

Agenda Report

June 13, 2011

TO: Honorable Mayor and City Council

FROM: Housing Department

SUBJECT: APPROVAL OF TERMS AND CONDITIONS OF PURCHASE AND SALE AGREEMENT FOR RESALE OF CITY-OWNED CONDOMINIUM UNIT AT 736 N. GARFIELD AVENUE, UNIT 204 TO QUALIFIED LOW INCOME HOUSEHOLD

RECOMMENDATION:

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

- A. Find that the sale of real property located at 736 N. Garfield Avenue, Unit 204 (the "Property") is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301, Existing Facilities; and
- B. Approve the terms and conditions of a purchase and sale agreement for the resale of the Property to a qualified low income household, and authorize the City Manager or his designee to execute all related agreements and documents to conclude the transaction.

ADVISORY BODY RECOMMENDATION

The Northwest Commission unanimously approved the recommendation at its regular meeting of May 12, 2011 and the Community Development Committee unanimously approved the recommendation at its regular meeting of May 26, 2011.

BACKGROUND

On May 25, 2007, The Pasadena Community Development Commission ("Commission") acquired a condominium unit located at 736 N. Garfield Avenue, Unit 204 (the "Property") from a private individual. The individual originally acquired the Property in 2005 with loan assistance in the amount of \$95,000 under the Commission's Homeownership Opportunities Program ("HOP"). In June 2006 the property went into foreclosure. Pursuant to policy adopted in 1995 regarding HOP-assisted housing units

in foreclosure situations, the Commission acquired the property in June 2007 at a purchase price of \$345,000 (below appraised market value) and received a repayment in the amount of \$78,595 on the HOP loan outstanding balance. This action prevented the Property from going to trustee's sale and the loss of an affordable housing unit to the market.

Subsequently, the Housing Department contracted with Pasadena Neighborhood Housing Service to rehabilitate the Property which was in substandard condition. With PNHS's assistance, the Housing Department marketed the Property to low income households. Unfortunately, with the onset of the collapse of the housing market and mortgage industry in 2008, finding an eligible, mortgage-qualified low income buyer proved to be extremely challenging. It was not until August 2010 that a prospective buyer was identified, with purchase negotiations commencing in February 2011. A real estate appraisal was completed on May 6, 2010 with a concluded value of \$210,000. Real Property Services researched subsequent condominium sales in the complex and the \$205,000 affordable sales price is within range of value.

KEY TERMS AND CONDITIONS OF PURCHASE AND SALE AGREEMENT

- The contract sales price will be \$205,000.
- The buyer will make a 3% down payment in the amount of \$6,150.
- The City to pay up to 3% brokerage commission (\$6,150) to the buyer's broker.
- The City will finance the buyer's purchase of the property by carrying back a secured first mortgage in amount not to exceed \$165,000 (the "HOP Loan"); and a secured second mortgage in the amount of \$40,000 (the Calhome Loan).
- The city HOP loan will have a term of 45 years and bear interest at the fixed rate of three percent (3%). The Calhome will have a term of 30 years and bear interest at the fixed rate of three percent (3%). The Calhome loan is deferred for 30 years or due upon sale.
- The Property will be subject to the standard HOP restrictions including owner-occupancy requirement, property maintenance, and City first right of refusal to purchase upon resale, which restrictions will run with the Property for a 45-year term.

COUNCIL POLICY CONSIDERATION

The proposed action supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Objectives.

ENVIRONMENTAL ANALYSIS

The project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and is exempt per Section 15301 (Class 1), Existing Facilities. The proposed project is the resale of an existing City owned housing unit. There is no new construction and there will be no expansion of the existing use.

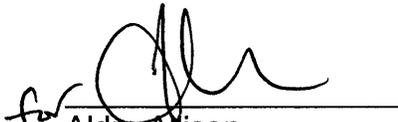
FISCAL IMPACT

The fiscal impact from the subject transaction will be a net loss to the City in the amount of \$184,167 (\$140,000 depreciation between City purchase price in 2007 and current affordable resale price; \$16,405 repayment loss on City HOP loan; \$27,762 property repair and HOA costs). The City will also extend to the new buyer a second trust deed loan in the amount of \$40,000 utilizing State low-income homebuyer assistance funds under the Calhome program. The buyer's down payment funds will be used to pay for the City's share of the transaction closing costs. No other City housing funds are required for this transaction.

Respectfully submitted,


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