



Agenda Report

February 5, 2018

TO: Honorable Mayor and City Council
FROM: Housing and Career Services Department
SUBJECT: HERITAGE SQUARE SOUTH DEVELOPMENT OPTIONS

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") in accordance with State CEQA Guidelines Section 15061(b)(3), the "general rule" that CEQA only applies to projects that may have an effect on the environment; and
2. Direct staff as to the preferred option for development of City-owned property known as Heritage Square South.

BACKGROUND:

Prior to the dissolution of redevelopment in 2012, the Pasadena Community Development Commission had acquired properties utilizing funds restricted to developing affordable housing. One such property that remains to be developed is "Heritage Square South", a 2.75 acre site comprised of parcels located at 710-738 N. Fair Oaks Avenue, and 19-25 E. Orange Grove Boulevard. This site is adjacent to the Heritage Square Apartments at 762 N. Fair Oaks Avenue, a 70-unit affordable rental complex for very low income seniors that was developed by BRIDGE Housing with City assistance. On February 26, 2013, the State Department of Finance ("DOF") approved the designation of Heritage Square South as a housing asset. State law provides that development of Housing Asset properties must commence within five (5) years of the DOF approval date, otherwise, the properties must be sold and the proceeds returned to the Housing Successor's Low and Moderate Income Housing Asset Fund. Accordingly, the five-year deadline to initiate affordable housing development on Heritage Square South expires on February 26, 2018. In a separate agenda item for the City Council meeting of February 5, 2018, staff will recommend City Council

adoption of a resolution to extend this deadline by an additional five-year period, as provided under State law.

HERITAGE SQUARE SOUTH DEVELOPMENT OPTIONS

The following nine (9) development options for Heritage Square South are provided for City Council consideration:

- Option 1: Permanent Supportive Rental Housing for Homeless Seniors
- Option 2: Affordable Senior Rental Housing
- Option 3: Affordable Family Rental Housing
- Option 4: Market Rate Apartments
- Option 5: Mixed Income Apartments
- Option 6: Affordable Condominiums
- Option 7: Market Rate Condominiums
- Option 8: Mixed Income Condominiums
- Option 9: Land Sale

Key questions to be considered in evaluating each option include the following:

- 1) Does the option meet the State's housing asset requirement?
- 2) What is the need for the proposed housing type?
- 3) Are non-City funds available to leverage to build the project?
- 4) Can the project help the City to meet its housing funding commitment and expenditure requirements?
- 5) Can the project use Project-Based rental subsidies?
- 6) How many housing units will the option likely include?
- 7) How many housing units will be affordable and at what income levels?

Option 1: Permanent Supportive Rental Housing for Homeless Seniors

Criteria Questions	Answer
Meets State Housing Asset requirements?	Yes
Need for housing type?	Very High
Non-City funding available? (State, County, etc.)	Yes
Help meet housing funding deadlines? (Housing Successor, HOME)	Yes
Can it use Project-Based rental subsidies?	Yes
Number of units?	70 1-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	69 VL

Option 2: Affordable Senior Rental Housing

Criteria Questions	Answer
Meets State Housing Asset requirements?	Yes
Need for housing type?	High
Non-City funding available? (State, County, etc.)	Not Likely
Help meet housing funding deadlines? (Housing Successor, HOME)	Yes
Can it use Project-Based rental subsidies?	Yes
Number of units?	70 1-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	69 VL

Option 3: Affordable Family Rental Housing

Criteria Questions	Answer
Meets State Housing Asset requirements?	Yes
Need for housing type?	High
Non-City funding available? (State, County, etc.)	Not Likely
Help meet housing funding deadlines? (Housing Successor, HOME)	Yes
Can it use Project-Based rental subsidies?	No
Number of units?	30 2&3-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	30 VL/Low

Option 4: Market Rate Apartments

Criteria Questions	Answer
Meets State Housing Asset requirements?	No
Need for housing type?	Low
Non-City funding available? (State, County, etc.)	Yes
Help meet housing funding deadlines? (Housing Successor, HOME)	No
Can it use Project-Based rental subsidies?	No
Number of units?	50 1-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	In-Lieu Fee

Option 5: Mixed Income Apartments

Criteria Questions	Answer
Meets State Housing Asset requirements?	Yes
Need for housing type?	Moderate
Non-City funding available? (State, County, etc.)	Yes
Help meet housing funding deadlines? (Housing Successor, HOME)	Limited
Can it use Project-Based rental subsidies?	No
Number of units?	50 1-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	14 VL/Low

Option 6: Affordable Condominiums

Criteria Questions	Answer
Meets State Housing Asset requirements?	Yes
Need for housing type?	High
Non-City funding available? (State, County, etc.)	No
Help meet housing funding deadlines? (Housing Successor, HOME)	Limited
Can it use Project-Based rental subsidies?	No
Number of units?	30 2&3-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	30 Low/Mod

Option 7: Market Rate Condominiums

Criteria Questions	Answer
Meets State Housing Asset requirements?	No
Need for housing type?	Low
Non-City funding available? (State, County, etc.)	Yes
Help meet housing funding deadlines? (Housing Successor, HOME)	No
Can it use Project-Based rental subsidies?	No
Number of units?	30 2&3-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	In-Lieu Fee

Option 8: Mixed Income Condominiums

Criteria Questions	Answer
Meets State Housing Asset requirements?	Yes
Need for housing type?	Moderate
Non-City funding available? (State, County, etc.)	Yes
Help meet housing funding deadlines? (Housing Successor, HOME)	Limited
Can it use Project-Based rental subsidies?	No
Number of units?	30 2&3-BR
Number/mix of affordable units? (Very Low-, Low-, or Moderate-Income)	10 Low

Option 9: Land Sale

Under this option, the Heritage Square South site is sold at market value and the sale proceeds are deposited into the Housing Successor's Low and Moderate Income Housing Asset Fund, to be used for affordable housing activities in accordance with State law. The current zoning of the site requires mixed-use development. If this option is selected, the financial impact to the City is estimated to be a net loss of \$230,000 calculated as follows:

Estimated land value	\$6,500,000
Repayment of HOME funds to HUD	(\$1,500,000)
Other restricted Housing funds	\$5,000,000
City's sunk costs and revenues	
• Land purchase	(\$5,200,000)
• Relocation & demolition	(\$600,000)
• Rent revenues (including Church's Chicken)	\$570,000
NET HOUSING PROCEEDS (net loss)	(\$230,000)

COUNCIL POLICY CONSIDERATION

The proposed action is consistent with the City's General Plan Housing Element, and 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 CEQA pursuant to State CEQA Guidelines Section 15061(b)(3), the "general rule" that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that an activity in question

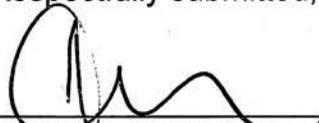
may have a significant effect on the environment, the activity is not subject to CEQA. The identification of a preferred development option for Heritage Square South will not have the potential for significant effect on the environment, particularly as the City is not irrevocably committing itself to any particular option at this time.

However, prior to the first discretionary action for any proposed project to be developed on Heritage Square South, the appropriate CEQA review will be undertaken to analyze the potential effects of the project on the environment. When CEQA review is conducted, the proposed project will be subject to any mitigations measures that could be identified during CEQA review and the conditions of approval associated with obtaining land use entitlements.

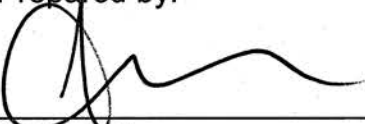
FISCAL IMPACT

The proposed action will have no net fiscal impact to the FY 2018 operating budget of the Department.

Respectfully submitted,


for WILLIAM K. HUANG
Director of Housing and Career Services

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