



Department of Housing

Public Benefit Agreement with CSCDA
for Workforce Affordable Housing
at 289 N. El Molino Ave.

Department of Housing
August 2, 2021





Background

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- **CSCDA Community Improvement Authority**
 - > JPAs work with member organizations to acquire recently built apartments and long-term deed restrict them for workforce-income housing (80%-120% AMI)
 - > Most affordable housing is restricted to households with incomes at 60% AMI and below
 - > Very few affordable housing funding sources for 80% - 120% AMI housing
 - > Strong record: Anaheim (1,107 units), Glendale (506 units), Long Beach (216 units), Monrovia (261 units)



Background

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- JPAs use property tax waivers and governmental purpose bonds to acquire the properties
- Substantial rent revenues from these projects fully support the debt service, operating costs and reserves
- No public capital or rental subsidy funds are required
- City receives excess sales proceeds from any property sale



Background

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- City has no ownership stake in JPA properties
 - > No liability, no responsibility for operations & expenses, no obligations to debt holders
- Project Administrator (Waterford) responsible for leasing, compliance, maintenance & all operations, including compliance w/Regulatory Agreement
 - > Carries disaster insurance
 - > Covers anything not handled by reserves
 - > Provides financial statements on annual basis
- City forgoes property taxes/General Fund revenue
 - > City receives excess proceeds in event of sale



Background – Public Benefits

Department of Housing

- All rents are capped at the lower of 4%, AMI increases, or market rate rent increases
 - > Cap protects against significant growth in market
- 80% AMI units are at the high end of the low-income range, but the Program rents are substantially below market rate
- 100% and 120% AMI unit rents also targeted to start at below market rate

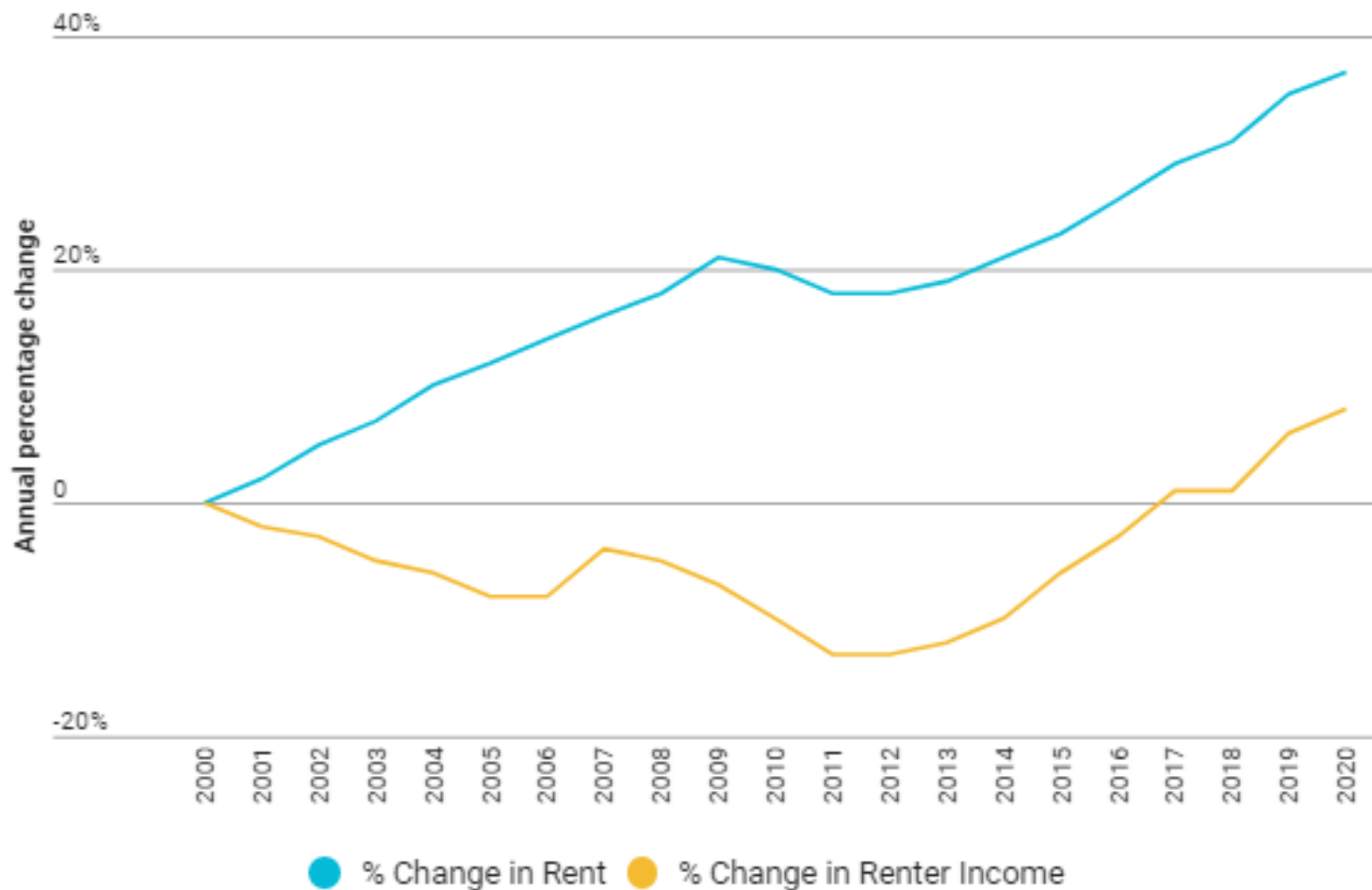


Background - Public Benefits

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- If market rate rents increase rapidly, the 100% and 120% AMI rents will track below market rate rents
 - > This will provide long-term below market rate rents for moderate-income households
- Projected \$103.7M in tenant rent savings over 30-year period, compared to City's property tax forbearance of \$3.6M during same period

Renter income hasn't kept up with rents



Source: California Housing Partnership analysis of 2000-2019 Census ACS data. Median rent and median renter income are inflation-adjusted to 2019 dollars.



Background - Public Benefits

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- Immediate creation of affordable units compared to 4-5 yr development timeframe
- Approximately one-third of existing tenants are anticipated to be income eligible
- Existing tenants who are over income are not displaced, but continue to pay market rate rent until they choose to vacate their unit
- Takes approximately 1-3 years to fully convert an entire project to affordable
- Rented subject to Local Preference Guidelines



Eligible Incomes

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2021 Income Limits					
	1-Person	2-Person	3-Person	4-Person	5-Person
80% Income Level	\$66,240	\$75,680	\$85,120	\$94,560	\$102,160
100% Income Level	\$82,800	\$94,600	\$106,400	\$118,200	\$127,700
120% Income Level	\$99,360	\$113,520	\$127,680	\$141,840	\$153,240

- Nurses, teachers, young professionals, construction tradespeople, administrative assistants
- Incomes too high to qualify for most affordable housing, but too low to afford new market rate housing
- Approx. 46% of renter households (14,280 of 31,335) in Pasadena have incomes at higher than 80% AMI



Background - Public Benefit Agmt

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- CSCDA proposes acquisition of a third property – Theo Apartments
- City and CSCDA to enter into Public Benefits Agreement
 - > City has no ownership in project and does not incur expenses/liabilities/obligations
 - > City has right to force sale/refinance starting Year 15 (CSCDA sale before Year 15 requires City approval)
 - > City is entitled to excess proceeds (after debt is discharged)



The Theo Apartments

Department of Housing





The Theo Apartments

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Current and Target Rents

Unit Type	Total Units	Current Market Rent	Target Rent 80% AMI	Target Rent 100% AMI	Target Rent 120% AMI
1 BR	49	\$3,018	\$2,207	\$2,759	\$2,867
2 BR	47	\$3,659	\$2,483	\$3,103	\$3,476



The Theo Apartments

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- 105 total units, 95% occupancy
- Nine (9) Inclusionary very low income units not impacted, will remain affordable in perpetuity
- All 96 market rate units anticipated to convert to Program units by third year of operation
- 43 units @ 80% AMI, 10 units @ 100% AMI, 43 units @ 120% AMI
- Estimated forgone property taxes:
 - > Total 30 Year Period (thru FY2051): \$3,608,600 (PV)



Fiscal Impact

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1. Council approval of the recommended action, and the proposed acquisition and operation by the CSCDA of the Theo will result in the City forgoing property tax revenues generated from this multifamily rental development.
2. Based on current projections, the total amount of property tax revenues that would be forgone is approximately \$3,608,600 (current dollars) for the 30-year period from FY 2022 through FY 2051.
3. The City will have no financial or legal obligation for the tax-exempt status of CSCDA, the debt service obligations carried by CSCDA, nor any other matter related to CSCDA and its projects



Recommendation

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1. Find that the proposed actions are exempt from the California Environmental Quality Act (“CEQA”) in accordance with State CEQA Guidelines Sections 15060(c)3 and 15326, because they are not “projects” as defined in Section 15378(b)(5) of the State CEQA Guidelines, and because they consist of the acquisition of housing for housing assistance programs
2. Approve the terms of a Public Benefit Agreement with the CSCDA Authority, for the acquisition of the Theo apartment project located at 289 N. El Molino Avenue;
3. Authorize City Manager or designee to approve minor, non-material modifications to the Agreement that are consistent with the purpose and intent of the Authority’s Workforce Housing Rental Program; and
4. Authorize City Manager to execute the Public Benefit Agreement and related documents and take any required actions to implement the Authority’s Program.