

Agenda Report

DATE: FEBRUARY 9, 2009

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBJECT: APPROVAL OF PREDEVELOPMENT LOAN AGREEMENT IN THE AMOUNT OF \$144,235 WITH ABODE COMMUNITIES (FORMERLY LOS ANGELES COMMUNITY DESIGN CENTER) FOR DEVELOPMENT OF A PROPOSED 45-UNIT AFFORDABLE SENIOR RENTAL HOUSING PROJECT AT 1267 N. HUDSON AVENUE (HUDSON OAKS PROJECT)

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the Hudson Oaks project is exempt from environmental review pursuant to the guidelines of the California Environmental Quality Act (Public Resources Code §21080(b)(9); Administrative Code, Title 14, Chapter 3, Class 1 §15301, Existing Facilities), and authorize the City Clerk to file with the County Clerk a Notice of Exemption for the project;
2. Approve the key terms and conditions of a Predevelopment Loan Agreement, as described within this agenda report, in the amount of \$144,235 with Abode Communities, to assist with acquisition and predevelopment expenses associated with the proposed development of a 45-unit affordable senior rental housing project located at 1267 N. Hudson Avenue (the "Hudson Oaks Project"); and
3. Approve a journal voucher appropriating \$144,235 from the CHDO Housing Acquisition, Rehabilitation and Preservation Projects account to the Hudson Oaks Project account.

ADVISORY BODY RECOMMENDATION

At its regular meeting on January 22, 2009 the Community Development Committee unanimously recommend that the City Council approve the subject recommendation.

At a special meeting on February 5, 2009 shall also take action on this matter. Staff will orally report to City Council on February 9, 2009 on the Northwest Commission's recommendation.

BACKGROUND

At its regular meeting of August 11, 2008 the City Council approved the reservation of \$144,235 in federal HOME funds for the Los Angeles Community Design Center to assist the development of the Hudson Oaks, a 45-unit affordable rental housing complex for low and very low income seniors at 1267 N. Hudson Avenue (the "Property"). The Los Angeles Community Design Center is a non-profit organization, which has a successful 40-year track record of developing more than 50 affordable housing projects totaling over 3,000 units, and changed its name in December, 2008 to Abode Communities (the "Developer").

The Property is currently improved with an existing 3-story 46-unit apartment complex in need of significant repair due to a fire in 2005 which partially damaged the building, and deferred maintenance over the past four years. The Developer has proposed to acquire the Property and perform extensive rehabilitation of the structure (the "Project"). In July 2007 negotiations commenced between the Developer and owner of the Property and agreement was reached on the terms of sale with escrow opening on November 1, 2007. However, the Developer canceled the transaction approximately eight months into the extended escrow period for the purpose of re-negotiating a reduced purchase price. The Developer's efforts were successful. Agreement was reached on the new terms of sale, including a reduced purchase price of \$4.5 million, and escrow re-opened on November 24, 2008. The proposed purchase price has been substantiated as to fair market value by an independent appraiser commissioned by the City. The property acquisition escrow is scheduled to close on February 17, 2009.

The Developer's proposed rehabilitation program for the deteriorated apartment structure includes bringing the building into conformance with current code (including seismic, American Disabilities Act, and energy efficiency); replacement of major systems (electrical, plumbing, mechanical); replacement of the majority of the building framing; replacement of drywall, ceiling materials and flooring; replacement of wood sheathing and roof; installment of a central HV/AC system; and exterior upgrades including façade improvements.

The total project development cost is estimated by the Developer to be approximately \$16.2 million. In November 2007 the Developer submitted a funding application to the City, which was amended in May 2008 for an amount of \$5.35 million in City assistance. The Developer's funding proposal also included the reservation of Section 8 Project-Based rental subsidy certificates by the Pasadena Community Development Commission. Staff and Developer are in discussions regarding the project's total financing structure, which will include leveraging of other funding sources including

County of Los Angeles housing funds and Low and Moderate Income Housing Tax Credits. It is anticipated that subject to completion of a financial analysis and assessment of available City/Commission housing financing resources, a staff recommendation will be brought to the City Council within 90 days detailing the total City financial assistance package proposed for the Project. The subject predevelopment loan (\$144,235) is part of the total City financial assistance amount that is currently being considered.

KEY TERMS AND CONDITIONS OF PREDEVELOPMENT LOAN AGREEMENT

The key terms and conditions under the proposed Predevelopment Loan Agreement with the Developer shall be as follows: a) City loan assistance in the amount of \$144,235 shall be utilized for approved acquisition and predevelopment expenses in connection with the Hudson Oaks project; b) loan shall bear simple interest at a fixed rate of three percent (3%) per annum over a term of five years; c) payments on the loan will be deferred until loan maturity; d) loan will be secured by a second trust deed recorded against the property, in a subordinate lien position to the Developer's purchase money loan with Century Housing.

CALIFORNIA ENVIRONMENTAL QUALITY ACT COMPLIANCE

This project has been determined to be exempt from environmental review pursuant to the guidelines of the California Environmental Quality Act (Public Resources Code §21080(b)(9); Administrative Code, Title 14, Chapter 3, Class 1 §15301, Existing Facilities). This section specifically applies to the repair, maintenance etc. of existing structures where there is negligible or no expansion of the use. The proposed project is the rehabilitation of an existing deteriorated apartment building and will not result in an expansion of the existing use.

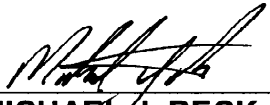
HOUSING IMPACT

The successful development of the Hudson Oaks Project will provide 45 units of rental housing that would be affordable to very low income senior citizens. The proposed project is consistent with the goals and objectives of the City's Five-Year Consolidated Plan (2005-2010), the General Plan Housing Element, and the Pasadena Community Development Commission Five-Year Implementation Plan (2005-2010).

FISCAL IMPACT

Approval of the subject recommendation and successful closing of the property acquisition escrow for the Hudson Oaks Project will result in a draw of \$144,235 in federal HOME monies from the City's Housing fund balance. These funds were reserved for the Hudson Oaks Project by City Council action on August 1, 2008. This amount is part of a larger City financial assistance package requested by the Developer which proposal is currently being evaluated by staff.

Respectfully submitted,



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