

# Agenda Report

October 18, 2021

**TO:** Honorable Mayor and City Council

**FROM:** Department of Housing

**SUBJECT: AMENDMENT TO FISCAL YEAR 2022 ADOPTED OPERATING BUDGET FOR THE SALVATION ARMY PASADENA HOPE CENTER APARTMENTS PROJECT**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with Section 15061(b)(3), the "common sense" provision that CEQA only applies to projects that may have an effect on the environment; and
2. Amend the Department of Housing's Fiscal Year (FY) 2022 Adopted Operating Budget by re-appropriating \$400,000 in the Housing Successor Fund that was budgeted but had lapsed at the end of FY 2021 for the Salvation Army Pasadena Hope Apartments project (23716046-816700-51033).

## **BACKGROUND:**

At its regular meeting of November 25, 2019, the City Council approved the key business terms of an Affordable Housing Loan Agreement (Agreement No. 23,289, the "Loan Agreement") with The Salvation Army ("Developer") for the proposed development of the Salvation Army Pasadena Hope Center Apartments located at 1000 E. Walnut Street, a 66-unit affordable rental housing project to serve chronically homeless persons (the "Project"). The Council action included an appropriation of \$1 million in City loan assistance to the Project, funded from the Housing Successor Fund.

Subsequently, at its meeting of July 27, 2020, the City Council approved certain modifications to the previously approved key business terms of the Agreement, including approving an additional \$1 million in the City loan assistance to address a Project funding gap. The additional \$1 million was intended to be drawn from the City's Inclusionary Housing Trust Fund, bringing the City's funding commitment to a total of \$2 million. However, Project expenses were not incurred in FY 2020 and 2021. Specifically, the Project was projected to incur \$400,000 in expenses in FY

2021 and based on this projection the Department re-budgeted \$1.6 million for FY 2022. However, the predevelopment phase of the Project took longer than anticipated and \$400,000 in Project expenses that were estimated to be incurred in FY 2021 did not materialize until the current fiscal year, thus creating a \$400,000 budget shortfall for FY 2022. To address the shortfall, and to ensure the City's funding obligations can be met, the Council must re-appropriate \$400,000 in budget authority in the Housing Successor Fund that had lapsed at the end of FY 2021.

The City loan funds for the Project are required to be deposited into escrow by this Friday, October 22, 2021 for the construction closing scheduled on Monday, October 25, 2021. Thus, Council action through this agenda item is required. Construction of the Project is scheduled to commence by November.

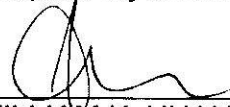
**COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by monitoring the Department's FY 2022 Adopted Operating Budget and by implementing necessary budget amendments.

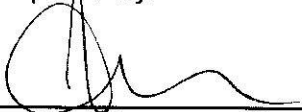
**FISCAL IMPACT:**

Approval of the subject recommendation will increase the Department's FY 2022 Operating Budget by re-appropriating \$400,000 in the Housing Successor Fund that was budgeted but had lapsed at the end of FY 2021 for Project (23716046-816700-51033). Approval of this action will leave an unappropriated balance of approximately \$6.48 million in the Housing Successor Fund and approximately \$2.44 million in the Inclusionary Housing Trust Fund. With approval of the subject recommendation, the City loan assistance totaling \$2 million for the Project will consist of \$1 million in Housing Successor funds and \$1 million in Inclusionary Housing Trust funds.

Respectfully submitted,

  
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for WILLIAM K. HUANG  
Director of Housing

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Approved by:

  
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