

# Agenda Report

March 13, 2023

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Housing Department

**SUBJECT: AMENDMENT TO THE HOUSING DEPARTMENT'S FISCAL YEAR 2023 OPERATING BUDGET AND APPROVAL OF KEY TERMS OF AMENDMENT TO AGREEMENT NO. 23,651 WITH HHP-FOOTHILL, LLC FOR DEVELOPMENT OF INTERIM HOUSING PROJECT AT 2322 E. FOOTHILL BOULEVARD FOR TRANSITION AGE YOUTH**

## **RECOMMENDATION:**

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

- 1) Find that the proposed housing financing, acquisition and rehabilitation activity, as described in this agenda report, does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) (State CEQA Guidelines Section 15301) and Class 26 (Acquisition of Housing) (State CEQA Guidelines Section 15326);
- 2) Approve a budget amendment to increase the Housing Department's FY 2023 Operating Budget by a net amount of \$729,500 in funding appropriations for the HHP Transition Age Youth Housing project consisting of a \$1,000,000 increase in appropriations in the Home Investment Partnership Fund (HOME) and a \$270,500 decrease of appropriations in the Inclusionary Housing Trust Fund; and
- 3) Approve certain key business terms, as described in this agenda report, of the proposed Amendment to Affordable Housing Loan Agreement No. 23,651 with HHP-Foothill, LLC, and authorize the City Manager to execute any and all documents necessary to effectuate the staff recommendation.

## **BACKGROUND**

The City of Pasadena ("City") and developer HHP-Foothill, LLC ("HHP") entered into that certain Affordable Housing Loan Agreement No. 23,651, dated May 18, 2022 (the

“Agreement”) in connection with HHP’s proposed development of property located at 2322 E. Foothill Boulevard (the “Property”) as an interim housing project for transition age youth (“TAY”) from the ages of 18 to 24 years who are homeless and at-risk. Pursuant to the Agreement, the City provided a loan in the amount of \$2,000,000 to assist HHP’s purchase of the Property and the renovation and reconfiguration of the existing five (5) units to a six-unit project. HHP acquired the Property on May 23, 2022.

However, as HHP moved the project forward through the City’s permitting process, the project budget increased by \$339,500 due to unexpected costs including a fire sprinkler system as required by the City. On October 16, 2022, HHP submitted to the Housing Department a request to increase the City loan amount to cover the additional project costs. The increased funding amount represents a per-unit subsidy of \$388,250 and is comparable with the City subsidy levels for other affordable housing projects, especially smaller projects that do not have the advantage of leveraging additional non-City public funding sources. Accordingly, staff recommends that the City loan amount be increased by \$329,500 to a total amount of \$2,329,500.

Also, as recommended, the amended City loan amount of \$2,329,500 would be funded from a revised mix of sources. Originally, the \$2,000,000 loan consisted of \$1,600,000 City Inclusionary funds and \$400,000 federal American Rescue Plan Act (“ARPA”) funds. As proposed, the loan would provide \$1,000,000 in new federal HOME funds, decrease the Inclusionary appropriation to \$1,329,500 (a decrease of \$270,500), and not expend the ARPA funds (\$400,000). The use of HOME funds for the City loan will assist the City to meet HOME program expenditure requirements as set forth annually by the U. S. Department of Housing and Urban Development.

Other project funding sources consist of private grants -- \$200,000 from the Pasadena Community Foundation (“PCF”), and \$10,000 from the California Community Foundation (“CCF”). The following table summarizes the project funding per the original Agreement, and as proposed per the recommended amendment to the Agreement.

<b>Funding Sources</b>	<b>Funding per Agreement</b>	<b>Recommended Funding</b>	<b>Net Change</b>
City loan – Inclusionary	\$1,600,000	\$1,329,500	(\$270,500)
City loan – ARPA	\$400,000	\$0	(\$400,000)
City loan – HOME	\$0	\$1,000,000	+ \$1,000,000
PCF grant	\$200,000	\$200,000	\$0
CCF grant	\$0	\$10,000	+ \$10,000
<b>Total</b>	<b>\$2,200,000</b>	<b>\$2,539,500</b>	<b>+\$339,500</b>

The building permit for the project was issued on January 23, 2023. Project construction and draw of City loan funds are anticipated to commence by the end of March, after clearance of the federal environmental review pursuant to the National Environmental Protection Act.

## **KEY BUSINESS TERMS OF THE AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT**

The proposed Amendment to Affordable Housing Loan Agreement No. 23,651 between the City and HHP includes the following key business points:

- 1) **Project Budget:** The estimated total project cost shall be increased from \$2,200,000 to \$2,539,500, an increase of \$339,500. The budget is comprised of acquisition and related costs, construction hard and soft costs, and capitalized replacement and operating reserves.
- 2) **City Loan and other Funding Sources:** City loan assistance for the project shall be increased from \$2,000,000 to \$2,329,500, an increase of \$329,500. Private grant funding commitments secured by HHP shall be increased from \$200,000 to \$210,000, an increase of \$10,000.
- 3) **Scope of Development:** The project scope of development shall be revised to reflect additional items including a fire sprinkler system.
- 4) **Schedule of Performance:** The project schedule of performance shall be updated to reflect current project milestones and timeframe for their completion within an eight (8)-month construction period.
- 5) **HOME Regulations:** The Affordable Housing Loan Agreement and related documents, including but not limited to the affordable housing covenant agreement, shall be revised to incorporate all applicable federal HOME regulations.

## **ENVIRONMENTAL ANALYSIS:**

The implementation of the staff recommendation to provide financing for the purchase and rehabilitation of the subject property does not have a significant effect on the environment and has been determined to be categorically exempt under Classes 1 (Existing Facilities) and 26 (Acquisition of Housing) of the State California Environmental Quality Act ("CEQA"), (Sections 15301 and 15326 of the State CEQA Guidelines. Class 1 applies to the repair, maintenance and minor alterations of existing facilities where there is negligible or no expansion of the use. In this instance, the use – residential – will remain the same, and the repairs to the units will not have a significant effect on the environment. Class 26 applies where an agency is acquiring an interest in housing units for housing assistance, as is the case for this project. No unusual circumstances apply to these units, and no exceptions to the exemptions apply. Accordingly, no further CEQA review is required for this activity.

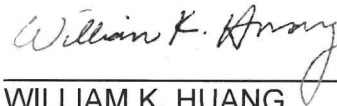
**COUNCIL CONSIDERATION:**

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.

**FISCAL IMPACT:**

Approval of the recommended actions will increase the Housing Department's FY 2023 Operating Budget by the net amount of \$729,500 in funding appropriations for the HHP Transition Age Youth Housing project consisting of a \$1,000,000 appropriation increase in the HOME Fund (221) offset by a \$270,500 decrease in appropriation in the Inclusionary Fund (239).

Respectfully submitted,



WILLIAM K. HUANG  
Director of Housing

Prepared by:



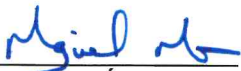
James Wong  
Senior Project Manager

Concurred by:



MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:



MIGUEL MÁRQUEZ  
City Manager