

# Agenda Report

March 14, 2011

**TO:** Honorable Mayor and City Council/Pasadena Community Development Commission

**FROM:** Housing Department

**SUBJECT:** APPROVAL OF KEY BUSINESS TERMS OF AGREEMENT WITH NATIONAL COMMUNITY RENAISSANCE FOR DEVELOPMENT OF PERMANENT SUPPORTIVE HOUSING PROJECT LOCATED AT 131-135 N. MAR VISTA AVENUE; CALIFORNIA ENVIRONMENTAL QUALITY ACT - AFFORDABLE HOUSING EXEMPTION; FINDING OF BENEFIT - CALIFORNIA REDEVELOPMENT LAW SECTION 33334.2(G); APPROPRIATION OF \$2,600,000 LOW AND MODERATE INCOME HOUSING TRUST FUNDS

## RECOMMENDATION:

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

1. Acknowledge that the proposed affordable permanent supportive housing project located at 131-135 N. Mar Vista Avenue (the "Mar Vista 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 §15194, Affordable Housing Exemption), and authorize the City Clerk to file with the County Clerk a Notice of Exemption for the project;
2. Approve key business terms of a Predevelopment, Acquisition, Disposition, Development and Loan Agreement, as set forth in this agenda report, for the development by National Community Renaissance of the Mar Vista Project; and
3. Authorize the City Manager to approve any documents necessary to implement the Mar Vista Project.

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

1. Adopt a joint resolution finding that the expenditure of monies from the Low and Moderate Income Housing Trust Fund for the Mar Vista Project will be of benefit to the Commission's redevelopment project areas; and

2. Approve a journal voucher appropriating \$2,600,000 from the Low and Moderate Income Housing Trust Fund balance for the Mar Vista Project.

**ADVISORY BODY RECOMMENDATION:**

At its regular meeting on February 24, 2011 the Community Development Committee considered and unanimously recommended that the City Council/Commission approve the subject recommendation.

**BACKGROUND:**

The development of affordable housing at 131-135 N. Mar Vista Avenue, at the northwest corner of N. Mar Vista Avenue and Union Street (the "Property") has been on the Housing Department's development pipeline of projects since June 2008. Subsequent to unsuccessful attempts by the City to reach agreement with the private property owner on the terms of a development transaction, non-profit developer National Community Renaissance, also known as National CORE ("Developer") approached the Housing Department in January, 2010 with a proposal to acquire the Property for development of a permanent supportive housing project. The project would provide affordable permanent rental housing with supportive services for formerly homeless families in Pasadena. The Developer, based in Rancho Cucamonga, has a very successful affordable housing track record nationwide. Since its inception in 1991, National Community Renaissance has completed 76 affordable housing development projects totaling 8,758 units. These projects are located throughout the nation, with 50 in the Southern California region.

For the proposed Mar Vista Project, the Developer is partnering with Union Station Homeless Services, a Pasadena-based non-profit, which will be the social services provider for the Project residents. Social services will consist of resident intake and referral, case management, medical care, psychological services, money management, sobriety maintenance and support, children's activities, parenting classes, nutrition classes, liaison with Pasadena Unified School District, and wrap-around support. Union Station has a successful track record of providing services to three other housing projects in the city -- Euclid Villa, Centennial Place, and Family Center.

The proposed new construction project is anticipated to have a build-out of up to 24 dwelling units. As the Project moves forward through the predevelopment stage, the Developer will submit concept plans to City staff for review and will be responsible for obtaining all required land use and design entitlements.

The Property is currently improved with eight single-room (no bedrooms) dwelling units that are occupied by renters. As proposed, the occupants will be relocated in accordance with the Uniform Relocation Assistance Act, and the residential structures will be demolished. Also situated on the Property is the Boadway Apartments, an 82-year old structure that was originally moved from Fuller Seminary in 2007 as part of the Fuller Seminary Master Plan development. In 2009 the Planning Department determined that the structure, in its current location, is not eligible for individual listing in

the National Register, California Register, or for local designation. The water-damaged building, on blocks and boarded up, is in deteriorated condition and it would not be financially feasible to renovate and reuse the structure.

A meeting of neighborhood residents, Developer and Union Station representatives, and City staff to discuss the Mar Vista project was convened on October 13, 2010 by the office of Council Member Margaret McAustin. The Developer is currently in escrow to acquire the Property from owner Gary Hindoyan. The purchase transaction is scheduled to close in early-April, 2011.

### **PROJECT COST AND FINANCING:**

The development cost for the Project is estimated to total approximately \$10,500,000 comprised of \$2,143,200 total acquisition costs; \$876,200 predevelopment costs; and \$7,480,600 development costs. The permanent financing sources for the Project is expected to consist of Low Income Housing Tax Credit equity (\$5.6 million), City of Pasadena loan (\$2.6 million), County of Los Angeles loan (\$2.1 million), and deferred Developer fee (\$200,000). The Project will also require Section 8 Project-Based rental subsidy certificates from the Pasadena Community Development Commission. It is anticipated that a Request For Proposals for Section 8 Project-Based rental certificates will be released in FY 2012.

### **KEY BUSINESS TERMS OF PREDEVELOPMENT, ACQUISITION, DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT:**

- The Project shall consist of the new construction of permanent supportive housing of up to 24 dwelling units. The Project shall be restricted to extremely low and very low formerly homeless families from Pasadena at affordable rents.
- The Project shall be developed in accordance with a Scope of Work and a Schedule of Performance. The Developer will be responsible for obtaining all required land use and design entitlements.
- The City shall appropriate housing funds to the Project in an amount not to exceed \$2,600,000. These funds shall be used for project costs related to predevelopment, land acquisition, and development.
- Developer shall acquire the Property from current owner for resale to the City at fair market value (as determined by an independent appraisal). City shall lease back Property to Developer pursuant to a 60-year ground lease at a minimum rate of \$1 per year.
- The amount of City funding not utilized for land acquisition will be structured in the form of a secured trust deed loan which will have a term of 55 years and bear simple interest at the rate of three percent (3%). Principal and interest payment on the City loan will be deferred during the construction period as such period is

set forth in the Schedule of Performance. After the Project is placed in service, Developer shall make payments on the City loan from available residual receipts, as determined annually by an analysis of Project audited financial statements.

- Pursuant to a recorded regulatory agreement, Developer will be obligated to manage and operate the Project as permanent supportive housing for the full term of the ground lease.
- The City's subsidy to the Project may also include Section 8 Project-Based rental vouchers for all of the project units (excluding the resident manager's unit). The Developer will be required to successfully compete for these federal rent subsidies through a Request For Proposals that the Housing Department is planning to issue in FY 2012.
- The Project will be designed to incorporate water- and energy-conservation features.
- Other standard City provisions will apply, including First Source construction contract hiring and Local Priorities and Preference in the selection of tenants.

#### **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 §15194, Affordable Housing Exemption). This section specifically applies to housing for lower income households for a period of at least 30 years, at monthly housing costs deemed to be "affordable rent" for lower income, very low income, and extremely low income households.

#### **FINDING OF BENEFIT:**

California Redevelopment Law Section 33334.2(g) authorizes redevelopment agencies to use Low and Moderate Income Housing Trust Funds outside of redevelopment project areas only upon adoption of a resolution by the redevelopment agency and legislative body finding that such use will be of benefit to the project areas. The proposed Mar Vista Project is not located within any of the Commission's redevelopment project areas (the housing project is located approximately 0.75 miles east of the Downtown Redevelopment Project Area). The redevelopment project areas are part of a housing market that includes the entire city. The provision of affordable housing outside the redevelopment project areas will increase the overall supply of affordable housing in the housing market area, thus reducing overall housing costs in the housing market area, which includes the redevelopment project areas.

**HOUSING IMPACT:**

The Project will provide up to 24 units of permanent supportive housing for very low income families that are homeless or at risk of becoming homeless. The units will be made available at affordable rents with supportive services provided by Union Station Homeless Services. The Project units will be credited towards the Regional Housing Needs Assessment (RHNA) housing production goal for Pasadena.

**COUNCIL POLICY CONSIDERATION:**

This proposed action supports the City Council Strategic Planning Three-Year Goals in the area of improving and supporting the quality of life and the local economy. The proposed Project is also consistent with the City's Housing Element of the General Plan and the Five-Year Consolidated Plan.

**FISCAL IMPACT:**

Approval of the \$2,600,000 funding appropriation for the Mar Vista Project will result in a fund balance of approximately \$3.84 million in total City and Commission housing funds that would be available for commitments to new housing projects (excluding projects currently in the development pipeline with either committed or earmarked funding).


Respectfully submitted,

  
WILLIAM K. HUANG  
Housing Director

Prepared by:

  
JAMES WONG  
Senior Project Manager

Approved by:

  
MICHAEL J. BECK  
City Manager/Chief Executive Officer