

# Agenda Report

January 12, 2026

**TO:** Honorable Mayor and City Council

**FROM:** Office of the City Manager - Economic Development Division

**SUBJECT:** APPROVAL TO ENTER INTO AN EXCLUSIVE NEGOTIATION AGREEMENT WITH HOLOS INC. AND HERITAGE HOUSING PARTNERS FOR THE DEVELOPMENT OF A MIXED-USE AFFORDABLE HOUSING PROJECT LOCATED ON CITY-OWNED REAL PROPERTY AT 434-470 NORTH LAKE AVENUE

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is not a "project" subject to California Public Resources Code Section 21065 and within the meaning of California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15378(b); and
2. Approve the terms of the Exclusive Negotiation Agreement (ENA) with Holos Inc. & Heritage Housing Partners as described in the Background section of this report in connection with the development of a mixed-use affordable housing project on City-owned property at 434-470 North Lake Avenue; and
3. Authorize the City Manager to execute, and the City Clerk to attest the ENA and related documents to effectuate the ENA.

## **BACKGROUND:**

In October 2023, the City Council authorized the acquisition of the property located at 434-470 North Lake Avenue, situated at the southeast corner of North Lake Avenue and Villa Street. The 2.38-acre site includes three one-story medical office buildings totaling approximately 24,871 square feet. Previously used by Kaiser Permanente for outpatient and administrative services, the buildings have remained vacant for more than a decade.

The City's intent in acquiring the property was to support the development of a community-focused, mixed-use Transit Oriented Development (TOD) that would provide affordable housing as well as health and mental health outpatient services. The site is

designated as Medium Density Mixed-Use in the General Plan, allowing for residential, retail, and health-related uses, with a base density of 87 units per acre and a 2.25 Floor Area Ratio (FAR).

### **State Surplus Land Act**

In as much as the property will be sold or leased by the City for the purpose for which it was acquired, the property is not considered to be “surplus real property” as defined by Pasadena Municipal Code section 4.02.010. However, this property indeed is subject to the State Surplus Land Act (SLA), which carries multiple mandates in order for municipalities to dispose of city-owned properties. On July 8, 2024, the City Council declared the property as Surplus Land. A Notice of Availability (NOA) was issued to affordable housing developers on July 24, 2024. By the close of the 60-day response period on September 23, 2024, the City received twelve proposals. In accordance with SLA requirements, the City entered a minimum 90-day good-faith negotiation period with eligible respondents, which concluded on December 23, 2024. While this marked the end of the minimum required negotiation period under the SLA, discussions with selected respondents continued beyond that date, ultimately leading to the current recommendation to enter into an Exclusive Negotiation Agreement (ENA).

While the SLA requires good-faith negotiations, it does not obligate the City to sell the property if agreement on price and terms is not reached. If the property is later developed with 10 or more residential units outside of the SLA process, a 15 percent affordability covenant is triggered under state law. Separately, the City’s Inclusionary Housing Ordinance requires 20 percent of all new residential units to be affordable.

To gather community feedback on the project, the City hosted a public meeting on March 27, 2025, attended by nearly 150 residents. Feedback from this meeting, along with input from the City Council, helped shape the development goals, which included:

- A minimum of 200 residential units
- 60 to 80 percent affordability, with deeper levels of affordability encouraged
- Space to accommodate on-site health and mental health services
- One or two community-serving amenities
- Compliance with the North Lake Specific Plan

On May 5, 2025, the City sent a letter to all developers offering an opportunity to update their proposals based on community and Council feedback.

### **PROPOSAL EVALUATION:**

The City received twelve proposals from affordable housing developers. Each proposal was reviewed for alignment with the development goals, including affordability, integration of health and mental health services, and inclusion of community-serving amenities. In addition, staff, in consultation with Keyser Marston Associates, evaluated

the completeness of financial documentation, development feasibility, and the experience and capacity of each development team.

Four development teams withdrew at various points in the process, leaving eight proposals under active consideration. The proposals reflected a wide range of approaches in terms of unit count, affordability levels, commercial space, and delivery strategies. A summary of the eight proposal is provided below:

- **Bridge Housing** proposed 203 to 254 rental units at 30 to 70 percent of the Area Median Income (AMI) with 10,500 square feet of commercial space, delivered in two phases. The team has strong local experience, including Heritage Square Senior and Heritage Square South.
- **Cypress Equity Investments (CEI)** proposed 225 rental units at 30 to 60 percent AMI and committed to early and consistent community engagement. The proposal noted that adding commercial space would reduce the unit count.
- **Fidelis Advisors** proposed 200 units, including 160 rental and 40 ownership units, at 30 to 60 percent AMI. The proposal did not include commercial space or submit a detailed pro forma, and the team had limited experience with local projects.
- **Holos Inc. and Heritage Housing Partners (HHP)** proposed 213 units, including 160 affordable rental and 53 affordable ownership units, with approximately 80 percent of rental units and 90 percent of ownership units designated as affordable. The proposal included 14,200 square feet of commercial space, a net-zero energy design, and integrated health and mental health services.
- **LAFH Builds** proposed 208 rental units at 30 to 70 percent AMI with 11,270 square feet of commercial space, using modular construction. The proposal included a large number of Project-Based Vouchers (PBVs).
- **The Olson Company** proposed 76 ownership units with 25 percent affordability, the lowest unit count among all proposals, and did not include commercial space.
- **The Urban Coalition** proposed 337 units at 30 to 80 percent AMI with 9,570 square feet of community flex space. The project was structured in three complex phases with layered financing, raising feasibility concerns.
- **West Hollywood Community Housing Corporation** proposed 224 family rental units at 30 to 120 percent AMI with 13,000 square feet of commercial space. The proposal relied heavily on PBVs and had high projected construction costs.

Based on a comprehensive evaluation of all proposals by staff and Keyser Marston Associates, staff identified Holos Inc. and Heritage Housing Partners (HHP) as the

development team best aligned with City and community development goals. Their proposal, titled *Los Peldaños*, includes a mix of affordable rental and ownership units designed to serve a range of income levels. Approximately 80 percent of the rental units and 90 percent of the ownership units are designated as affordable. In addition to housing, the team proposed over 14,000 square feet of commercial space, a targeted net-zero energy design, and sustainability features. Moreover, the Holos and HHP proposal integrates space to accommodate health and mental health services, and inclusion of community-serving amenities. HHP has prior experience delivering affordable housing projects in Pasadena, including Lincoln at Orange Grove, Decker Court, Gill Court, and Walnut Crossing, while also participating in First Source Local Hire with a record of success in applying local preference. Based on the evaluation criteria and the overall feasibility of their concept, staff determined that the Holos Inc. and HHP team is best positioned to move forward with an Exclusive Negotiation Agreement.

The evaluation process resulted in three tiers of respondents, listed alphabetically within each tier, which were grouped as follows: Holos Inc. and Heritage Housing Partners (HHP) were selected for the ENA; Bridge Housing, Cypress Equity Investments (CEI), and LAFH Builds were identified as backup candidates should negotiations with Holos Inc. and HHP not result in an agreement; and Fidelis Advisors, The Olson Company, The Urban Coalition, and West Hollywood Community Housing Corporation were not selected to advance. The proposals reflected a wide range of approaches in terms of unit count, affordability levels, commercial space, and delivery strategies.

Following Council direction to proceed with negotiations, staff undertook a series of preparatory steps to support the proposed ENA. These included meetings with the selected development team, coordination with legal counsel, review and refinement of draft terms, and alignment with applicable City policies and procedures. These efforts were intended to ensure that the negotiation process is well-organized, responsive to prior Council input, and consistent with the City's development goals.

### **Key Terms of Exclusive Negotiation Agreement**

As proposed, the City and Holos Inc. and Heritage Housing Partners (HHP) will enter into good faith negotiations pursuant to the terms and conditions of an Exclusive Negotiation Agreement (ENA) that will result in a Disposition and Development Agreement (DDA) for the proposed development of the property at 434–470 North Lake Avenue. The key terms and conditions of the ENA are as follows:

1. The negotiation period shall be six months. The negotiation period may be extended by mutual agreement of the parties.
2. The Developer shall submit documentation of its full development team, including qualifications, financial capacity, and relevant experience. The City may request additional disclosures as needed to support due diligence.

The DDA will be presented to the City Council for consideration. If approved, there will be future opportunities for the public to learn more about and provide input on the proposed project, including:

- Economic Development Subsidy Hearing (per Government Code Section 53083)
- Predevelopment Plan Review
- Environmental/Design Review (Design Commission)

#### **COUNCIL POLICY CONSIDERATION:**

The proposed action is consistent with the City's General Plan Housing Element, and it also supports and promotes the quality of life and the local economy - a goal of the City Council's Strategic Objectives.

#### **ENVIRONMENTAL ANALYSIS:**

CEQA excludes from environmental review, actions that are not "projects" as defined by Public Resources Code Section 21065 and within the meaning of CEQA Guidelines Section 15378(b). Sections 21065 and 15378(b) define a "project" as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378 excludes from the definition of "project" organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. The actions proposed herein, approving the terms of the ENA authorizing the City Manager and Clerk to execute and attest the ENA and related documents, is an administrative activity, and is therefore not a "project" as defined by CEQA. The City is not committed to a definite course of action by entering into the ENA. Since the action is not a project subject to CEQA, no environmental document is required.

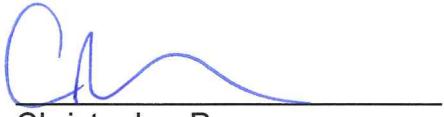
**FISCAL IMPACT:**

There is no direct fiscal impact associated with this action. The developer will provide a \$10,000 deposit to reimburse the City for actual out-of-pocket expenses incurred during the ENA period, including legal fees, consultant services, and appraisal updates. Any unused portion of the deposit will be refunded to the developer. It is anticipated that the ENA will lead to the development of economic terms that could form the basis of a future development agreement, which would be subject to further consideration and approval by the City Council.

Respectfully submitted,

  
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