

Agenda Report

November 25, 2024

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Housing

SUBJECT: AMEND THE HOUSING DEPARTMENT'S FISCAL YEAR 2025 OPERATING BUDGET IN THE AMOUNT OF \$3,237,000 FOR THE CENTENNIAL PLACE PROJECT AT 235 E. HOLLY STREET; APPROVE THE KEY TERMS OF AN AFFORDABLE HOUSING LOAN AGREEMENT WITH ABODE COMMUNITIES

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the proposed project activities in connection with the Centennial Place affordable housing project at 235 E. Holly Street (the "Project"), as described in this agenda report, do not have a significant effect on the environment and have been determined to be categorically exempt from the California Environmental Quality Act ("CEQA") under Section 15301(e)(2) (Class 1, Existing Facilities), and that there are no features that distinguish this Project from others in the exempt class and, therefore, there are no unusual circumstances;
- 2) Approve a budget amendment appropriating a total of \$3,237,000 consisting of:
 - a) \$2,231,097 from the unappropriated fund balance of the Other Housing Fund (238); b) \$840,000 from the unappropriated fund balance of the Low and Moderate Inclusionary Housing Asset Fund (237); and c) \$165,903 from the unappropriated fund balance of the Inclusionary Housing Trust Fund (239) to the Housing Department's FY 2025 Operating Budget to fund the proposed City loan for the Centennial Place Project;
- 3) Approve certain key business terms, as described in this agenda report, of the proposed Affordable Housing Loan Agreement with Abode Communities; and
- 4) Authorize the City Manager or his designee to execute the Affordable Housing Loan Agreement and all related documents necessary to effectuate the staff recommendation.

BACKGROUND:

Centennial Place is a 144-unit single-room occupancy building located at 235 E. Holly Street. Centennial Place, owned and operated by Abode Communities, is a permanent supportive housing (“PSH”) project serving extremely low-income homeless persons. Abode Communities is preparing to commence a major interior rehabilitation of the project with \$26.2M in State financing assistance which closed on October 15, 2024. Upon completion of the rehabilitation, which is anticipated to occur by mid-2026, Centennial Place will transition from PSH to an affordable housing project for very low income seniors 55 years of age and older.

At its regular meeting on September 23, 2024, City Council approved a number of staff recommendations pertaining to Centennial Place including the terms of a Memorandum of Understanding (MOU) which set forth certain requirements and obligations on Abode Communities with respect to the current operations of Centennial Place and the proposed renovation and programmatic transition of the project. The MOU provides a number of contractual commitments to the City to help ensure that successful transition a new program model. The MOU was entered into by the City and Abode Communities on October 2, 2024 and is not superseded by Council’s requested actions tonight.

Council also approved the City’s submission of a funding application in the amount of \$1.65M to the Burbank-Glendale-Pasadena Regional Housing Trust (the “BGP”) to support additional capital improvements at Centennial Place that are not covered in the State funded scope of rehabilitation. The City’s application was approved by the BGP Board at its meeting on November 6, 2024. Under a proposed Affordable Housing Loan Agreement, the City will provide loan assistance to Abode Communities in an amount not to exceed \$3,237,000 consisting of \$1,650,000 in BGP funds and \$1,587,000 in City housing funds. The allocation of the City funds for the project consists of \$1,350,000 for rehabilitation, \$144,000 for intensive case management services, and \$93,000 for additional on-site security services.

KEY TERMS OF AFFORDABLE HOUSING LOAN AGREEMENT

The proposed Affordable Housing Loan Agreement (the “Loan Agreement”) between the City and Abode Communities (“Developer”), in connection with the rehabilitation of Centennial Place and the provision of additional intensive case management services and on-site security (the “Project”) includes the following key business points:

a) **City Loan**

City funding assistance for the Project shall not exceed \$3,237,000 in the form of a loan (the “City Loan”). The City Loan shall have a term of 55 years and bear simple interest at the fixed rate of 3.00% per annum. The City Loan shall be evidenced by a promissory note and secured by a deed of trust recorded against the Centennial Place property. Developer shall make annual residual receipts payments on the City Loan to the extent that the project generates net cash flow. The City Manager shall have the authority to enter into subordination agreements

with respect to existing deeds of trust on the property if so requested in writing by the senior lenders.

b) Rehabilitation and Operating Services Scopes

The Loan Agreement shall incorporate a scope of rehabilitation activities to be funded with the City Loan including costs related to the replacement of new radiators and heating system repairs, installation of a second elevator, and replacement of windows. The Loan Agreement shall also incorporate a scope of operating services to be funded with the City Loan with respect to the provision of intensive case management services and additional on-site security services.

c) Project Budget, Schedule of Performance

The Loan Agreement shall incorporate a detailed budget for each of the two (2) scopes with the rehabilitation scope not to exceed \$3,000,000 and the operating services scope not to exceed \$237,000. Project milestones and timeframe for their completion shall be set forth in a Schedule of Performance to be incorporated in the Loan Agreement. Developer plans to complete the Project by August 2026.

d) Affordable Housing Regulatory Agreement

Upon completion of the Project, Centennial Place shall be operated as an affordable rental housing project for senior citizens who are 55 years of age or older and who are very low income. Restrictions regarding resident eligibility, income and rent limits, property maintenance, annual reporting requirements, and other related affordable housing covenants shall be set forth in the City's regulatory agreement with a term of 55 years and which shall be recorded against the property.

e) Reporting

Developer shall submit to the City the following reports: monthly status reports on compliance with the City's First Source local hiring requirements, annual operating budget and audited financial statements, and annual affordable housing and property management compliance reports.

f) City Polices

Developer shall comply with all applicable City ordinances, regulations and policies including but not limited to "First Source" local hiring requirements, local preference guidelines, and insurance and indemnification requirements.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City's General Plan – Housing Element. It is also consistent with the City Council's strategic goals to support and promote the quality of life and the local economy.

ENVIRONMENTAL ANALYSIS:

The implementation of the staff recommendation to provide financing for the Centennial Place project at 235 E. Holly Street (the "Project") does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) of the State California Environmental Quality Act ("CEQA"), (Section 15301 of the State CEQA Guidelines). Class 1 applies to the repair, maintenance and minor alteration of existing facilities. The Project does not involve any addition to existing structures. In this instance, the proposed City financing, the interior rehabilitation of Centennial Place, and the provision of case management and security services 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.

FISCAL IMPACT:

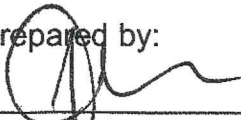
Approval of the recommended actions will increase the Housing Department's FY 2025 Operating Budget by the amount of \$3,237,000 from the unappropriated fund balances of the Other Housing Fund, the Housing Successor Fund, and the Inclusionary Housing Fund. The proposed City financing to implement the Centennial Place Project will be drawn from the: a) Other Housing Fund (238) in the amount of \$2,231,097; b) Low and Moderate Inclusionary Housing Asset Fund (237) in the amount of \$840,000; and c) Inclusionary Housing Trust Fund (239) in the amount of \$165,903.

Respectfully submitted,



for WILLIAM K. HUANG
Director
Housing Department

Prepared by:



James Wong
Senior Project Manager

Approved by:



MIGUEL MÁRQUEZ
City Manager