

Agenda Report

May 11, 2015

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Housing and Career Services Department

SUBJECT: ADOPTION OF RESOLUTION TO ACCEPT A HUD SECTION 108 GUARANTEED LOAN, PLEDGE COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS FOR LOAN REPAYMENT, AND TO PROVIDE ADDITIONAL LOAN SECURITY FROM CITY GENERAL FUND RESERVES FOR THE REHABILITATION OF THE ROBINSON PARK RECREATION CENTER FACILITY

RECOMMENDATION:

It is recommended that the City Council adopt a resolution:

- 1) Accepting a federally guaranteed loan under Section 108 of the Housing and Community Development Act of 1974 (the "Section 108 Loan"), pledging Community Development Block Grant funds to repay the Section 108 Loan, and providing further security from the City's General Fund Reserves in support of all obligations of the City under the Section 108 Loan, for the rehabilitation of the Robinson Park Recreation Center;
- 2) Approve a Journal Voucher restricting \$400,000 from the General Fund's Unassigned Fund balance (account 5025) to the Restricted for HUD Section 108 Loan Reserve Fund (Account 5081) within the General Fund's Fund Balance.

BACKGROUND:

At its regular meeting of May 9, 2011 the City Council/Pasadena Community Development Commission approved the submission to the U.S. Department of Housing and Urban Development (HUD) of an application for a loan under the Section 108 Loan Guarantee Program in the amount of \$6 million. The funds would be used to rehabilitate the Robinson Park Recreation Center. Annual debt service on the Section 108 Loan would be paid from Community Development Block Grant ("CDBG") funds which are allocated annually to the City by HUD.

In February 2013, HUD informed the City that the request for loan assistance had been approved subject to the City meeting certain Section 108 loan underwriting conditions. These conditions require that the City adopt a resolution to: 1) accept the Section 108 Loan; 2) pledge funds from annual CDBG allocations to make the required annual amortized payments on the loan; and 3) provide General Fund Reserves as further security for the repayment of the loan in the event that CDBG funds are insufficient for the City to meet its obligations under the loan in any fiscal year. These secured General Funds would equal approximately \$400,000, the amount of one year's principal and interest on the Section 108 loan repayment. As proposed, the debt service reserve fund would be maintained in a City account designated expressly for the purpose of collateralizing the City's debt service obligation.

HUD funds its Section 108 commitments through underwritten public offerings. Upon City satisfaction of the Section 108 Loan application underwriting conditions, HUD will send the loan to market for public offering at which time the interest rate on the Section 108 Loan will be priced. The term of the Section 108 Loan will be 20 years during which period the City will be obligated to make amortized payments in the estimated amount of \$400,000 annually, drawn from the City's CDBG allocation. As a formula entitlement jurisdiction, the City receives approximately \$1.7 million in CDBG funds from HUD each year.

The completion of the revised Robinson Park Master Plan will enhance the recreational opportunities for the community. Once completed, Robinson Park Recreation Center will have an increase of 3,770 square feet with an estimated total cost of \$11.4 million. Approximately \$8.1 million in funding have been committed for the project, consisting of \$6 million in Section 108 Loan funds, \$1 million in City General Funds, \$662,193 in CDBG funds, and approximately \$449,050 in State funds under the Housing-Related Parks Program ("HRPP"). There is a gap of \$3.3 million for which additional funding sources will need to be identified. On February 5, 2015 the Housing and Career Services Department submitted an application to the State for additional HRPP funds in the amount of \$105,200 for Robinson Park.

Currently, the project is in the schematic design and development phase. Construction is anticipated to start in November 2016. The project is expected to be completed by February 2018.

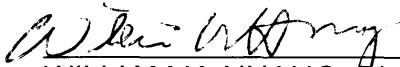
COUNCIL POLICY CONSIDERATION:

The proposed action supports the City Council Strategic Planning Three-Year Goals specifically in the areas of improving, maintaining and enhancing public facilities and infrastructure, and supporting the quality of life and the local economy.

FISCAL IMPACT:

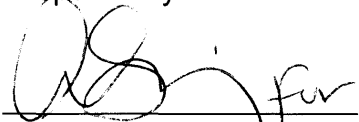
Approval of the proposed recommendation will not change the total fund balance of the General Fund. It however will reduce the General Fund's Unassigned Fund balance by \$400,000 and reclassify it as restricted funds in the "Restricted Reserve for HUD Section 108 loan account". In the unlikely event that federal CDBG funds are insufficient for the City to meet its obligations as borrower during the term of the Section 108 Loan, the City's General Fund Reserves would be utilized to cover the deficiency. As of June 30, 2014, the City had \$63.27 million total fund balance of which \$15 million was classified as unassigned. In addition, HUD has required the City to set-aside approximately \$400,000 in a reserves fund, equivalent to one year's payment.

Respectfully submitted,



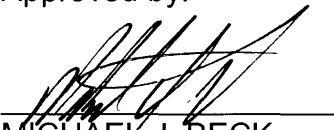
WILLIAM K. HUANG, Director
Housing and Career Services

Prepared by:



RANDY MABSON
CDBG Program Coordinator

Approved by:



MICHAEL J. BECK
City Manager