

Agenda Report

DATE: AUGUST 11, 2008

TO: CITY COUNCIL

FROM: BERNARD K. MELEKIAN, CITY MANAGER

SUBJECT: AUTHORIZATION TO ENTER INTO FUNDING RESERVATION AGREEMENTS WITH COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS FOR FEDERAL HOME FUNDS TOTALING \$641,695

RECOMMENDATION

It is recommended that the City Council take the following actions:

- A. Authorize the City Manager to enter into a Community Housing Development Organization Agreement providing for the reservation of \$497,460 in federal HOME funds to Immanuel House of Hope for the acquisition and rehabilitation of properties totaling 11 dwelling units located at 685 E. Washington Blvd. (8 units) and 1631-1637 Navarro (3 units) to be operated as permanent supportive housing for the homeless;
- B. Authorize the City Manager to enter into a Community Housing Development Organization Agreement providing for the reservation of \$144,235 in federal HOME funds to Los Angeles Community Design Center for the acquisition and preservation of a 46-unit rental complex at 1267 N. Hudson Ave. to be operated as affordable rental housing for seniors; and
- C. Approve a journal voucher appropriating \$641,695 in unencumbered federal HOME funds for "CHDO Housing Acquisition, Rehabilitation and Preservation Projects".

BACKGROUND

The United States Department of Housing and Urban Development ("HUD") allocates funds under the HOME Investment Partnership Program ("HOME") to entitlement cities such as Pasadena to expand the local supply of affordable

housing. At the end of the previous fiscal year FY 2008, federal HOME funds in the amount of \$641,695 were planned for release through a Notice Of Funding Availability process. This amount is a combination of prior years HOME entitlement funds and program income (i.e., repayments of housing loans funded with HOME monies). Of this total, at least \$256,052 is required under federal regulations to be allocated to non-profit housing sponsors which qualify as Community Housing Development Organizations ("CHDO"). A CHDO is a non-profit, community based organization whose mission is to provide decent affordable housing to lower-income households. CHDO certification is conferred by HUD in accordance with specified federal HOME guidelines and regulations.

The NOFA was released on June 16, 2008, soliciting proposals from housing sponsors to compete for these funds. Under the NOFA, proposals submitted by CHDOs which provide permanent supportive housing for homeless persons and families were given priority. Three non-profits housing sponsors responded to the NOFA: Affordable Housing Services, Immanuel House of Hope, and Los Angeles Community Design Center.

An evaluation committee -- comprised of two Housing staff, a HOME/CDBG consultant, and a member of the Community Development Committee -- convened on July 7, 2008 to evaluate the three proposals. The evaluation committee ranked Immanuel House of Hope the highest, followed by Los Angeles Community Design Center and Affordable Housing Services. Subsequently, Affordable Housing Services notified the City of its desire to withdraw its proposal on the basis that the applicable HOME affordable rent standards would create financial hardship for their proposed project.

HOME/CHDO FUNDING RESERVATIONS

Immanuel House of Hope -- A HOME/CHDO funding reservation in the amount of \$497,460 is recommended for Immanuel House of Hope ("IHH") and the development permanent supportive housing for the homeless. IHH requested \$640,000 to assist the acquisition and rehabilitation of properties containing a total of 11 dwelling units located at 685 E. Washington Blvd. (8 units) and 1631-1637 Navarro (3 units). The properties would be operated as permanent supportive housing for the homeless. IHH, as the lead project sponsor, plans to joint venture with non-profit Agape Life Change, which will provide supportive services to the project resident population.

IHH's experience as a provider of housing with supportive services for homeless families includes the House of Hope (Los Angeles), developed in 2002 as a transitional housing project consisting of six individual townhome units for homeless persons and families. IHH's background and qualifications are augmented with the experience of housing consultant Karen Hirst. Ms. Hirst served as Executive Director of Beacon Housing for ten years where she

developed and implemented a "housing continuum" strategy with supportive services to assist a family's move from homelessness into transitional housing and eventually into permanent affordable housing. Beacon Housing owns and operates the Agape Court Apartments, located at 445 N. Garfield Ave., which provides 44 units of permanent affordable rental housing to very low and low income families. Beacon Housing was also a development partner in the Rose Court affordable rental senior housing project at 1890 N. Fair Oaks Ave.

Los Angeles Community Design Center -- A HOME/CHDO funding reservation in the amount of \$144,235 is recommended for the Los Angeles Community Design Center ("LACDC") for the development of affordable rental housing for seniors. LACDC's NOFA proposal requested \$344,533 to assist the acquisition and preservation of a 46-unit rental complex at 1267 N. Hudson Ave. to be operated as affordable rental housing for seniors. This funding reservation will be applied towards LACDC's \$5.35 million request for City financing assistance which was originally submitted in November 2007 and amended in May 2008. A staff recommendation on the total funding package for this project will be brought back to the City Council pending completion of a financial feasibility and gap analysis.

LACDC was established in 1968 and has completed more than 50 affordable housing developments totaling over 3,000 apartment units either as sole developer or in partnership with other non-profit corporations. Currently, LACDC has ownership interest in 31 properties throughout Southern California with a total of over 1,800 affordable housing units. LACDC has developed three housing projects in Pasadena totaling 191 affordable rental units including the award-winning Orange Grove Gardens 38-unit development completed in 2006.

CHDO AGREEMENT

As recommended, the City would enter into a CHDO Agreement with IHH and LACDC to reserve HOME funds for the respective proposed projects. The CHDO Agreement would include a preliminary project budget, scope of development, and schedule of performance. After staff has performed a thorough financial analysis of the proposed projects and conducted further due diligence activities, recommendations in the form of affordable housing development and financing agreements will be brought back to the City Council for approval.

FISCAL IMPACT

Approval of the subject recommendation will cause \$641,695 in federal HOME funds to be reserved for housing acquisition, rehabilitation and preservation projects undertaken by the selected CHDO's. However, these funds will not be disbursed until the City Council has approved the applicable affordable housing

development and financing agreements for the recommended CHDO projects.

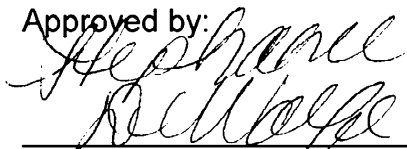
Respectfully Submitted,


BERNARD K. MELEKIAN
City Manager

Prepared by:


James Wong
Interim Housing Manager

Approved by:


Stephanie DeWolfe
Acting Assistant City Manager