

# Agenda Report

November 14, 2022

**TO:** Honorable Mayor and City Council

**FROM:** Housing Department

**SUBJECT: APPROVAL OF THE KEY BUSINESS TERMS OF A DEVELOPMENT AND LEASE AGREEMENT WITH NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA FOR THE CONSTRUCTION OF AN AFFORDABLE HOUSING PROJECT FOR SENIORS ON CITY-OWNED PROPERTY AT 280 RAMONA STREET**

**RECOMMENDATION:**

It is recommended that the City Council take the following actions:

- 1) Acknowledge that the Design Commission found that the proposed housing development project, as described in this agenda report, is categorically exempt from the California Environmental Quality Act under Section 15332, (Class 32) "in-fill development projects" and that there are no features that distinguish this project from others in the exempt class and, therefore, there are no unusual circumstances;
- 2) Find that the project will have no significant impact on the human environment, pursuant to the National Environmental Policy Act of 1969 (NEPA), as set forth in the attached Environmental Assessment/Finding of No Significant Impact;
- 3) Find that the provision of affordable housing for seniors on City-owned property serves a public purpose;
- 4) Approve the key business terms, as described in this agenda report, of the proposed Development and Lease Agreement with National Community Renaissance of California; and
- 5) Authorize the City Manager to execute any and all documents necessary to effectuate the staff recommendation.

**BACKGROUND:**

The City of Pasadena ("City") and developer National Community Renaissance of California ("Developer") entered into that certain Exclusive Negotiation Agreement dated December 16, 2020 (the "ENA"), in order to negotiate the terms of an agreement that entails the lease of the City-owned property located at 280 Ramona Street (the "Property") to Developer and the provision of City funding assistance (the Development and Lease Agreement or "DLA") for the construction of an affordable rental housing complex with approximately 112 units for low-income seniors (the "Project"). On October 10, 2022, the City and Developer reached concurrence on the key business terms of the transaction.

The proposed Project consists of the construction on the Property of a 100-unit, five-story, apartment complex that will serve lower income senior citizens at affordable rents. The Project will include units reserved for senior citizens experiencing homelessness. The Project will also include a community room, management offices, a courtyard, and a resident manager unit. The courtyard will provide appropriately sized and safe areas for Project residents and their accompanied guests to relax, congregate, and otherwise enjoy common area amenities. The ground floor courtyard space may be opened on occasion to the general public for events in coordination with on-site property management. Concept design for the Project was approved by the Design Commission on September 27, 2022, and became effective on October 11, 2022.

Parking will not be provided on-site. Parking will be available to future residents in existing nearby privately operated parking facilities, if these future residents elect to enter into individual parking lease arrangements with the owners/operators of those facilities. There are several existing parking facilities located in close proximity to the Project, including but not limited to the County Court Parking Garage directly across Ramona Street from the Project. The County Court Parking Garage offers up to approximately 562 total parking stalls and the owner will be installing automated gates for 24/7 access for short-term and long-term parking uses later this year. Developer intends to master lease parking stalls for on-site staff at the nearby privately operated parking facilities. Short-term parking at those facilities and at existing metered street parking will be available to guests. Future residents will also be able to utilize affordable and accessible public and private transit options, including the paratransit (i.e. door to door) services for which the Project is uniquely situated and designed to accommodate. Designated resident loading zones within the building will be provided in addition to a new curbside loading zone sized for larger paratransit vehicles which will be located adjacent to the Project's Ramona Street resident entry and elevator lobby.

The estimated total development cost of the Project is \$62,990,357, assuming Prevailing Wage. The proposed City financing sources for the Project total \$16,300,000 consisting of the capitalized ground lease value, affordable housing impact fee waivers, and direct loan assistance utilizing federal HOME and HOME/CHDO funds. The HOME and HOME/CHDO funds totaling \$2,756,073 (collectively, "HOME Funds") were preliminarily awarded the Project through Council approval of the Annual Action Plan (2022-2023) on June 13, 2022, and Substantial Amendments to the Annual Action Plan (2022-2023) on November 14, 2022. These HOME Funds will be disbursed to the Project at a future date subject to the following conditions, as applicable: 1) completion

of the NEPA environmental review; 2) completion of HOME underwriting requirements; 3) HUD approval of the City’s Request for Release of Funds; and 4) the Developer securing conditional commitments from all other proposed funding sources necessary to make the Project financially feasible. It is anticipated that the Developer will apply at a later date to the City for loan assistance in the amount of \$2,243,927 from the City’s funding allocation through the Burbank-Glendale-Pasadena Regional Housing Trust (“Regional Housing Trust”), which is anticipated to be established in the first quarter of calendar year 2023.

The table below summarizes the Developer’s financing plan which consists of the identified proposed permanent funding sources for the Project. The plan represents the most realistic scenario at this time to fully finance the Project. However, as the Developer moves forward to implement the financing plan, modifications to the funding sources and amounts may be necessary.

<b>City Funding Sources:</b>	<b>Amount</b>
City Land – Capitalized Ground Lease	\$8,800,000
City Loan – HOME/CHDO	\$2,756,073
City Loan – Regional Housing Trust (potential)	\$2,243,927
City Impact Fee Waiver	\$2,500,000
<b>Sub-Total:</b>	<b>\$16,300,000</b>
<b>Non-City Funding Sources (potential):</b>	
Tax Credit Equity (9% Federal & State)	\$26,087,357
Conventional Permanent Loan	\$4,103,000
State Multifamily Housing Program	\$10,000,000
State Infill Infrastructure Grant Program	\$1,500,000
County Affordable Multifamily Rental Housing + AHP	\$5,000,000
<b>Sub-Total:</b>	<b>\$46,690,357</b>
<b>Total Funding:</b>	<b>\$62,990,357</b>

The Developer is preparing to submit an application under the County of Los Angeles Notice of Funding Availability Round 28 (“County NOFA”) for \$5,000,000 in direct loan assistance, plus County project-based rental voucher assistance for 49 units. The County NOFA was released by November 1, 2022, with an application deadline of December 19, 2022. The County NOFA’s application threshold requirements include demonstration of site control and local funding contribution. With Council approval of the staff recommendation and an executed DLA, the Developer will be able to meet the threshold requirements to apply for County NOFA funds and other non-City funding that will be necessary to make the Project financially feasible.

It is anticipated that staff will return to Council by the end of Fiscal Year 2023 with recommendations to amend the DLA to: 1) formally award the City’s HOME Funds in the form of loan assistance to the Project; and 2) commit any additional City funding as may be necessary (e.g., funds allocated through and subject to the approval of the proposed Regional Housing Trust).

## **KEY BUSINESS TERMS OF THE DEVELOPMENT AND LEASE AGREEMENT**

The DLA between the City and Developer, pursuant to which the City will ground lease the Property to the Developer, and the Developer will construct the Project on the Property, includes the following key business terms:

- 1) **Ground Lease:** The City and Developer shall enter into a Ground Lease Agreement (the "Ground Lease") pursuant to which Developer shall lease the Property from City for the construction of the Project. The capitalized ground leasehold value is \$8.8M as determined by a property appraisal dated March 9, 2022. The Ground Lease shall have a term of 99 years, and require Developer to pay rent in the amount of \$1 per year. The provision of affordable housing for seniors on City-owned property serves a public purpose.
- 2) **Scope of Development:** The Developer shall construct the Project in accordance with a Scope of Development. The proposed Project consists of the construction on the City-owned Property of a five-story, above-grade apartment complex with 99 dwelling units for senior citizens plus one (1) unit for a resident manager. Project amenities shall include a courtyard, a community room, and management offices. Building loading zone areas will be provided within and adjacent to the Project. Parking will be available off-site to future Project residents who elect to enter into individual parking lease arrangements with the owners/operators of existing parking facilities near the Project.
- 3) **HOME and HOME/CHDO Funds:** City shall formally award and disburse an amount not to exceed \$2,340,000 in HOME funds and \$416,073 in HOME/CHDO funds (collectively, "HOME Funds") subject to the following conditions being satisfied: 1) completion of the NEPA environmental review; 2) completion of HOME underwriting requirements; 3) HUD approval of the City's Request for Release of Funds; and 4) the Developer securing conditional commitments from all other proposed funding sources necessary to make the Project financially feasible. HOME Funds awarded to Developer for the Project will be in the form of a loan evidenced by a promissory note and secured by a deed of trust recorded on Property title. The repayment terms of the City loan shall be set forth in an amendment to the DLA.
- 4) **Project Budget and Financing Plan:** The estimated total development cost for the Project is \$62,990,357, comprised of land value, hard costs, indirect costs, and financing costs as specified in a Project Budget. This amount shall be financed with sources specified in a Financing Plan which consists of a combination of City Housing funds and non-City funds to be secured by the Developer in accordance with the Schedule of Performance.
- 5) **Schedule of Performance:** Project milestones and timeframe for their completion shall be performed in accordance with a Schedule of Performance.
- 6) **Regulatory Agreement:** Developer shall ensure that the Project is operated in compliance with rental housing deed restrictions in favor of the City for a term of

99 years ("Regulatory Agreement"). In compliance with State Article XXXIV requirements, the occupancy of 49 (49%) of the 100 dwelling units in the Project shall be restricted to senior citizens at 55 years of age or older, with average income and affordability at approximately 45% AMI across the 49 units. Federal HOME income and rent requirements shall apply to 15 of the 49 units. The balance of the project units (51) shall be subject to affordable housing income and rent restrictions imposed by the other non-City funding sources.

- 7) **Marketing, Tenant Selection, and Management Plans:** Developer shall submit to the City for approval a Marketing and Tenant Selection Plan which complies with the City's Local Preference and Priority Guidelines. Developer shall also submit to the City for approval a Property Management Plan for the operation and maintenance of the Project.
- 8) **City Policies:** Developer shall comply with all applicable City ordinances, regulations and policies including but not limited to City Minimum Wage standards, "First Source" local hiring requirements, and insurance and indemnification requirements.

#### **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:**

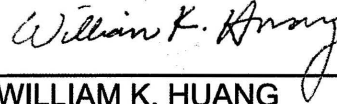
At its public meeting on September 27, 2022, when it took the first discretionary action necessary to approve the project (concept design review), the Design Commission found that the proposed housing development project (the "Project") does not have a significant effect on the environment and determined it to be categorically exempt under Class 32 (In-Fill Development) of the State California Environmental Quality Act ("CEQA"), (Section 15332 of the State CEQA Guidelines). Class 32 applies to in-fill housing developments that are consistent with the General Plan designation and all applicable General Plan policies as well as with the zoning designation and regulations; occurs within City limits on a project site of no more than five (5) acres substantially surrounded by urban uses; located on a site with no habitat for endangered, rare, or threatened species; would not result in any significant effects relating to traffic, noise, air quality, or water quality; and could be adequately served by all required utilities and public services. In this instance, the proposed City ground lease of the subject property and the development of the Project will not have a significant effect on the environment. There are no exceptions to the use of an exemption identified in Section 15300.2 of the State CEQA Guidelines that apply to the Project. There are no features that distinguish the Project from others in the exempt class and, therefore, there are no unusual circumstances. Accordingly, no further CEQA review is required for this activity. The Class 32 Categorical Exemption Evaluation Report is attached hereto.

As it is contemplated that the development of the Project will be assisted with the City's provision of federal HOME funding, an environmental assessment is required pursuant to the National Environmental Protection Act ("NEPA"). The environmental assessment, which was completed on October 27, 2022 by consultant Michael Baker International, determined that the Project will have no significant impact on the human environment. That analysis is contained in the Environmental Assessment/Finding of No Significant Impact (EA/FONSI) which is attached hereto.

**FISCAL IMPACT:**

Approval of the recommended actions will have no direct fiscal impact on the City's current operating budget.

Respectfully submitted,



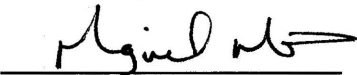
**WILLIAM K. HUANG**  
Director of Housing

Prepared by:



**James Wong**  
Senior Project Manager

Approved by:



**MIGUEL MÁRQUEZ**  
City Manager

Attachments:

- A. Class 32 Categorical Exemption Evaluation Report
- B. Environmental Assessment/Finding of No Significant Impact