

DATE: AUGUST 17, 1998

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA KURTZ, ACTING CHIEF EXECUTIVE OFFICER

SUBJECT: SECOND AMENDMENT TO OWNER PARTICIPATION AND LOAN AGREEMENT (AGREEMENT NO. CDC-214) WITH 160 EUCLID PARTNERS L.P., FOR THE REHABILITATION OF FIFTEEN TRANSITIONAL HOUSING UNITS COMMONLY REFERRED TO AS THE EUCLID/VILLA PROJECT

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") take the following actions:

- A. Approve the terms and conditions of the Second Amendment to the Owner Participation and Loan Agreement ("OPLA") (Agreement No. CDC-214) with 160 Euclid Partners L.P., ("Partners") a California Limited Partnership, by its general partners, Pacific Housing Alliance and Union Station Foundation providing for:
1. An increase of \$60,000 to the existing \$472,000 Commission Loan to the Partners from Low and Moderate Income Housing Trust funds to pay for unanticipated costs incurred for the installation of a fire alarm system and for soil abatement; and
 2. The extension of the maturity date of the Commission Loan between the Commission and the Partners from September 31, 1998, to December 31, 1998.
- B. Approve a Journal Voucher allocation of \$60,000 from the Low and Moderate Income Housing Trust Funds Account (Account No. 810-684120) to the 160 Euclid Partners Project Account.
- C. Authorize and direct the Chief Executive Officer to execute and the Secretary to attest in a form satisfactory to the Commission's General Counsel all documents necessary to carry out and implement the amendments.

EXECUTIVE SUMMARY:

The Euclid/Villa Project is currently under reconstruction and will provide a 15-unit transitional housing program with supportive services for homeless single-parent families with children. This project will provide affordable rental housing (maximum 2-year term per family) for a period of 30 years to very-low-income households.

The proposed Second Amendment would provide funds to assist in the payment of cost overruns. The 160 Euclid Partners L.P. (Partners) original construction budget had a 12% contingency which paid for items encountered in changes in the seismic and disability requirements, additional asbestos removal discovered during demolition and delays due to the above-average rainfall the Southland has encountered during the past year. Additionally, during the course of the renovations, it was discovered that the soil was contaminated with peeling lead-based paint which needed to be abated. Also, a fire alarm annunciator system was required which was not in the original plans. Unanticipated, additional subcontractor building permit fees of \$7,300 have also exceeded the construction budget. The soil abatement, subcontractor building permit fees, and fire alarm system were costs not anticipated or included in the original development proforma.

If approved, the Second Amendment would: 1) extend the OPLA Schedule of Performance completion date from September 31, 1998 to December 31, 1998 to reflect the actual construction schedule of the project; 2) revise the maturity date of the Commission Loan to reflect the revised completion date; and 3) award an additional \$60,000 in Housing Trust Funds to assist in the completion of the project.

ADVISORY BOARD ACTION:

The Pasadena Community Development Committee approved staff's recommendation on Thursday, August 13, 1998.

BACKGROUND:

The Owner Participation and Loan Agreement (OPLA) (Agreement No. CDC-214), dated October 9, 1995, between the Pasadena Community Development Commission (Commission) and 160 Euclid Partners L.P. (Partners), provided a Commission Loan to the Partners to assist in the purchase and rehabilitation of a fifteen (15) unit affordable transitional rental housing project for very-low-income families with children located at 154-160 S. Euclid Avenue, Pasadena (Project). The Commission provided \$507,000 in predevelopment and acquisition funds to assist in the purchase of the property. The Partners also received a \$400,000 grant from the HUD Supportive Housing Program to complete the \$801,000 purchase of the property. HUD is also providing approximately \$700,000 to cover the first three years' operating costs. In addition, funds to pay for the rehabilitation of the property were received from the City of Glendale (\$600,000), California Equity Fund (tax credits) (\$901,961) and the Partners' equity [(\$239,387) consisting of foundation donations]..

All the public agencies were aware that the construction budget indicated \$1.6 million was needed even though the available funds for construction was \$1.2 million. The

\$400,000 gap was to be filled by HomeAid, the Building Industry Association's non-profit organization which provides donated labor and materials to non-profit construction projects. HomeAid had received commitments from donor subcontractors and suppliers to close the \$400,000 gap and the project began construction in August, 1997. However, several months into the rehabilitation, committed donors began to have difficulty in meeting their commitments and timelines.

Ironically, this problem arose primarily because of the construction industry boom after years of sluggish performance. For the first time in many years, the building trades are in high demand causing major donations to be lost such as \$68,000 for plaster and drywall, \$10,000 for wrought iron fencing, and \$60,000 for plumbing. The general contractor and HomeAid have been working tirelessly to find new donations but have not been successful in making up for the shortfall in donations.

Cost overruns have also exceeded the original budget. There was a 12% contingency that covered typical overrun items such as seismic and disability access requirements, additional asbestos removal, and delays caused by the excessive rainfall the Southland had been experiencing earlier this year. However, it was later discovered that the soil was contaminated with lead from peeling paint and needed to be abated. Also, a fire alarm annunciator system was required and additional building permit fees were required. These items were not included in the original development proforma.

Further, the construction period, delayed because of the rains and waiting for donations of labor and materials, has impacted the budget in other ways. The Los Angeles Community Design Center (LA/CDC) is the project's non-profit architect and project manager. LA/CDC has agreed to defer all project management billing for the duration of the construction period and is currently owed fees for services going back many months.

The Partners have determined that \$265,300 is needed to complete the project. Waiting for new donations from HomeAid is not an option due to the legal requirements for both the low-income and historic tax credits mandating that the project must be in use by December 1998. The breakdown of the additional \$265,300 is as follows:

Soil abatement and labor	\$ 39,135
Annunciator Fire Alarm	45,810
Extended architectural services	22,000
Extended project management services	22,000
Construction materials/labor shortfall	128,945
Subcontractor Building Permit Fees	<u>7,300</u>
 Total	 \$265,300

The Partners have begun a renewed fundraising effort. The City of Glendale has been contacted for additional funds and donations are being requested from the Ahmanson, James Irvine, Ralph M. Parson and Weingart Foundations, all of whom have contributed in the past. In addition, the Washington Mutual Foundation and Fannie Mae Foundation will be approached.

The \$60,000 additional Commission assistance recommended herewith represents 65% of the soil abatement, subcontractor building permit fees, and fire alarm costs and 23% of the total \$265,300 required to complete the project.

On November 17, 1997, the Commission approved an extension of the maturity date of the Commission Loan from December 31, 1997 to September 31, 1998 which was believed to be sufficient time to complete the project in accordance with provisions in the OPLA and the forgiveness of the nine (9%) interest which accrues to the date of issuance of a Certificate of Completion. The provisions of the Commission Loan specify that if the Certificate of Completion is issued before the Commission Loan due date, then the 9% interest accrued to the date of the Certificate of Completion shall be forgiven and the Commission Loan term shall then convert to a 30-year permanent loan.

Accordingly, it is recommended that the Committee/Commission approve the proposed terms and conditions of the Second Amendment to the OPLA which would: 1) award an additional \$60,000 in Housing Trust Funds to assist in the completion of the project; 2) extend the OPLA Schedule of Performance completion date to reflect the anticipated completion of the project; and 3) revise the maturity date of the Commission's Promissory Note to reflect the revised completion date of December 31, 1998.

HOUSING IMPACT:

The completion of the Euclid Villa Project will have a significant housing impact in Pasadena by providing transitional housing for "special needs" households and supportive human services and on-site child care. The Commission's occupancy and affordability restrictions will ensure that this project is maintained as part of the City's affordable housing supply for a period of 30 years.

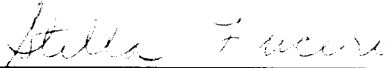
FISCAL IMPACT:

The Commission's Low and Moderate Income Housing Trust Funds Account (Account No. 810-684120) will be reduced by \$60,000 and allocated to the 160 Euclid Partners' project to assist in payment for the soil abatement and fire alarm system. The Commission's Loan would be increased from \$472,000 to \$532,000.

Respectfully submitted:

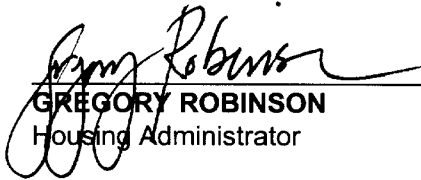

CYNTHIA KURTZ
Acting Chief Executive Officer

Prepared by:



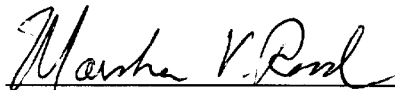
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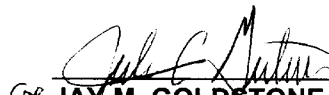


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