

Agenda Report

DATE: AUGUST 14, 2000

TO: CITY COUNCIL/PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CITY MANAGER/CHIEF EXECUTIVE OFFICER

SUBJECT: JOINT ACTION: APPROVAL OF CREDIT FACILITY LOAN AGREEMENT (\$6.5 MILLION) AND DOWN PAYMENT ASSISTANCE INVESTMENT NOTE (\$1 MILLION) FOR AFFORDABLE HOUSING ACTIVITIES

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission (Commission) and City Council take the following actions:

1. Commission adopt resolutions, respectively, approving the terms and conditions of:
 - A. Credit Facility Agreement between the Commission and the Federal National Mortgage Association (Fannie Mae) for an American Communities Fund loan of \$6.5 million;
 - B. Down Payment Assistance Investment Note between the Commission and Fannie Mae for a loan of \$1 million; and
 - C. Authorizing the Chief Executive Officer to execute and the City Clerk to attest all related documents for implementation of both financings; and
2. City Council adopt a resolution approving the allocation of HOME Investment Partnership Program Funds for partial repayment (60%) of the Credit Facility Loan.

ADVISORY BODIES:

The aforementioned recommendations regarding the Credit Facility Agreement and Down Payment Assistance Investment Note were submitted to the Northwest Commission on August 2, 2000, Fair Oaks Project Area Committee on August 9, 2000 and the Community Development Committee on August 10, 2000. Staff will advise the Commission at the time of its meeting on the action taken by each advisory body with respect to this matter.

BACKGROUND:

The Pasadena Community Development Commission (Commission) in its efforts to access additional housing resources has, under the auspices of U.S. Senator Dianne Feinstein, negotiated the use of two Federal National Mortgage Association (Fannie Mae) financing vehicles: a) the American

American Communities Fund (\$6.5 million), and b) the Down Payment Assistance Investment Note (\$1 million), to fund affordable housing activities including new construction, rehabilitation and homebuyer assistance, citywide.

It is anticipated that with the proposed funding commitment from the American Communities Fund, approximately 250+ housing units (\$26,000/unit) will be rehabilitated or newly constructed and the Down Payment Assistance Investment Note will assist approximately 100+ prospective homebuyers (average \$10,000/household) purchase existing housing units.

The American Communities Fund Credit Facility Loan will allow the Commission to immediately supplement its current affordable housing program and significantly contribute to the production, improvement and preservation of the supply of affordable housing opportunities for low and moderate-income households. The primary objective is to provide an adequate supply and range of affordable housing opportunities throughout the City for low and moderate-income households by developing new housing, preserving existing housing, and providing housing for the special needs populations.

AMERICAN COMMUNITIES FUND:

The Commission has applied to Fannie Mae for an American Communities Fund (ACF) Credit Facility Loan in the amount of \$6.5 million, for a 10 year period with an estimated interest rate of 8% (Exhibit A). In the second year of the loan term, the Commission shall begin semi-annual repayments of \$500,000 each utilizing federal HOME Program funds in the amount of \$600,000 and Housing Trust Fund in an amount not to exceed \$500,000 to repay amounts owing under the Credit Facility Loan. Notwithstanding the pledged funds being set aside as the primary source of repayment for the Credit Facility Loan, the Commission may pay the amounts owed from any legally available source including loan repayments from participating developers/sponsors.

To satisfy Fannie Mae's collateral requirements for the Loan, the Commission will also establish a collateral reserve account equal to 20% (\$1,300,000) of the outstanding principal balance, consisting of \$780,000 in HOME Program funds and \$520,000 in Housing Trust Funds.

Fannie Mae's ACF Credit Facility Loan will be used to enhance and supplement existing Commission affordable housing programs within the Northwest Pasadena Target Area and citywide. The goal is to increase the production, rehabilitation and preservation of the housing stock with emphasis on the provision housing units for low and moderate-income households.

The Credit Facility Loan will be used to directly support implementation of the goals and objectives of both the Commission and Fannie Mae (Exhibit B). This will afford the Commission and interested developers/sponsors an opportunity for public/private financing of the following affordable housing activities:

- New construction of affordable single-family and multi-family housing developments;
- New construction of affordable rental housing units;
- Rehabilitation of single-family homes;
- Rehabilitation of existing rental units as affordable rental housing to lower income tenants (including mixed-use and special needs housing developments);

- Homebuyer Assistance

Additionally, the aforementioned housing activities will be implemented within the Northwest Pasadena Target Area (Exhibit C), as well as citywide, consistent with the current Commission revitalization activities underway in the Downtown, Villa Parke, Fair Oaks, Lincoln Avenue, and Lake/Washington Redevelopment Project Areas.

DOWN PAYMENT ASSISTANCE INVESTMENT NOTE:

The Commission and Fannie Mae have devised the Fannie Mae Down Payment Assistance Investment Note (“DPAIN”) Program to assist prospective homebuyers to purchase existing housing units in the City of Pasadena. Through the DPAIN program, a qualified homebuyer can receive a second trust deed loan of up to \$15,000, in conjunction with a first trust deed loan from a local lender, for the purchase of a home in the City of Pasadena (Exhibit D). For fiscal year 2000-2001 (beginning on 9/1/00) the Commission has requested from Fannie Mae \$1 million in DPAIN funds, at an interest rate of approximately 8% for a term of 15 years.

The Commission will be responsible for monthly amortized debt service payments of approximately \$10,000. However, the second trust deed loans once committed to homebuyers will be served and managed by U.S.E. Community Services Group, the selected Master Servicer, who shall forward repayment proceeds directly to Fannie Mae on behalf of the Commission. Additionally, to satisfy Fannie Mae’s collateral requirements for the note, the Commission will establish a Housing Trust Fund collateral reserve account equal to 20% (\$200,000) of the original principal amount and payable to Fannie Mae.

HOUSING IMPACT:

It is anticipated that the proposed funding commitment from the American Communities Fund (\$6.5 million) will provide for the rehabilitation and/or new construction of approximately 250+ housing units and the Down Payment Assistance Investment Note (\$1 million) will assist 100+ prospective homebuyers purchase existing housing units.

The proposed use of the funds are consistent with the goals and objectives of the Commission’s Implementation Plan (1999-2004), 2000-2001 Priority Work Program, Five Year Consolidated Plan, Five Year Public Housing Agency Plan, General Plan Housing Element, and Housing Element of the Northwest Pasadena Community Plan.

CHILDREN, YOUTH AND FAMILY IMPACT:

The provision of approximately 350 affordable housing units as adequate shelter for low and moderate-income families will have a direct and positive impact on the achievement of a balanced quality of life for the affected households. Additionally, utilization of the Federal National Mortgage Association financing vehicles, along with the participation of local Pasadena lenders, represents the initial step in forging an effective public/private partnership for leveraging greater financial resources to address the growing affordable housing needs of

Pasadena families. These actions reaffirm the City and Commission's commitment to the provision of decent, safe and sanitary housing for children, youth and family members of all ages.

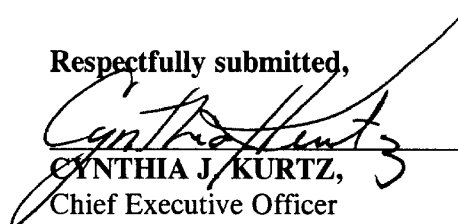
FISCAL IMPACT:

Approval of the subject recommendation will provide for the Commission's receipt of \$6.5 million in American Communities Fund (ACF) Credit Facility Loan funds and \$1 million in Down Payment Assistance Investment Note (DPAIN) Loan funds for affordable housing activities. It will also encumber \$1.5 million in Commission collateral accounts (ACF-\$1.3 million and DPAIN-\$200,000, respectively) and authorize an annual expenditure of \$1.12 million (ACF-\$1 million and DPAIN-\$120,000) for debt service of both the Fannie Mae ACF Credit Facility Note and DPAIN Note, respectively.

Funds are currently available in the 2000 and 2001 NOFA project accounts (Account Nos. 810 684120 51208 & 221 684110 52501) in the amount of \$2,000,000 for the initial Commission collateral and repayment requirements of the Credit Facility Note. Similarly, the 2000 and 2001 DPAIN project accounts (Account No. 810 684120 51317) has \$380,000 to fund the DPAIN Program. Additionally, upon funding and/or completion of the related affordable housing activities, repayment proceeds will be available from participating developers/sponsors and homebuyers to amortize the Commission's outstanding indebtedness.


It is also anticipated that the City's General Fund sales and property tax bases will be increased upon the construction, sale and occupancy of the related housing projects.

Respectfully submitted,




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