

DATE: AUGUST 17, 1998

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, ACTING CHIEF EXECUTIVE OFFICER

SUBJECT: PUBLIC HEARING: NEGATIVE DECLARATION FOR OWNERSHIP HOUSING PROJECT LOCATED AT 620 E. WALUNT STREET; SECOND AMENDED AND RESTATED OWNER PARTICIPATION AND LOAN AGREEMENT WITH THE OLSON COMPANY

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") take the following actions with respect to the proposed 38-unit ownership housing project located at 620 E. Walnut Street ("Project"):

1. Consider the Negative Declaration prepared for the project and find, on the basis of the Initial Study prepared for the Project, that there is no substantial evidence that the Project will have a significant effect on the environment and will not have any potential for adverse effect on wildlife resources;
2. Approve the Negative Declaration and direct the Secretary of the Commission to complete and sign a Certificate of Fee Exemption, and to file the original and a duplicate thereof with the Clerk of Los Angeles County concurrently with a Notice of Determination;
3. Approve the terms and conditions of the Second Amended and Restated Owner Participation and Loan Agreement between The Olson Company and the Commission for the development of the Project; and
4. Approve the terms and conditions of the Assignment, Assumption, and Release Agreement between The Olson Company, V-Three Development Corporation, and the Commission.

EXECUTIVE SUMMARY

Approval of the subject recommendations will enable The Olson Company to undertake the development of a 38-unit ownership housing project located on property currently owned by the V-Three Development Corporation at 620 E. Walnut St. V-Three had intended to develop a mixed-use ownership housing project on this site pursuant to an Amended and Restated Owner Participation and Loan Agreement with the Commission. However, the project was rendered economically infeasible due to a downturn in the real estate market and the developer's inability to secure construction financing. V-Three has agreed sell the subject property to The Olson Company and to assign to The Olson Company all of V-Three's right, title and interest in, to and under the Amended and Restated OPLA. The Olson Company project includes 18 affordable units that would be designated for sale to moderate income households.

The subject recommendations were considered by the Community Development Committee on August 13, 1998. A written record of the action taken by the Community Development Committee will be distributed to the Pasadena Community Development Commission at its meeting on August 17, 1998.

8/17/98
6.A. 8:00 P.M.

BACKGROUND

The Pasadena Community Development Commission ("Commission") and V-Three Development Corporation ("V-Three") entered into that certain Owner Participation and Loan Agreement No. CDC-101, dated November 9, 1992 ("Original OPLA"). Pursuant to the Original OPLA, the Commission provided loan assistance in the amount of \$1,400,000 to V-Three for the development of a mixed-use 78-unit ownership housing and commercial project located at 620 E. Walnut St., which is owned by V-Three. However, by December 1994, the project had not commenced construction and the Commission loan was approaching maturity in January 1995. Citing that the project was rendered financially infeasible due to the downturn in the real estate market, V-Three requested that the project be restructured.

Consequently, the Original OPLA was amended by the Commission and V-Three by that certain Amended and Restated Owner Participation and Loan Agreement No. CDC-253, dated July 22, 1996 ("Amended and Restated OPLA"). Pursuant to the Amended and Restated OPLA, the project was revised to consist of 81 ownership dwelling units built in two phases, a significant reduction in commercial space, and a restructuring of the Commission loan. Unfortunately, the project did not move forward because V-Three was not successful in securing conventional construction financing. The Commission loan matured on December 31, 1996, and on May 2, 1997, staff notified V-Three in writing that it was in default under the terms of the Amended and Restated OPLA.

On July 28, 1997, in closed session, the Commission discussed available options, including foreclosure. The Commission directed staff to withhold foreclosure, however, if V-Three was able to, among other things, identify a qualified developer with a track record and relationships with local lending institutions to either joint venture with V-Three or undertake the project by itself. In October 1997, V-Three notified staff that it had been negotiating with The Olson Company. As proposed, the Olson Company would acquire the subject property from V-Three for development of a 38-unit ownership housing project, as well as assume V-Three's financial obligations under the Commission loan. This proposal was the subject of discussion between staff, V-Three, and the Olson Company during the period October – December 1997.

On January 12, 1998, in closed session, the Commission authorized staff to negotiate with The Olson Company ("Olson Company") the terms and conditions of a Second Amended and Restated OPLA for the development of a 38-unit ownership housing project and the restructuring of the Commission loan assistance.

SCOPE OF DEVELOPMENT

The proposed Walnut Street Townhomes project shall be developed and used to provide a residential community in an urban environment compatible with the character and significance of the Central Business District. The project will enhance the neighborhood by providing quality, ownership housing in the city's downtown core, that will be in immediate proximity to proposed light rail transportation linking Pasadena with downtown Los Angeles. The overall concept is to develop the project in an integrated manner consisting of 38 residential condominiums with attached parking. At least 18 of the project units will be designated for sale to moderate income first-time homebuyers who will receive loan assistance under the Commission's Homeownership Opportunities Program. The architectural style of new construction shall compliment and enhance the downtown area. The project will encourage private investment as a complement to public improvements in the area.

The project is a single-site development. The site is generally bounded by Walnut Street on the north, El Molino Avenue on the east, private property on the south, and Madison Avenue on the west. The site contains 43,125 square feet of land area. A site plan is attached as Exhibit "A".

The site shall be developed as 38 units of multifamily residential condominiums with attached parking, situated in an urban context in accordance with all pertinent development standards outlined in Title 17 of the Pasadena Municipal Code and conditions of approval outlined for the site as a result of discretionary reviews, including design reviews by the Design Commission on August 24, 1998 and the Community Development Committee on August 27, 1998.

The three- and four-story development is to be constructed in two phases, with a total of six buildings. Each phase of the project will entail construction of 19 units each for a total of 38 units. The project site has 38,765 square feet in net buildable area, on which 55,968 square feet of building floor area will be constructed. Total lot coverage of the building footprint will be 24,956 square feet, in addition to 5,197 square feet of landscaped area. Variances are required for reduced front- and side-yard setbacks and to exceed allowable lot coverage.

The 38 condominiums will consist of three unit types: Plan 1 consists of 12, 2-bedroom/2-bath units at 1,215 square feet each; Plan 2 consists of 12, 3-bedroom/2.5-bath units at 1,700 square feet each; and Plan 3 consists of 14 3-bedroom/3bath units at 1,630 square feet each. In addition, all Plan 3 units will be handicapped accessible with the provision of a bedroom and bathroom on the first floor of the unit.

Each unit will have individual attached parking located on the ground level of the structure. Plan 1 units will have one full-size parking space in a tandem layout, and additional storage space. Plan 2 units will have two full-size parking spaces in a tandem layout. A variance is required for the proposed tandem parking. Plan 3 units will include two full-size, side-by-side parking stalls. No guest parking will be provided on site (guest parking is not required in CD-zoned areas). All street frontages will be developed in a character consistent with pedestrian use except that the El Molino and Madison frontages will have vehicular ingress and egress.

Currently located on the project site is a 7,000 square foot single-story office structure commonly known as the Medical Arts Building. The building has been determined to be of no historic significance to the city, but may be a potential candidate for relocation to another site within the city. Staff is evaluating possible relocation sites. No demolition of the Medical Arts Building shall occur prior to the issuance of a Certificate of Appropriateness and a demolition permit.

KEY TERMS AND CONDITIONS OF SECOND AMENDED AND RESTATED OPLA

1. The Olson Company shall acquire the subject property from V-Three Development Corporation, subject to Commission approval of this Second Amended and Restated OPLA.
2. The Olson Company shall develop a 38-unit ownership housing project in accordance with the plans approved by the City and as specified in the OPLA Scope of Development.
3. No fewer than 18 of the dwelling units shall be designated as for sale to moderate income first-time homebuyers.
4. The Olson Company shall reimburse the Commission for the Commission's advance of relocation assistance funds in the amount of \$200,000 to displaced business tenants. This payment shall be made concurrently with the execution of the Assignment, Assumption and Release Agreement.
5. Of the \$1,400,000 Commission loan principal amount owed by The Olson Company:
 - a) The Olson Company shall repay at least \$480,000 from sale proceeds;

- b) An amount not to exceed \$720,000 shall be extended as loan assistance to the moderate income homebuyers of the designated affordable units under the Commission's Homeownership Opportunities Program, or as a contribution to the project to achieve affordability and feasibility; and
- c) An amount not to exceed \$200,000 may be credited for The Olson Company's business relocation reimbursement.

KEY TERMS OF ASSIGNMENT, ASSUMPTION AND RELEASE AGREEMENT

1. V-Three shall assign to The Olson Company all of V-Three's right, title and interest in, to and under the Amended and Restated OPLA and the Agreement Containing Covenants.
2. The Olson Company shall assume all of V-Three's duties and obligations under the Commission Loan Note, Commission Loan Deed of Trust, Amended and Restated OPLA, and Agreement Containing Covenants.
3. Concurrent with the execution of this Agreement, The Olson Company shall pay to the Commission the sum of \$200,000 on account of the Commission Loan Note.
4. Provided that record title of the subject property is transferred to The Olson Company and provided that V-Three and The Olson Company execute this Agreement, the Commission shall release and discharge V-Three from any and all liability on or under the Commission Loan Note, Commission Loan Deed of Trust, Amended and Restated OPLA, and the Agreement Containing Covenants.

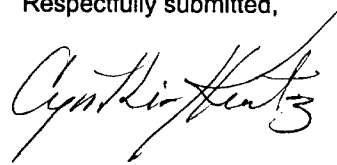
NEGATIVE DECLARATION

An Initial Environmental Study recommending a Negative Declaration has been prepared for the project pursuant to the provisions of the California Environmental Quality Act. The Environmental Study determined that the project will not have a significant effect on the environment. The Subdivision Committee considered the Negative Declaration determination at its meeting on August 12, 1998, as well as the Tentative Tract Map and variance applications associated with this project. Staff will report orally to the Commission on the actions taken by the Subdivision Committee on these matters. The Initial Study and Negative Declaration were made available for public review and comment beginning on July 22, 1998.

FISCAL IMPACT

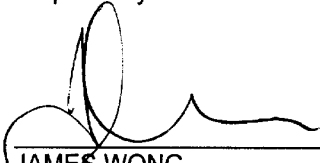
Pursuant to Owner Participation and Loan Agreement No. CDC-101, dated November 9, 1992, the Commission extended to V-Three Development Corporation a first trust deed loan in the amount of \$1,400,000 to assist V-Three's development of a mixed-use housing project at 620 E. Walnut Street. The development of the property is now proposed to be undertaken by The Olson Company pursuant to the terms and conditions of a Second Amended and Restated OPLA. If the subject recommendations are approved, The Olson Company would assume from V-Three the financial obligations to repay the Commission loan. The Olson Company shall repay at least \$480,000 of the Commission's loan amount from sale proceeds, compared to \$510,000 that V-Three would have been required to repay. However, the Commission subsidy provided for The Olson Company project would be \$920,000 or \$51,100 per affordable unit, compared to the original V-Three project in which the Commission subsidy would have been \$1,040,000 or \$65,000 per affordable unit.

Respectfully submitted,



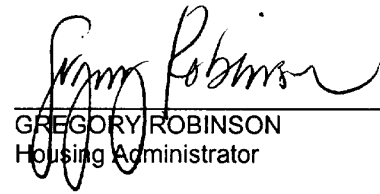
CYNTHIA J. KURTZ
Acting Chief Executive Officer

Prepared by:



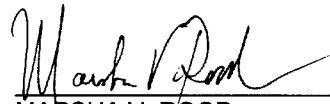
JAMES WONG
Project Manager

Reviewed by:



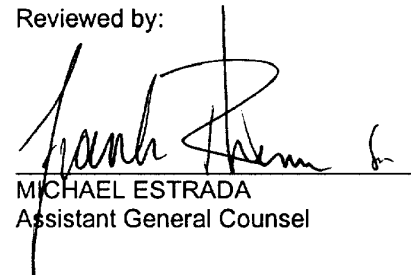
GREGORY ROBINSON
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OlsonPCDC