

# Agenda Report

November 1, 2021

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**THROUGH:** ECONOMIC DEVELOPMENT AND TECHNOLOGY COMMITTEE  
(October 19, 2021)

**FROM:** William K. Huang, Director of Housing

**SUBJECT: PUBLIC HEARING: APPROVAL OF THE SALE AND TRANSFER OF CITY-OWNED REAL PROPERTY AT 130 W. HOWARD STREET AND 1556 NAVARRO AVENUE TO SAN GABRIEL VALLEY HABITAT FOR HUMANITY ("SGV HABITAT"); ENTRY BY CITY AND SGV HABITAT INTO A PROPOSED DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT FOR THE DEVELOPMENT OF A TWO-UNIT AFFORDABLE HOMEOWNERSHIP PROJECT**

## **RECOMMENDATION:**

It is recommended that upon close of the public hearing the City Council adopt a Resolution entitled "A Resolution of the City Council of the City of Pasadena (1) Making Findings and Taking Action Pursuant to the Provisions of California Government Code Section 52201; (2) Approving: (A) The Sale and Transfer of Certain Real Property from the City of Pasadena to San Gabriel Valley Habitat for Humanity, Inc.; (B) Entry by the City of Pasadena and San Gabriel Valley Habitat for Humanity, Inc. into a Proposed Disposition, Development and Loan Agreement to Implement an Affordable Housing Project; and (C) A Deed to Effectuate Said Disposition of Property and Said Project; and (3) Approving Related Actions".

## **BACKGROUND:**

At its regular meeting of October 7, 2019, the City Council approved the key business terms of a Disposition, Development and Loan Agreement ("DDLA") with the San Gabriel Valley Habitat for Humanity ("SGV Habitat") for the acquisition of a City-owned vacant lot located at 130 W. Howard Street and 1556 Navarro Avenue (the "Property") for the development of two (2) affordable homeownership units for low income families. Designated as a housing asset pursuant to State redevelopment dissolution law, the Property is required to be utilized for affordable housing. The Property has an area of

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approximately 6,590 square feet and is zoned RM-12 with an allowable density of two (2) units.

The project is currently in the plan check process. SGV Habitat plans to pull building permits and acquire the Property from the City by mid-November 2021, with construction to commence shortly thereafter. The construction period is estimated to be 12 months.

Council approval of the subject recommendation is requested to comply with California Government Code Section 52201(a): *"A city ... may sell ... property to create an economic opportunity. The ... sale ... shall first be approved by the legislative body by resolution after a public hearing. Notice of the time and place of the hearing shall be published in a newspaper of general circulation in the community at least once per week for at least two successive weeks, as specified in [California Government Code] Section 6066, prior to the hearing."* The required public hearing notices were published on October 14 and 21, 2021, and, as specified in the public hearing notices, the draft DDLA was available at the Housing Department office during the period from October 14-29, 2021, for public review and comment.

### **KEY TERMS OF DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT**

- 1) The San Gabriel Valley Habitat for Humanity ("Developer") shall acquire the City-owned property located at 130 W. Howard Street and 1556 Navarro Avenue (the "Property") and construct two (2) single-family housing units (the "Project") to be sold to low income families at affordable housing cost.
- 2) The total cost of the Project (including land acquisition) is \$1,486,983. Developer shall be responsible for raising all funds for the development of the Project.
- 3) The contract sales price of the Property shall be \$525,000, which is the current appraised fair market value. To assist Developer's acquisition of the Property, City shall carry back a seller purchase money loan (the "City Seller Loan") in said amount.
- 4) The City Seller Loan shall be evidenced by a promissory note and secured by a deed of trust recorded against the Property. The City Seller Loan shall bear simple interest at the fixed rate of three percent (3%) per annum.
- 5) If the Project is completed satisfactorily in accordance with the terms of the DDLA, the accrued interest on the City Seller Loan will be forgiven, the deed of trust reconveyed, and the amount of \$400,000 (the "Discounted Recast Amount") will be recast as subordinate purchase financing loans to assist qualified homebuyers in the Project. The Discounted Recast Amount is necessary for the Project to achieve financial feasibility and affordability to low income buyers. Each recast loan will be in the amount of \$200,000 and will be originated under the City's Homeownership Opportunities Program ("HOP"). City shall have the right to recoup the full market value of the land in the event that a Project unit is

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resold at market price (e.g., the homeowner defaults and Developer or City forecloses on the property).

- 6) Each HOP Loan shall be evidenced by a promissory note and secured by a deed of trust, in third lien position behind: a) the first mortgage to be originated and funded by Developer at below market cost to the borrower; and b) a "Calhome" loan in the second lien position (see #7, below). The HOP Loan shall bear no interest, have a term of 45 years, and will be "silent" with payment deferred for the full term. If the original homebuyer remains in their unit for the full 45-year term, the HOP Loan will be forgiven.
- 7) Developer shall provide \$200,000 in State "Calhome" program funds to provide additional homebuyer loan assistance (\$100,000 per loan) which is necessary for the Project to achieve low income affordability. The Calhome trust deed loan shall be in second lien position behind the Developer's first mortgage. The Calhome loan shall bear no interest, have a term of 30 years with option to extend to 45 at borrower's request, with payments deferred for the 30-year loan term.
- 8) Restrictive covenants ("Covenants") in favor of the City shall be recorded against each of the two units and remain in effect for a term of 45-years. The Covenants require, among other things, that the unit be used solely as owner-occupied housing and be subject to resale restrictions. If the homeowner desires to resell the Residence during the 45-year covenant period, Developer shall have first right of refusal to purchase the unit, qualify a new low-income home buyer, and resell the unit to the new homebuyer. A new Covenant with a 45-year term shall be recorded against the unit. In the unlikely event the Developer elects not to exercise its first right of refusal, the City would have the option to step in and purchase the unit from the homeowner at the prevailing affordable sales price.
- 9) Other City policies and regulations will apply to the Project including insurance requirements, local hiring goals, and local preference guidelines.

### **COUNCIL 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 Plan.

### **ENVIRONMENTAL ANALYSIS:**

The City financing of SGV Habitat's acquisition of the Property in an existing residential area with no unusual environmental circumstances, and the construction on the Property of a two-unit housing development, does not have a significant effect on the environment and has been determined to be categorically exempt under Class 3 (New Construction or Conversion of Small Structures) of the State California Environmental Quality Act ("CEQA"), and, specifically, Section 15303 of the State CEQA Guidelines.

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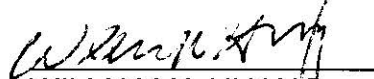
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**FISCAL IMPACT:**

Approval of the subject recommendations will have no direct fiscal impact on the Department's FY 2022 operating budget.

Respectfully submitted,



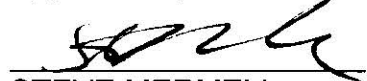
WILLIAM K. HUANG  
Director of Housing

Prepared by:



JAMES WONG  
Senior Project Manager

Approved by:



STEVE MERMELL  
City Manager

Attachment: Resolution