed a total of \$448,000 for buyers of the affordable and workforce housing units, in the form of second trust deed loans in accordance with the Homeownership Opportunities Program ("HOP") and Workforce Housing Program Guidelines, respectively. The Commission homebuyer loan assistance will be \$250,000 for the moderate-income unit and \$198,000 for the two workforce units. The HOP loan will have a 45-year term and the Workforce Housing loan will have a 20-year term. All loans will bear interest at the rate of 3%. In addition a restrictive covenant will be recorded against the units for the respective loan periods.

The Commission's total maximum subsidy for this project would be \$554,000, or an average of \$184,667 per restricted unit, assuming that the \$106,000 land credit is required. Wald Realty

Advisors, the Commission's financial consultant, reviewed the financing for the proposed Project and determined the Project would not be financially feasible at this time without the land write down and moderate-income/workforce homebuyers' financial assistance stipulated above.

The Developer will be required to enter into a First Source Agreement with the Commission pursuant to which the 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 also be required to construct the Project in accordance with the scope of development and within the schedule of performance set forth in the DDA. The DDA also stipulates that the Developer will meet all applicable City insurance and indemnification requirement and equal opportunity in contracting policies. The Key Terms and Provisions of the DDA are attached as Exhibit "A".

TRANSFER OF PROPERTY TO COMMISSION

The City acquired the Property in October 2005 for \$1,266,000. The purchase was financed with State of California HELP funds which are administered by the Commission. The City's transfer of the Property to the Commission is consistent with the following: a) Commission-administered funds were utilized to acquire the Property; b) the Commission is well-equipped to oversee the proposed development of the Property in a way that would facilitate the transformation of this blighted corner property to become an attractive addition to the residential character of the neighborhood; and c) the Commission is well equipped to oversee the proposed financial assistance as described in this agenda report. For these reasons it is in the community's best interest that the City transfer the Property to the Commission for sale to the Developer pursuant to the terms of the DDA.

ENVIRONMENTAL FINDING

The proposed project has been determined to be categorically exempt under Section 15332 of the State California Environmental Quality Act Guidelines. As recommended the Secretary of the Commission will file with the County Clerk a Notice of Exemption for the project.

HOUSING IMPACT

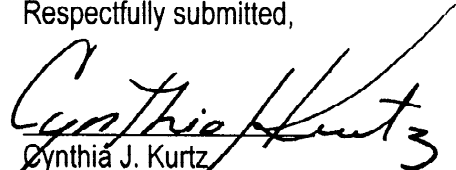
The completed Project will be a 4-unit residential/2-unit artisan loft ownership development. Pursuant to recorded covenants one unit will be maintained as affordable housing for a minimum period of 45 years, and two units will be maintained as workforce housing for a minimum of twenty years. The proposed project is consistent with the goals and objectives of the Commission's Five-Year Implementation Plan (2005-2010), the Five-Year Consolidated Plan (2005-2010), the General Plan Housing Element, and the Commission's Priority Work Program.

FISCAL IMPACT

Commission-administered State of California HELP Program funds in the amount of \$1,266,000 were expended for the City's purchase of the Property on October 13, 2005. Approval of the subject recommendation will provide for the sale of the Property to Trademark Development, LLC with Commission loan assistance in the amount of \$1,266,000 and terms for the subsequent use of the loan repayment proceeds in an amount not to exceed \$356,000 (a land write down in the

amount of \$106,000 and \$250,000 for moderate-income homebuyer assistance) to facilitate the proposed affordable housing project. Additionally, a new allocation of un-obligated Housing Opportunity Funds (State of California Workforce Reward Program) in an amount not to exceed \$198,000 will be provided to assist homebuyers of the two workforce units.


Respectfully submitted,


Cynthia J. Kurtz
City Manager/Chief Executive Officer

Prepared by:


For Aldra Allison
Project Manager

Approved by:


Brian K. Williams
Assistant City Manager

Reviewed By:

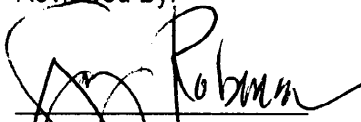

Gregory Robinson
Housing and Community
Development Administrator

EXHIBIT "A"

1150 N. ALLEN/TRADEMARK DEVELOPMENT

KEY TERMS AND PROVISIONS OF DISPOSITION AND DEVELOPMENT AGREEMENT (July 30, 2007)

I. Owner/Developer

- The Developer is Trademark Development Company, LLC, a Pasadena based for-profit real estate Development Company.

II. Property

- The site is located at 1150 N. Allen Avenue, Pasadena, California 91104. The site is 11,500 square feet and is improved with a vacant service station.
- The City of Pasadena acquired the property in September 2005 for \$1,266,000 with State of California HELP funds, which funds are administered by the Pasadena Community Development Commission ("Commission").

III. Land Use Entitlements

- The existing zoning designation for the project site is "CL" with a height overlay of 28 feet. The allowable density on the 11,500 sq ft lot is 8 units; however the Developer is proposing to construct a project consisting of only 4 residential and 2 artisan loft ownership units.

IV. Disposition of Property

- City shall convey subject property to the Commission.
- Developer shall purchase property from the Commission at a consideration of \$1,266,000. Upon completion of the Project the Developer will receive credit for \$106,000 land write-down based on the recent appraisal.
- The Developer will be required to provide evidence of conventional construction financing for the project in a form acceptable to the Chief Executive Officer or her designee prior to the transfer of the Property.

V. Scope of Development

- Developer will demolish all existing improvements (consisting of a vacant service station) on the lot and develop a 4-unit residential/2-unit artisan loft ownership project consisting of one (1) affordable unit, two (2) workforce units, and three (3) market rate units.

VI. Project Financing

- The Commission shall provide loan assistance totaling \$1,266,000 for the purchase of the property. The Commission loan shall be secured by a first deed of trust and carry deferred interest at the rate of 3% for the term of three years and be repaid from the Project sale proceeds on a pro rata basis per unit.
- Upon completion of the Project the Developer may receive a credit in an amount not to exceed \$106,000 as a land write-down, if warranted, based on the recent property appraisal by Nagasaki & Associates. However, if net profits from the sale of the Project units exceed \$385,000 the credit will be decreased accordingly until the total purchase price for the Property is repaid to the Commission.
- \$250,000 of the loan proceeds shall be provided as downpayment assistance for the buyer of the affordable moderate income unit in the form of a second trust deed loan in accordance with the HOP Loan Program. Additionally the Commission will also provide \$198,000 in State Workforce Reward Funds for downpayment assistance for the two workforce units.
- The Project total development budget is:

Total Direct Costs	\$ 908,760	
Total Indirect Costs	\$ 678,888	
Total Financing Costs	\$ 127,806	
Total Land Costs	\$1,226,000	
 Total Development costs		\$2,941,454

- Developer "sources and uses" accounting of the project financing are:

Sources:		
Sales Revenue	\$2,942,300	
Commission - Land Write Down	\$ 106,000	
Commission - Affordable Buyer assistance	\$ 250,000	
Commission - Workforce Buyer Assistance	\$ 198,000	
Conventional Construction Loan	\$1,587,648	
 Total Sources		\$5,083,948
Uses:		
Land & Acquisition Costs	\$1,266,000	
Direct Construction Costs	\$ 908,703	
Indirect Costs	\$ 678,888	
Construction Financing Costs	\$ 127,806	
Sales Commission	\$ 132,404	
Development Profit	\$ 382,499	
Construction Loan Repayment	\$1,587,648	
 Total Uses		\$5,083,948

VII. Environmental Determination, Studies and Documentation

- Developer shall conduct a Phase 1 environmental study of the site.
- Project shall comply with all applicable CEQA requirements.

VIII. Schedule of Performance

- Developer shall adhere to the performance elements identified in the DDA Schedule of Performance which includes commencement of construction no later than February 1, 2008 with construction completion to occur no later than February 1, 2009. Other performance elements shall be identified in the DDA Schedule of Performance.

IX. 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.

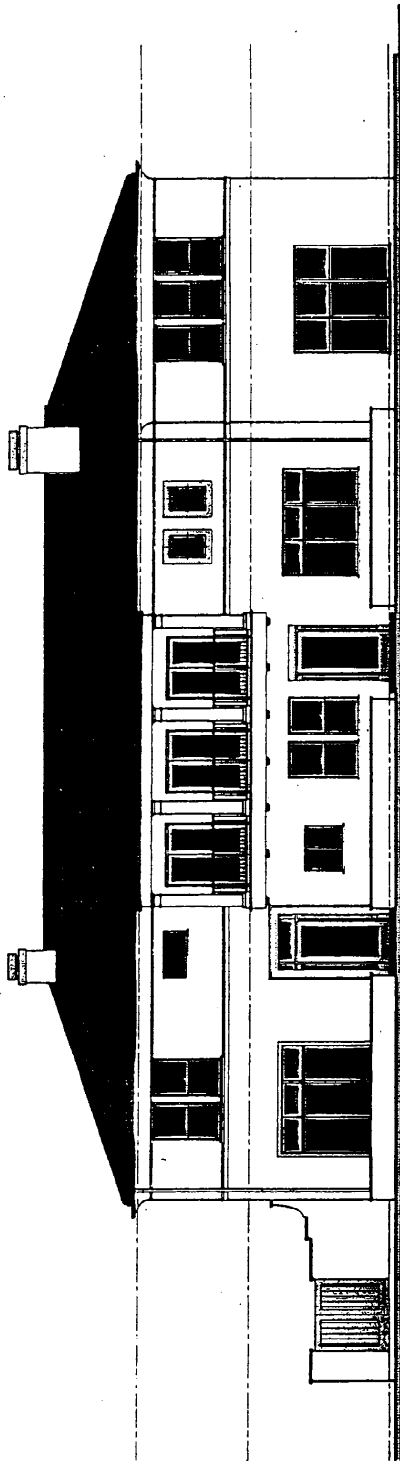
X. Insurance

- 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.

XI Housing Covenant Agreement

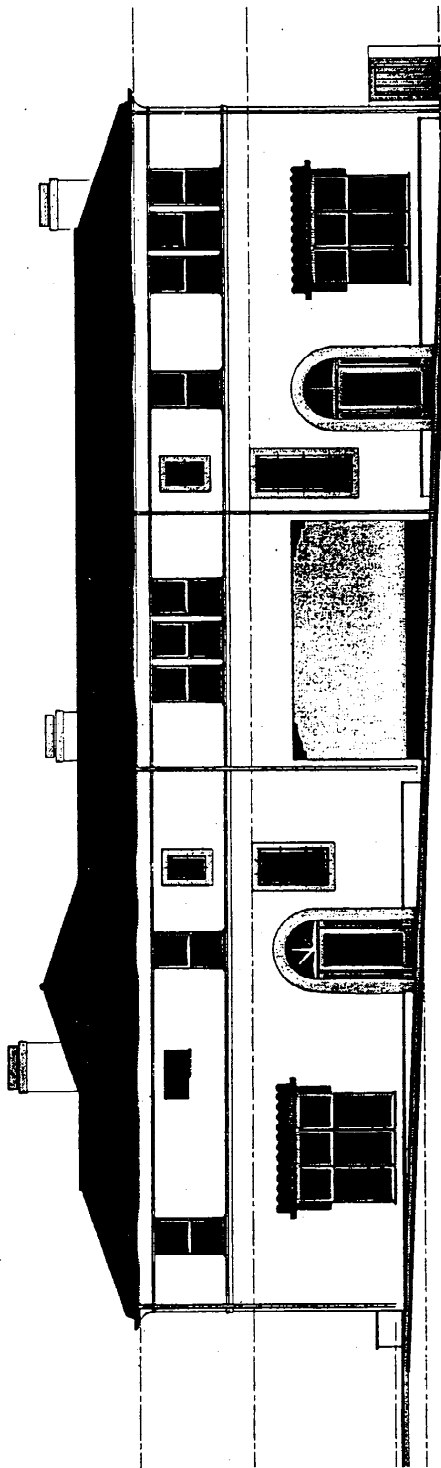
- An Affordable Housing Covenant Agreement shall run with the land for a minimum of 45 years for the affordable unit. The Agreement shall include restrictions regarding income limits, principal place of residence, Commission first right of refusal for purchase, and non-discrimination provisions, among other things. Agency shall monitor the project's compliance with the agreement.
- A Workforce Housing Covenant Agreement shall run with the land for a minimum period of 20 years. The Agreement shall comply with the terms of the City's Workforce housing Guidelines.
- The two artisan loft units shall be covenanted for commercial office use.

EXHIBIT "B"



North Elevation - Brigden

1/8" = 1'-0"



West Elevation - Allen

1/8" = 1'-0"

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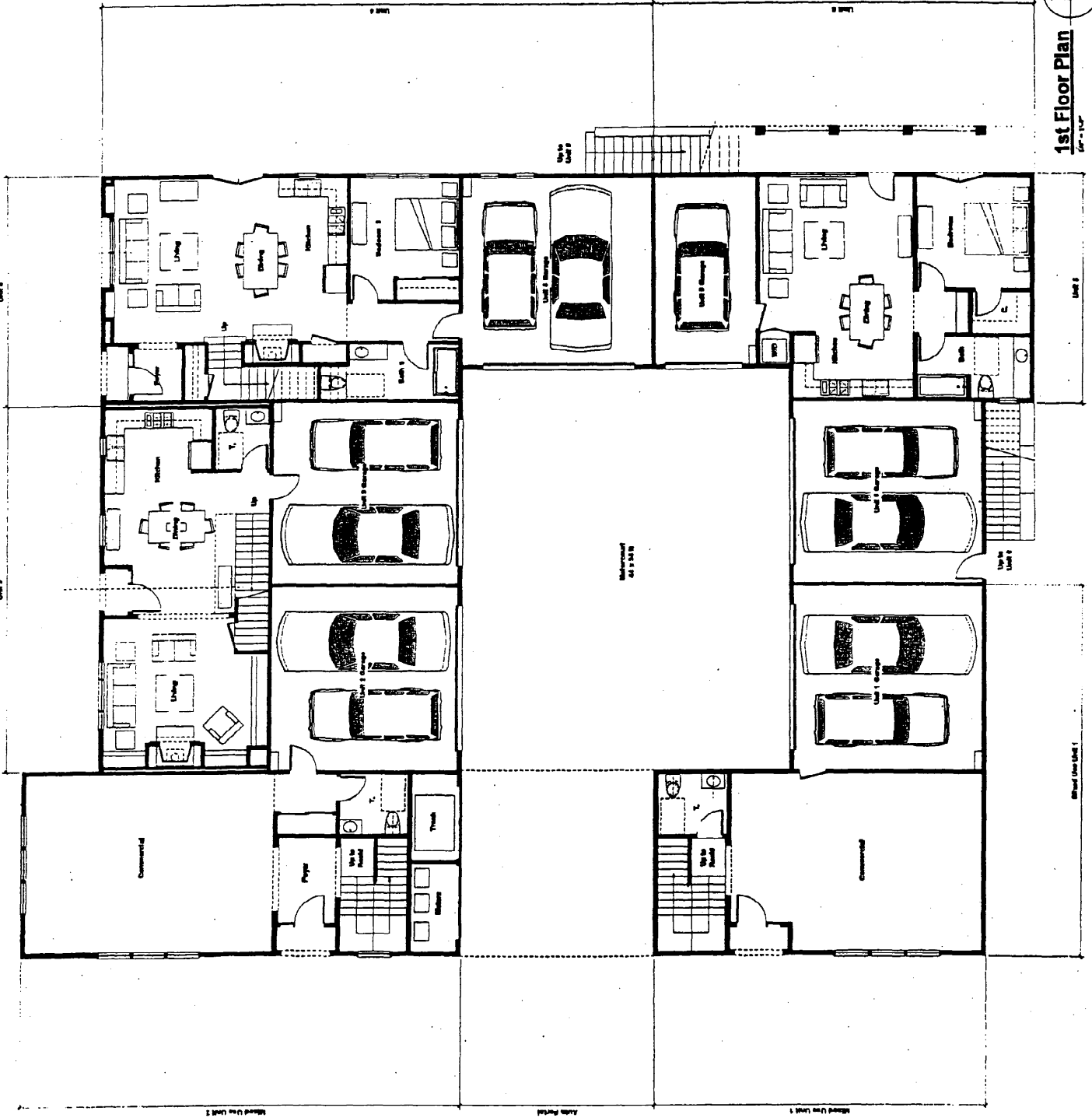
Bridgen-Allen Mixed Use Project
 Piedmont, CA

PR-2
 1st Floor Plan

DATE	1/15/14
BY	J. [Name]
CHECKED BY	[Name]
SCALE	AS SHOWN



1st Floor Plan
 0'-0" = 1'-0"





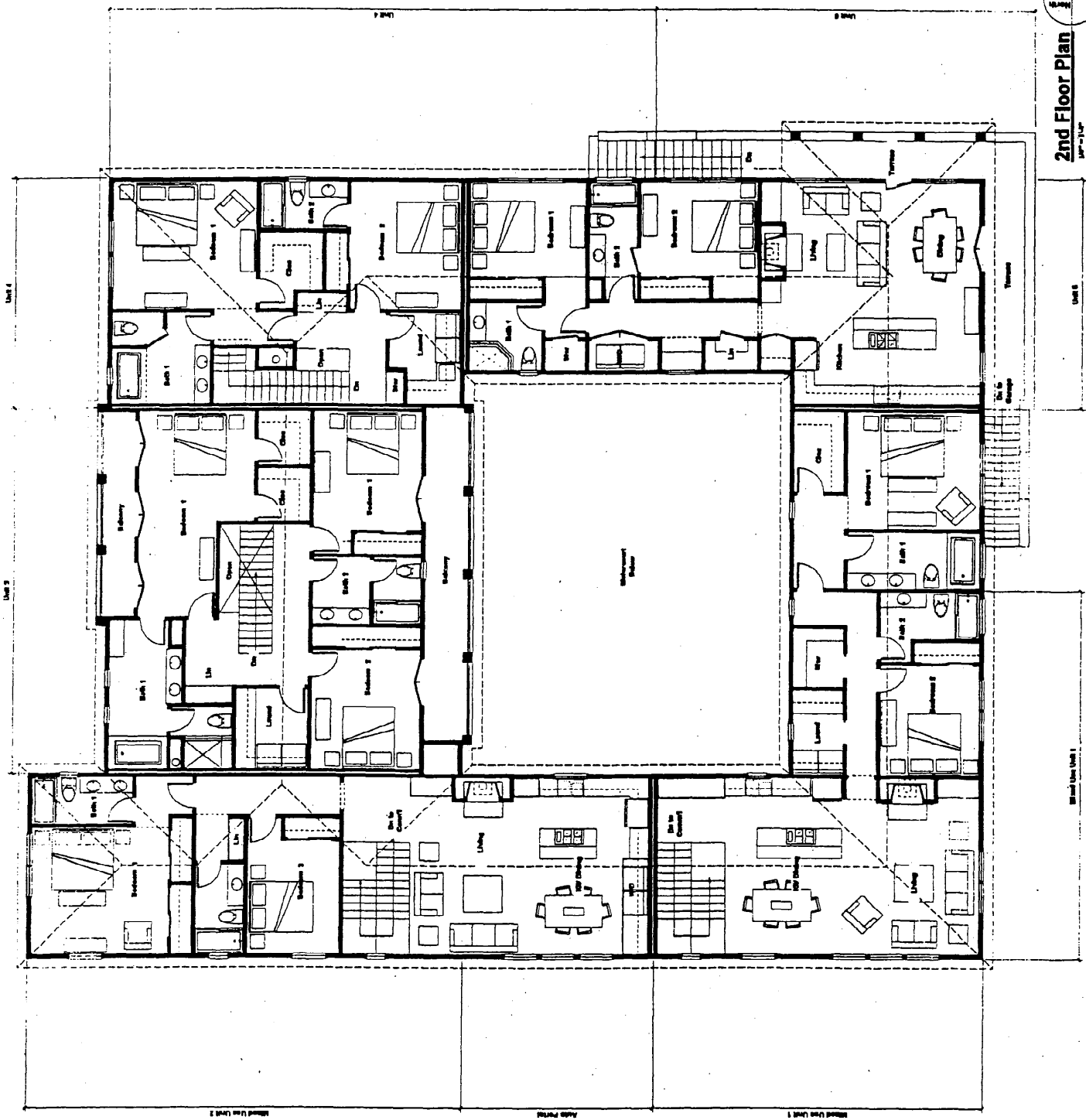
BRIDGEN-ALLEN MIXED USE PROJECT

Bridgen-Allen Mixed Use Project Pasadena, CA

DATE: 08/14/14
PROJECT: BRIDGEN-ALLEN MIXED USE PROJECT
SHEET: 2ND FLOOR PLAN
DRAWN BY: [Name]
CHECKED BY: [Name]

PR-3
2nd Floor Plan

2nd Floor Plan



Line 1

Line 2

Line 3

Line 4

Line 5

Line 6

Line 7

Line 8

Line 9