

# Agenda Report

**DATE:** AUGUST 3, 1998

**TO:** PASADENA COMMUNITY DEVELOPMENT COMMISSION

**FROM:** CYNTHIA J. KURTZ, ACTING CHIEF EXECUTIVE OFFICER

**SUBJECT:** AGREEMENT TO NEGOTIATE EXCLUSIVELY WITH URBAN REVITALIZATION DEVELOPMENT CORPORATION FOR THE LEASE WITH THE OPTION TO PURCHASE THE PROPERTY LOCATED AT 691 WASHINGTON BOULEVARD (CASA MARIA)

## **RECOMMENDATION:**

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

1. Approve the terms and provision of an Agreement to Negotiate Exclusively ("ENA") with Urban Revitalization Development Corporation (URDC) for the lease with the option to purchase the property located at 691 East Washington Boulevard (Casa Maria).
2. Authorize and direct the Chief Executive Officer (CEO) to execute, and the Secretary to attest the ENA and take any and all action necessary to consummate the terms of the ENA.

## **EXECUTIVE SUMMARY:**

In February 1989, the PCDC provided a loan in the amount of \$315,000 to Lutheran Social Services of Southern California (LSS) to allow LSS to acquire the property located at 691 East Washington Blvd. (Casa Maria) for provision of a transitional housing facility for homeless women and women with children. However, after the loss of its State Emergency Shelter Program (ESP) funds and earthquake damage to the property, LSS requested to return Casa Maria to the PCDC. On April 13, 1998, the Commission approved the Agreement for Deed in Lieu of Foreclosure with LSS.

The loss of Casa Maria along with Hestia House and Catalina House that same year resulted in the total loss of twenty-three (23) transitional housing beds in the City of Pasadena.

As part of the PCDC's 1997 Continuum of Care for Homeless Assistance Request For Proposals (RFP), it was announced that the PCDC was making available the Casa Maria site for a transitional housing facility for homeless women and women with children to replace LSS and provide for a continuation of services. Urban Revitalization Development Corporation (URDC) was the only agency that submitted a proposal on behalf of Casa Maria. In February, 1998, the U.S. Department of Housing and Urban Development (HUD) awarded PCDC \$568,817 in Supportive Housing Program (SHP) funds as for the URDC newly sponsored Casa Maria project.

Approval of the subject recommendation will provide for the negotiations of a Sub-recipient Agreement for the rehabilitation, management and operation of the proposed Casa Maria transitional housing facility.

**BACKGROUND:**

**A. Lutheran Social Services of Southern California:**

In February 1989, the PCDC extended a loan in the amount of \$315,000 to Lutheran Social Services (LSS) of Southern California to assist them in purchasing the property located at 691 East Washington Boulevard. This housing unit located in the Northwest community, commonly known as Casa Maria, was secured by LSS for use as a supportive service enriched transitional living facility for homeless women and women with children.

Terms of the original Promissory Note and Deed of Trust evidencing the loan in the amount of \$315,000 provided that the simple interest would be at ten and one-half percent (10.5%) with five percent (5%) deferred. Additionally, the terms provided that LSS make monthly partial interest only payments in the amount of \$1433.75 (which represents the 5.5% ) with payments beginning April 1, 1989, and continuing through April 1, 2019. The monthly payments were to be made by utilizing State Emergency Shelter Program (ESP) funds awarded LSS.

A covenant of thirty (30) years was placed on the property stipulating that the property be used as a temporary shelter for no more than fourteen (14) homeless women and children at any one time.

In a letter dated January 11, 1993, LSS requested the Promissory Note and Deed of Trust be modified from its original terms and conditions to provide relief and allow LSS the capacity to continue the operation of Casa Maria. In February 1993, the Housing and Development Department was contacted by LSS regarding their inability to continue making payments on the loan due to a reduction of Emergency Shelter Program (ESP) funding from the State. In July 1993, the PCDC agreed to suspend LSS's monthly loan payments until July 1, 1996.

In August 1996, LSS was notified of their obligation to begin monthly installment payments in the amount of \$1,394.74 at a rate of four percent (4%) per annum. Payments were due on the first of every month, thereafter, until the maturity date of June 30, 2031.

**B. Agreement for Deed in Lieu of Foreclosure:**

In a letter dated April 7, 1997, transmitted to PCDC from LSS, a request was made to return Casa Maria to the PCDC.

Subsequent to LSS's request, the City Attorney's Office after extensive conversation with LSS, recommended the following terms and conditions as stipulated in the Agreement for Deed in Lieu of Foreclosure:

1. LSS and the PCDC will settle, dismiss, covenant not to sue, and release one another in full of certain claims and obligations arising out of or related to the loan documents,
2. LSS agrees to grant, convey and transfer to the PCDC title to the property by a deed in lieu of foreclosure.

On April 13, 1998, it was recommended that the Pasadena Community Development Commission (Commission) authorize the Chief Executive Officer (CEO) to finalize the Agreement for Deed in Lieu of Foreclosure with LSS. This recommendation was unanimously approved.

**CONTINUATION OF SERVICES:**

With the closing of Casa Maria thirteen (13) transitional facility beds were lost in the City of Pasadena, creating a gap in beds and services for homeless women and women with children. Unfortunately, that same year Catalina House (transitional facility for emancipated youth/four units) and Hestia House (transitional facility for women and women with children/six units) also closed their doors. This resulted in a total lost of twenty-three (23) transitional beds in the City.

During the 1997 and 1998 Continuum of Care for Homeless Assistant Needs Assessment, transitional housing facilities for both families and singles had the highest gap in meeting the City's housing and services for the homeless and were places as high priorities in both the 1997 and 1998 Continuum of Care Request for Proposals (RFP).

In May 12, 1997, the 1997 Continuum of Care for Homeless Assistance RFP was released soliciting qualified non-profit agencies to apply for funding under the 1997 Continuum of Care for Homeless Assistance with the U.S. Department of Housing and Urban Development (HUD). As part of this RFP, it was announced that the PCDC was making available the Casa Maria site for a transitional housing facility for homeless women and women with children to replace LSS and provide for a continuation of services.

The RFP and the availability of Casa Maria was presented to the Pasadena Housing and Homeless Network and two (2) public meetings held on April 29, 1997, and May 13, 1997. Of the seven (7) proposals submitted, URDC was the only agency that submitted a proposal on behalf of Casa Maria.

Urban Revitalization Development Corporation (URDC) is a non-profit corporation founded in 1992. Al Sorkin, Ph.D., serves as executive director. The Bill Moore Community Health Clinic and CHOICES are components of URDC. In 1993, Dr. Sorkin, with other concerned professionals, developed CHOICES, a prenatal substance abuse treatment program for pregnant and parenting women. In 1994, the Bill Moore Community Health Clinic was opened. It is a licensed community clinic providing primary health care to medically indigent, low income and uninsured families and individuals.

In February, 1998, it was announced by HUD that the PCDC was awarded \$568,817 in Supportive Housing Program (SHP) funds for Casa Maria as part of the 1997 Continuum of Care funding competition. URDC, PCDC's sponsor agency, will utilize these funds to lease and re-open Casa Maria as a supportive service enriched transitional housing for homeless women and women with children.

**GENERAL TERMS AND CONDITIONS OF THE EXCLUSIVE NEGOTIATIONS AGREEMENT(ENA):**

An Exclusive Negotiations Agreement ("ENA") will be entered into between the Commission and Urban Revitalization Development Corporation (URDC) on the general terms and provisions set forth below and with reference to the specific affordable housing activity. The Commission will enter into an ENA with URDC in order to permit the parties to negotiate the terms and conditions of an Agreement (i.e. Sub-recipient Agreement, etc.) which will specify the rights, obligations and method of participation of the parties with respect to the specific affordable housing activity.

The Commission and Proposers would therefore agree as follows:

**A. Good Faith Negotiations**

The Commission and the Proposer will agree to a period of no more than one hundred and twenty (120) days to negotiate diligently and in good faith to prepare an Agreement to be entered into between the Commission and the Proposer with to the implementation of the affordable housing activity.

**B. Period of Negotiations**

The Commission agrees to negotiate with the Proposer for no more than a 120-day period ("Negotiation Period") upon execution of the ENA. If, upon the expiration of the Negotiation Period, the Proposer has not signed and submitted an Agreement to the Commission, this Agreement shall automatically terminate unless the Negotiation Period has been mutually extended in writing by the Commission and the Proposer.

**C. Deposit; Liquidated Damages**

Prior to and as a condition precedent to the execution of the ENA by the Commission, the Proposer shall submit a good faith deposit ("Deposit") in the amount of Five Hundred Dollars (\$500) in the form of cash or certified check to

ensure that the Proposer will proceed diligently and in good faith to negotiate and perform all of Proposer's obligations under the ENA and to be used for the purposes and terms set forth therein.

**D. Purchase Price and/or Other Considerations**

The purchase price and/or other consideration to be paid by the Proposer for the Commission and/or City owned site(s) will be established by agreement between the Commission and the Proposer and memorialized within the Agreement.

**E. Financing**

The Proposer's construction financing and the availability of operating revenues for the affordable housing activity shall be determined during the Negotiation Period or during such period of time as may be allowed under the Agreement.

**F. Proposer's Obligations during the Negotiation Period**

Within the Negotiation Period (and any mutually agreed upon extensions), the Proposer shall make good faith efforts to:

1. Negotiate a mutually satisfactory plan for the implementation of the proposed affordable housing activity, including the amount and type of Commission assistance needed to make the development successful.
2. Refine the scope of activity, site plans and architectural concept, etc. for the proposed affordable housing activity as deemed appropriate by Commission staff.
3. Provide a schedule for the implementation of the affordable housing activity for Commission review.
4. Provide a supportive services plan and strategy identifying services mix, if applicable.
5. Upon completion of negotiations and the preparation thereof by the Commission, review, execute and submit an Agreement mutually acceptable to both parties to the Commission for its consideration within the time provided.
6. Provide such other and further information and assistance as deemed reasonably appropriate by the Commission and/or its staff in order to fulfill the objectives of the ENA.
7. The proposed affordable housing activity is consistent with, and meets the affordable housing goals of, the Housing Element of the General Plan of the City of Pasadena, if applicable, and the Commission's Affordable Housing Plan 1995-2000.

8. The proposed affordable housing activity is substantially consistent with the existing or proposed zoning of the site.

#### **G. Commission's Obligations during Negotiation Period**

Within the Negotiation Period (and any mutually agreed upon extensions), the Commission shall make good faith efforts to:

1. Negotiate exclusively through its staff with the Proposer for the proposed affordable housing activity.
2. Determine and process required environmental documentation.
3. Review Site plans and determine consistency with the General Plan and/or applicable design guidelines and standards, if applicable.
4. Review the Proposer's proposal and determine what amount, if any, of Commission financial assistance and other assistance the Commission and/or the City will be able to contribute to the proposed affordable housing activity.
5. Determine site(s) assemblage requirements, including cost of appraisals, title reports and any action that may be required to acquire property, if any, not presently owned by the Proposer.
6. Review Proposer's proposed rental housing mix on the site(s) and financing methods for the proposed affordable housing activity.
7. Cooperate fully in providing the Proposer with such information as may be available to the Commission.

#### **H. Limits of the Exclusive Negotiations Agreement**

By its execution of the ENA, the Commission is not committing itself to or agreeing to undertake: (a) financing, acquisition or disposition of land to the Proposer; or (b) any other acts or activities requiring the subsequent independent exercise of discretion by the Commission, the City or any agency or department thereof. The parties recognize that one or more of the conditions as set forth in the Proposer's proposal may fail to be met as a result of negotiations, subsequent studies, reviews and proceedings involving the exercise of discretion by the Commission, the City or any agency or department thereof.

#### **HOUSING IMPACT:**

Approval of the subject recommendation would result in the provision of thirteen (13) transitional housing facility beds for homeless women and women with children, thus helping to filled a tremendous gap in housing and services for the homeless.

These affordable housing activities are consistent with the goals and objectives of the Commission's Affordable Housing Plan 1995-2000, the Commission's 1995-1999 Implementation Plan, the Community Development Committee's Fiscal Year 1997-98 Priority Work Program, the Commission Continuum of Care Strategy, the City of Pasadena General Plan (Housing Element), the Northwest Pasadena Community Plan (Housing Element), and the Community Development Block Grant Consolidated Plan.

**FISCAL IMPACT:**

In February, 1998, it was announced by HUD that the PCDC was awarded \$568,817 in SHP funds for Casa Maria as part of the 1997 Continuum of Care funding competition, thus increasing PCDC's inventory of funding for homeless families/individuals

The value of the property is estimated at \$250,000 based on a prior reduction in real property values during the period of 1994 -1997. This represents an estimated loss of approximately \$65,000 from the original loan amount. An appraisal is currently in process to assess the actual value of the real property.

This recommendation will have no impact on the General Fund.

Respectfully submitted,



**CYNTHIA J. KURTZ**  
Acting Chief Executive Officer

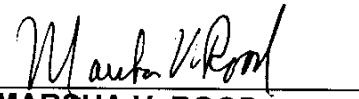
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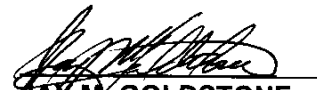
 FOR  
**GREGORY ROBINSON**  
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Concurrence:

 FOR  
**MICHAEL ESTRADA**  
Assistant General Counsel

  
**JAY M. GOLDSTONE**  
Treasurer