

DATE: DECEMBER 4, 2000

TO: CITY COUNCIL/PASADENA COMMUNITY DEVELOPMENT COMMISSION

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

SUBJECT: JOINT PUBLIC HEARING: APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION (COMMISSION) AND TRADEMARK DEVELOPMENT COMPANY, L.L.C. (DEVELOPER) FOR THE PURCHASE OF COMMISSION OWNED REAL PROPERTY LOCATED AT 459 N. LINCOLN AVENUE, PASADENA AND CONSTRUCTION OF TWO AFFORDABLE HANDICAPPED ACCESSIBLE SINGLE FAMILY RESIDENCES

RECOMMENDATION:

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

1. Hold a joint public hearing on the proposed sale of Commission-owned real property at 459 N. Lincoln Avenue (Site) to Trademark Development Company, L.L.C. (Developer) in accordance with the terms and provisions of the Disposition and Development Agreement (DDA) between the Commission and the Developer.
2. City Council adopt a resolution:
 - a. Finding and determining that construction of two dwellings and related improvements (the Project) do not have a significant impact on the environment and have been determined to be categorically exempt under the California Environmental Quality Act (CEQA) Guidelines;
 - b. Finding and determining that (i) the Project is consistent with the Downtown Redevelopment Plan, (ii) the sale of the Site will assist in the elimination of blight and provide housing for moderate-income persons, (iii) the Project is consistent with the Commission's Five Year Implementation Plan and (iv) the consideration received by the Commission under the DDA is not less than the fair reuse value with the covenants, conditions and costs authorized by the sale of the Site;
 - c. Approving the sale of the Site to the Developer in accordance with the terms and provisions, as indicated in Exhibit I, between the Commission and the Developer; and

- d. Authorizing the City Manager to take the necessary actions to complete the Project.
3. Commission adopt a resolution:
 - a. Finding and determining that the Project is categorically exempt under the California Environmental Quality Act (CEQA) Guidelines;
 - b. Approving the terms and provisions of the DDA between the Commission and Developer;
 - c. Authorizing the Chief Executive Officer to execute and the Secretary to attest the DDA with the Developer.

EXECUTIVE SUMMARY:

The Project provides for the Developer's acquisition of the Commission-owned real property located at 459 N. Lincoln Avenue, Pasadena, for the "reuse value" of \$15,000 and the construction of two, affordable single-family, handicapped accessible, residences pursuant to the terms and conditions of the DDA (Exhibit I). The two residences will provide affordable homeownership opportunities to moderate-income households.

The estimated Project development cost is \$367,180. Financing of the Project will consist of a Developer-secured conventional construction loan of \$255,000 from Granite State Bank, \$112,180 in Developer equity. In addition, Commission Second Mortgage Loans will be made available, if needed, in an amount not to exceed \$90,000 (average \$45,000 per loan) to assist eligible moderate-income households purchase the residences in accordance with the guidelines of the Commission's Homeownership Opportunities Program (HOP).

ADVISORY BODIES:

The Fair Oaks Project Area Committee, at its meeting on November 15, 2000, recommended approval of the project. The Northwest Commission, at its meeting on November 15, 2000, recommended approval of the project with the additional recommendation that the total HOP loan assistance to qualified moderate income home buyers be increased from \$70,000 to \$90,000. The Community Development Committee, at its meeting on November 16, 2000, approved the project along with the aforementioned Northwest Commission recommendation on increased HOP loan assistance.

BACKGROUND:

The subject 10,744 square foot vacant residential property is located at 459 Lincoln Avenue (Site) near the southwest corner of Lincoln Avenue and Villa Street. Commission staff identified this property as a potential site for an affordable housing development. The Commission acquired the property for this purpose on May 13, 1996 at a price of \$95,000.

In November 1999, the Developer submitted a proposal to the Commission for development of the Site. Subsequently, on May 12, 2000, the Commission and Developer entered into an Exclusive Negotiation Agreement (ENA) to allow the parties to negotiate the terms and conditions of a DDA for purchase of the Site and construction of two affordable single-family detached housing condominium units. Acquisition and construction of the proposed Project provides for the continuation of the Commission's Lincoln Triangle Revitalization Program which has included construction of the Cypress Grove Villas Townhomes, historic rehabilitation of 438 ("Gilman House"), 456 and 507 Cypress Avenue, construction of a new single family residence at 509 Cypress Avenue, and rehabilitation of various single family residences and rental units within the neighborhood.

PROJECT CONCEPT:

The proposed Project consists of the construction of two, single-family, handicapped accessible, residences, each averaging 1,659 sq. ft. with 4 bedrooms/3 bathrooms and an attached 2-car garage. The Basic Concept Plans (Exhibit II) provide for 2 two-story dwellings with pitched roofs and exterior wood framed siding. Wood fencing will be installed around the perimeter of the Site to provide for both shared and private open space. Each unit will have a covered porch entry and an enclosed patio area. The entrances to each dwelling unit and garage, will be appropriately lit to provide visibility and security.

The Project design is consistent with the density, scale, and architectural characteristics of the Lincoln Triangle neighborhood. Site coverage for this development will not exceed 30% of the total site area. The design and architectural quality of the proposed improvements, landscaping, open spaces, and setback areas are also in accordance with the development standards set forth in the DDA Scope of Development.

REUSE ANALYSIS/PROJECT FINANCING:

On May 24, 2000, the Ellis Group of Integra Realty Resources was selected to provide an appraisal analysis of both the reuse value and fair market value of the subject property's fee simple interest. On June 24, 2000, the Ellis Group appraised the site in accordance with the Uniform Standards of Professional Appraisal Practice stating their opinion of 1) the reuse value of the subject property's fee simple interest at \$15,000 based on the proposed Project and related covenants, and 2) the market value of the fee simple interest in the property in its highest and best use at \$130,000.

The Ellis Group appraisal summary report (Exhibit III) and Section 33433 report (Exhibit IV) both indicate that the difference between the reuse value (proposed sales price) and the fair market value of the property's fee simple interest is the restrictions and requirements of the DDA for affordable ownership housing for a period of 15 years which reduces the value of the Site. Additionally, the Site has been vacant land for approximately 31 years and has become a blighting influence on the neighborhood. Pursuant to the DDA, development of the Site will improve vacant, unutilized real property with newly developed affordable family housing that will relate to and enhance the surrounding neighborhood in architecture, scale and land use.

The estimated net cost to the Commission for approval of the DDA and sale of the property at its reuse valuation is approximately 86,849 (\$43,424.50/unit). The total cost of the Project is estimated at \$367,180 (Exhibit V). Financing for the Project will consist of a Developer secured conventional construction loan of \$255,000 from Granite State Bank, a private lender, and \$112,180 in Developer equity.

HOMEOWNERSHIP OPPORTUNITIES PROGRAM (HOP):

Sale of the proposed residences will be targeted to moderate-income households earning from 100% to 120% of the Los Angeles County Median Income who are first-time homebuyers. Projected sales prices are \$197,000 for each residence. The Commission will provide Second Mortgage Loans totaling \$90,000 (average \$45,000 per loan) toward the purchase of each residence by the selected moderate-income households in accordance with the guidelines of the Commission's Homeownership Opportunities Program (HOP).

The HOP loans also carry an affordability covenant which restricts the future resale of the units to low and moderate-income households or provides for the Commission's equity participation in the resale to above moderate-income households during the term of the loan.

CHILDREN, YOUTH, FAMILY IMPACT:

The purchase of the Commission-owned property by the Developer will result in the construction of two, four-bedroom affordable handicapped accessible homeownership units for sale to moderate-income families. The Developer will be required to target its marketing efforts first to Pasadena residents. The occupancy of these residences will have a direct impact on the achievement of a balanced quality of life for the affected households. This action reaffirms the City and Commission's commitment to the provision of decent, safe and sanitary housing for children, youth and family members of all ages.

HOUSING IMPACT:

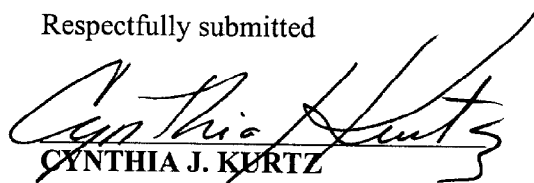
Approval of the subject recommendation and completion of the Project will add two large family affordable handicapped accessible single-family residences to the City's housing stock. The Project meets the goals and objectives of the Commission's Five-Year Implementation Plan 1999-2004, the Commission's Priority Work Program, the City of Pasadena's General Plan (Housing Element) and the Consolidated Plan 2000-2005.

FISCAL IMPACT:

On May 13, 1996, the Commission's Low and Moderate Income Housing Trust Fund Account No. 915447 was debited \$95,000 to acquire the Site. Upon sale of the Site, the Commission Low and Moderate Income Housing Trust Fund Account No. 684120-51011 will be credited \$15,000. The net cost to the Commission for the acquisition and disposition of the Site including consultant services is approximately \$87,000. In addition, \$90,000 in HOP funds will be set-aside in Account No. 810-684120-51402 to assist eligible moderate-income buyers of the newly constructed housing units. The Commission's total subsidy for the Project shall not exceed


\$176,850 (\$88,425 per unit), consisting of \$86,850 Commission costs (property acquisition plus administrative expenses less land sale proceeds) and \$90,000 HOP loan assistance. 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 units.

Respectfully submitted



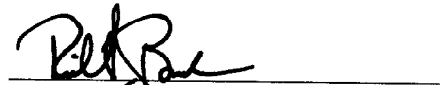
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