

DATE: JULY 13, 1998
TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION
FROM: CYNTHIA J. KURTZ
ACTING CHIEF EXECUTIVE OFFICER
SUBJECT: SECOND AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION AND MOUNTAIN COURT AND/JAK, FOR THE REHABILITATION/NEW CONSTRUCTION OF THREE (3) AFFORDABLE OWNERSHIP HOUSING UNITS LOCATED AT 460, 503-505 CYPRESS AVENUE, PASADENA.

RECOMMENDATION:

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

- A. Approve the Second Amendment to the Disposition and Development Agreement (Agreement No. CDC-245-1) between the Commission and Mountain Court and/Jak (Developer) to provide an additional \$15,000 in Low and Moderate Income Housing Trust Funds for the construction of a block wall along the north and south property lines and the installation of a new lateral sewer and connection.
- B. Approve a Journal Voucher transferring \$15,000 from the Low and Moderate Income Housing Trust Funds Account (Account No. 810-684120) to the Mountain Court and/JAK Project Account (Account No.810-684120-51201).
- C. Authorize the Acting Chief Executive Officer to execute and the Secretary to attest the Amended DDA and related documents.

EXECUTIVE SUMMARY:

This Cypress Avenue project provides for the restoration of two, historic dwellings: a) the 505 Cypress Avenue house (formerly 507 Cypress Avenue) and b) the 460 Cypress Avenue house (relocated from its former site at 537 Cypress Avenue), and the new construction of a four-bedroom, two-story dwelling at 503 Cypress Avenue in the Downtown Redevelopment Project Area/Lincoln Triangle Revitalization Area. The three dwellings will provide affordable homeownership opportunities for moderate-income households.

The additional \$15,000 is recommended to pay for a) the installation of two, six foot high, block walls along the north and south property lines at the 505 Cypress Avenue location, in order to create privacy for the new owners and b) the installation of a sewer

line. The sewer installation and block walls were costs not anticipated or included in the original development proforma.

Pursuant to the terms and conditions of the Second Amendment to the DDA, the \$15,000 will be added to the original Commission Loan principal amount of \$124,000. The principal amount of the amended Commission Loan will be \$139,000.

BACKGROUND:

On July 22, 1996, the Commission approved a \$124,000 loan to the Developer for the restoration of two, historic dwellings at 460 Cypress Avenue (move-on historic house from 537 Cypress Avenue) and 505 Cypress Avenue and the construction of a four-bedroom house at 503 Cypress Avenue (rear portion of the 505 Cypress property) to provide affordable homeownership opportunities to moderate-income households.

The Developer obtained a \$922,000 conventional construction loan from Wells Fargo Bank for the construction/rehabilitation of two affordable housing projects it was undertaking simultaneously: The four-unit, single-family housing project on Rio Grande Street and the aforementioned three-unit affordable homeownership project on Cypress Avenue. The total development cost of \$515,224 for the Cypress project includes the original Commission Loan of \$124,000. The anticipated sales proceeds for the three units is \$427,500 which does not cover the construction cost. Therefore, an estimated gap of \$87,724 would exist under the Commission Loan. The original Commission Loan was approved with the understanding that approximately \$87,724 would not be repaid to the Commission unless the actual sales proceeds were greater than estimated.

The 505 Cypress house is currently under restoration and the new dwelling at the rear of the property is about 70% complete. The historic move-on house at 460 Cypress Avenue has just begun rehabilitation. City code required the installation of a new sewer lateral, cleanouts, and house connection to the property immediately behind the 460 Cypress Avenue property on Villa Street. The main sewer line is located in the middle of Cypress Avenue with a connecting sewer line going through the 460 Cypress property to the house located on Villa Street. The sewer installation and block walls costs had not been anticipated and were not included in the original development proforma.

The Developer discussed the need for the additional funds with Wells Fargo Bank for the block walls and sewer line. However, the Wells Fargo Bank loan is at its maximum and the bank will not increase the loan to pay for the additional improvements. Consequently, the Developer is requesting the Commission provide the additional funds to complete the project. The following is a breakdown of the project costs and anticipated sales proceeds:

	<u>Original Project Cost</u>	<u>New Project Cost</u>
Project Costs:	\$515,224	\$530,225
Anticipated Sales Proceeds	<u>427,500</u>	<u>427,500</u>
Gap	\$ 87,724	\$102,725

The original Commission Loan was advanced to fill the gap between the conventional loan financing and the anticipated sales proceeds and has been fully expended. An estimated \$36,275 (difference between \$139,000 Commission Loan and \$102,725 gap) will be repaid to the Commission from the sale of the units at the escrow closing. Any portion of the Commission Loan that is not repaid or converted into Second Mortgage Loans, would be forgiven.

ADVISORY BOARD ACTIONS:

The Northwest Commission and the Pasadena Community Development Committee approved staff's recommendation on Wednesday, June 10, 1998, and June 11, 1998, respectively.

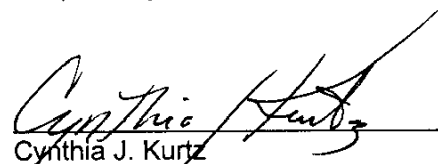
HOUSING IMPACT:

Approval of the subject recommendation will result in a higher quality product increasing the project's marketability. Completion of the project will result in the addition of three (3) affordable homeownership units to the City's affordable housing stock with the addition of restoring two historic housing units. The project meets the goals and objectives of the City's Northwest Plan, Comprehensive Housing Affordability Strategy (CHAS), the Consolidated Plan (1998-1999), and the Affordable housing Plan (1995-2000). The project also implements the goals of the Redevelopment Plan for the Downtown Redevelopment Project and Lincoln Triangle Revitalization Programs.

FISCAL IMPACT:

The Commission's Housing Trust Unallocated Fund (Account No. 810-684120) will be reduced by the transfer of \$15,000 to the Mountain Court and/JAK Project Account (Account No. 810-684120-51201) to pay for the needed capital improvements. The anticipated gap of approximately \$102,725 between the sales proceeds and project costs will be forgiven by the Commission. There is no impact to the General Fund.

Respectfully submitted,

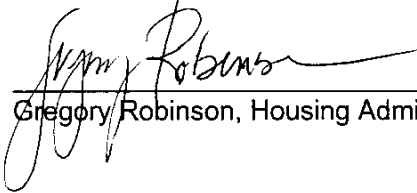

Cynthia J. Kurtz
Acting Chief Executive Officer

Prepared by:




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Reviewed by:




Gregory Robinson, Housing Administrator

Approved by:

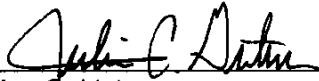


William C. Reynolds, Director
Housing & Development Department

~~Concurrence:~~ **REVIEWED BY :**



Michael Estrada
Assistant General Counsel



for Jay Goldstone
Director of Finance