

Agenda Report

September 16, 2013

TO: Honorable Mayor and City Council

THROUGH: Economic Development & Technology Committee (September 11, 2013)

FROM: Housing Department

SUBJECT: APPROVAL OF KEY BUSINESS TERMS OF THIRD AMENDMENT TO OWNER PARTICIPATION AGREEMENT WITH RAYMOND GROVE ASSOCIATES FOR THE RAYMOND GROVE HOUSING PROJECT AT 47 E. ORANGE GROVE BLVD.

RECOMMENDATION:

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

- 1) Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (General Rule);
- 2) Approve certain key business terms as described in this agenda report of the proposed Third Amendment to the Owner Participation Agreement between the City and Raymond Grove Associates (Agreement No. CDC-220); and
- 3) Authorize the City Manager to execute any and all documents necessary to implement the Third Amendment to the Owner Participation Agreement.

ADVISORY BODY RECOMMENDATION:

The subject recommendation was considered by the Northwest Commission at its regular meeting on September 12, 2013. Staff will report orally to the City Council on the action taken by the Northwest Commission.

BACKGROUND:

In 1997, pursuant to Owner Participation Agreement No. CDC-220, as amended by a First Amendment Agreement No. CDC-220-1 and a Second Amendment Agreement No. CDC-220-2 (collectively, the "OPA"), the Pasadena Community Development

Commission ("Commission"), provided loan assistance in the amount of \$777,000 to Raymond Grove Associates ("Owner") to assist the development of the Raymond Grove housing project at 47 E. Orange Grove Blvd. (the "Project"). The project consists of 12 units of affordable rental housing for low- and moderate-income families and was completed in July 1997. Affordable housing covenants recorded against the Project in favor of the Commission are in effect until July 20, 2028.

The Commission's financial assistance consisted of a Purchase Money Loan in the amount of \$147,000 and a Housing Trust Fund Loan in the amount of \$630,000. Each loan is secured by a deed of trust. The Purchase Money Loan requires fixed annual payments in the amount of \$18,797.52. The Owner is current on the Purchase Money Loan which has an outstanding principal balance of \$42,569.05. The Housing Trust Fund Loan requires annual payments to the extent that residual receipts from the Project cash flow are available. Historically, the Project has not generated positive cash flow and the outstanding balance on the Housing Trust Fund Loan is \$1,058,400 consisting of \$630,000 principal and approximately \$428,400 accrued interest.

In October, 2012 the Owner proposed to the Housing Department that the City, as the successor to the Pasadena Community Development Commission, accept a lump sum payment in the amount of \$600,000 to fully discharge all obligations under both the Housing Trust Fund Loan and the Purchase Money Loan. The Housing Department rejected this proposal as the proposed terms were not favorable to the City. However, negotiations commenced and on June 27, 2013 mutually acceptable terms were reached, which are proposed to be set forth in a Third Amendment to the OPA, as described in the following section.

KEY BUSINESS TERMS OF THIRD AMENDMENT TO OPA:

The Third Amendment to the OPA is proposed to consist of the following key terms:

- The total amount required from the Owner to discharge all obligations under the Housing Trust Fund loan shall be \$630,000.
- Owner shall repay the Housing Trust Fund Loan no later than November 1, 2013.
- Owner shall agree to modify that certain Agreement Containing Covenants dated June 6, 1997 such that the term of which is extended by 18 years, through July 20, 2046.
- There is no change to the terms of the Purchase Money Loan.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Objectives.

ENVIRONMENTAL ANALYSIS:

The proposed action has been determined to be exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3), the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The proposed terms of the Third Amendment to the OPA have been deemed to not have the potential for significant effect on the environment.

FISCAL IMPACT:

Approval of the proposed Third Amendment to the OPA will enable the Owner to retire the Housing Trust Fund Loan early without having to pay accrued interest in the amount of approximately \$428,400. However, in consideration of this, the Owner will be required to extend the affordable housing covenants at the Raymond Grove project by an additional 18 years. The cost of extending the affordability of the 12 units by 18 years equates to \$35,700 per unit, which is less than what it would cost the City to acquire or subsidize a new affordable unit. The Owner's repayment of principal in the amount of \$630,000 will be deposited into the Housing Successor fund balance as revenue to be available to assist future affordable housing projects.

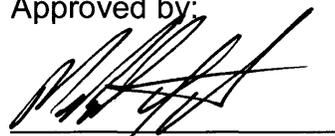
Respectfully submitted,


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