

# Agenda Report

September 25, 2017

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Housing & Career Services Department

**SUBJECT:** **AMENDMENT AGREEMENT OF COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) RENTAL HOUSING REHABILITATION LOAN AGREEMENT WITH ABODE COMMUNITY HOUSING FOR THE CENTENNIAL PLACE INTERIOR IMPROVEMENTS PROJECT**

## **RECOMMENDATION:**

It is recommended that the City Council:

- 1) Find that the proposed expanded scope of interior rehabilitation of the 144-unit Centennial Place affordable rental housing project at 235 E. Holly Street (the "Project") does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) of the State California Environmental Quality Act ("CEQA"), and, specifically, Section 15301 of the State CEQA Guidelines; and
- 2) Appropriate \$314,200 from the unappropriated fund balance of the Home Investment Partnership Act ("HOME") program to the Centennial Place Interior Rehabilitation Project; and
- 3) Approve key business terms of the proposed amendment agreement between the City and Abode Community Housing for the Centennial Place Interior Rehabilitation Project as described in this agenda report; and
- 4) Authorize the City Manager to execute, and the City Clerk to attest, any and all documents necessary to effectuate the staff recommendation.

**BACKGROUND:**

In September 2013, the City entered into a Rental Housing Rehabilitation Loan Agreement with Abode Community Housing ("Owner") pursuant to which the City agreed to provide \$367,438 in loan funds to the Owner (the "City Loan") to make certain interior improvements at the Centennial Place apartments project located at 235 E. Holly Street (the "Original Agreement"). Centennial Place provides 142 single-room occupancy units of permanent supportive housing for formerly homeless persons. Supportive services are provided by Union Station Homeless Services.

The City Loan was drawn from Community Housing Development Organization ("CHDO") reserve funds, which comprise 15 percent of the total HOME Investment Partnerships Program ("HOME") grant allocation received annually by the City from the U. S. Department of Housing and Urban Development ("HUD"). CHDO funds may only be used by qualified, nonprofit housing organizations which meet HUD's CHDO standards which require, among other things, that at least one-third of the nonprofit's board of directors must be low-income residents, reside in a low-income area, or serve as an elected representative of the low-income community. Under the Original Agreement, the qualified CHDO entity is Abode Community Housing ("ACH"). The Owner has recently restructured to comply with changes in HUD's CHDO requirements. Consequently, ACH formed a new limited liability company "Centennial Place GP, LLC (the "LLC") to act as the new, sole general partner of the Owner, with ACH serving as the sole member of the LLC.

ACH is the only qualified nonprofit CHDO with an eligible project (Centennial Place) in Pasadena to utilize CHDO funds. ACH was formed in 1996 as a CHDO-affiliate by parent company Abode Communities (former general partner of Owner), a highly reputable nonprofit housing developer and a full-service housing sponsor that provides development, design, property management and resident services. Originally founded in 1968 as the Los Angeles Design Center, Abode Communities has a portfolio of 37 multifamily properties throughout Southern California that are home to more than 6,200 residents. Four of these properties (232 affordable units) are currently operating in Pasadena and were developed successfully with City funding assistance.

Under the Original Agreement, the scope of work for the City-funded interior improvements consisted of building out the community room to improve and expand supportive services counseling and office spaces; and upgrading the dining room, recreation room, kitchen, and bathrooms. Approximately 42 percent of the budgeted scope has been completed to date. It is contemplated that the balance of the scope will be completed by October 2017. Beginning in April 2017, the Owner and Department staff initiated discussions on the potential expansion of the interior rehabilitation scope to include additional improvements and upgrades which would provide higher quality housing and services to its residents and extend the useful life of the building. On May 26, 2017, the Owner submitted a proposal to the department to modify and expand the scope of work, and a request for additional City Housing loan funds. The expanded rehabilitation scope includes full renovation of shower facilities and additional upgrades

to common bathrooms, the kitchen, and the community room; replacing dwelling unit doors; installing portable air conditioners in reasonable accommodation units, and installing new, energy-efficient lighting.

The proposed transaction was reviewed by the Internal Housing Loan Committee, which serves the Housing & Career Services Department and is comprised of staff in the City Manager, Housing, Human Services, and Public Works departments. The committee's functions include the review of department modifications to City homebuyer loans, as well as the review of department recommendations which require City Manager or City Council approval, including housing loan transactions and inclusionary housing plans.

At its regular meeting of August 28, 2017, the City Council approved a Substantial Amendment to the Program Year (PY) 2017-2018 HOME Annual Action Plan and allocated to the project CHDO funds in a total amount not to exceed \$314,200, which is the amount of CHDO reserve funds available from the City's HOME allocation for PY 2014 through PY 2017. Approval of the subject recommendation will enable the City to satisfy HUD/CHDO program commitment requirements through the next two years. HOME/CHDO funds can be difficult to commit and expend given HUD's rules pertaining to project eligibility, environmental review, and action plan requirements. The use of HOME/CHDO funds under the proposed transaction complies with HUD rules.

### **Key Terms of Amendment Agreement**

The proposed Amendment Agreement includes the following key business terms:

#### **a) City Loan, Amount, Term**

The City Loan will be amended to reflect: 1) an increase by \$314,200 in the principal amount of the City Loan, resulting in a total City Loan in the amount of \$681,638; and 2) a City Loan term of 55 years.

The existing City Loan Term is 15 years. The 55-year term will extend the existing 15-year term to comply with the underwriting requirements of the lenders that have senior trust deed loans on the project (Citibank, State of California, County of Los Angeles). Furthermore, the 55-year City Loan term would run coterminous with the other two City loans on title that were originated in 1990 to develop the Centennial Place project. All other provisions of the City Loan remain in place, including the interest rate (3.00 percent), residual receipts payment, City rights as a lender (including foreclosure and default cure rights), and annual financial reporting requirements.

#### **b) Scope of Work, Project Budget, Schedule of Performance**

The Original Agreement shall be amended to reflect modifications to the scope of the interior rehabilitation work (as summarized in the last paragraph of the

background section of this agenda report), a revised project budget, and a revised schedule of performance for completion of the work by August 31, 2018.

**c) City Affordable Housing Regulatory Agreement, Term**

The City's affordable housing regulatory agreement (the "Regulatory Agreement") will be amended to reflect a term of 55 years, expiring on the 55th anniversary of the City issuance of the Certification of Completion for the Project. This amendment increases the existing 15-year term of the Regulatory Agreement by 40 years. All other provisions of the Regulatory Agreement remain in place including project maintenance and annual affordable housing reporting requirements.

**COUNCIL POLICY CONSIDERATION:**

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

**ENVIRONMENTAL ANALYSIS:**

The proposed expanded scope of the interior rehabilitation of the Centennial Place building at 235 E. Holly Street does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) of the State California Environmental Quality Act ("CEQA"), and, specifically, Section 15301 of the State CEQA Guidelines. Class 1 specifically exempts from further CEQA review the repair, maintenance or minor alteration of existing structures where there is negligible or no expansion of the use. Interior or exterior alterations of the type contemplated under the Project are specifically contemplated under Class 1. The Centennial Place structure is listed in the National Register of Historic Places and is a contributing structure to the Pasadena Civic Center Historic District. The proposed interior rehabilitation would have no adverse effect on the building's contribution to the arrangement of civic buildings or exterior architectural styles. Thus, the proposed project would have no adverse effect on historic properties and the exception to the exemption set forth in CEQA Section 15300.2(f) is applicable.

**FISCAL IMPACT:**

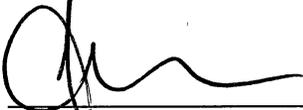
Approval of the subject recommendation will increase the Department's FY 2018 Operating Budget by transferring \$314,200 from the unappropriated fund balance of the Home Investment Partnership Act ("HOME") Community Housing Development Organization Reserve and HOME Program Income to the Centennial Place Interior Rehabilitation Project (Account No. 22116002-816700-52050).

Respectfully submitted,



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