

DATE: JUNE 14, 1999

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN AGREEMENT BY AND BETWEEN THE PASADENA COMMUNITY DEVELOPMENT COMMISSION AND VILLA ESPERANZA ("PARTICIPANT") FOR THE REHABILITATION OF A SIX-PERSON GROUP HOME AT 1920 E. VILLA STREET ("WYNN HOUSE") FOR DEVELOPMENTALLY AND PHYSICALLY DISABLED ADULTS

RECOMMENDATION:

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

- A. Adopt a resolution:
1. Finding and determining that the rehabilitation of the Wynn House ("Project") described in the proposed Owner Participation Loan Agreement ("Agreement") executed by Villa Esperanza ("Participant") is categorically exempt under the California Environmental Quality Act ("CEQA") and, specifically, under Section 15301 of the State CEQA Guidelines and authorizing the Secretary of the Commission to file with the County Clerk a Notice of Exemption for the Project pursuant to Section 15301 of the State CEQA Guidelines;
 2. Approving the terms and provisions of the Agreement between the Commission and the Participant including a Commission Loan in the amount of \$115,220 in Commission Housing Trust Funds;
 3. Finding and determining that the use of the Commission's Housing Trust Funds in the amount of \$115,220 outside of the Lake-Washington Project Area is of benefit to that Project Area;
 4. Authorizing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the Agreement.

EXECUTIVE SUMMARY:

If approved, this Project will provide for the rehabilitation of a three-bedroom residence and addition of a bedroom suite for a live-in caretaker for the property located at 1920 E. Villa St. ("Wynn House") for use as a group home for six developmentally disabled adult residents from 18 to 59 years of age. This house has been home to these residents since 1986.

Project financing will consist of a \$357,000 grant from the U. S. Department of Housing and Urban Development ("HUD") to acquire and rehabilitate the property, the \$115,220 Commission Loan for rehabilitation/new construction, and \$1,785 from the Participant.

In addition, HUD has awarded \$19,300 in annual rental subsidies for up to five years through its Project Rental Assistance Contract ("PRAC") for this Project. This grant covers the cost of repairs, maintenance, utilities, insurance, gardening, and other miscellaneous expenses. It is anticipated that the PRAC will be renewed after the initial five-year expiration.

ACTION OF ADVISORY BOARD:

The subject recommendation was agendized for the Pasadena Community Development Committee ("Committee") meeting of June 10, 1999. Staff will report to the Commission on the action taken by the Committee.

BACKGROUND:

On March 26, 1998, the Commission conditionally approved financial assistance in the amount of \$92,000 to the Participant in accordance with the Commission's 1997-1998 Notice of Funding Availability. Subsequent to this action, the Participant entered into an Exclusive Negotiation Agreement ("ENA") for preparation of an Owner Participation and Loan Agreement ("OPLA"). The purpose of the OPLA is the rehabilitation/construction of a three-bedroom residence and addition of a bedroom suite for the on-site caretaker to provide a group home for six (6) developmentally disabled adults.

The Project Proforma is:

Acquisition		\$225,000
Land	27,834	
Structure	197,166	
Construction Costs		176,994
Soft Costs		42,011
Development Fee		<u>30,000</u>
Total Project Cost		\$474,005

The proposed Project financing consists of the following funding sources:

HUD Acquisition/Rehabilitation Grant	\$357,000
Commission Loan	115,220
Participant Equity	<u>1,785</u>
Total Funds	\$474,005

The HUD grant includes the \$225,000 acquisition cost of the property with the \$132,000 balance applied to the total estimated development cost of \$249,005. All construction bids submitted to the Participant exceeded the original construction estimate. HUD has reviewed the construction bids and has accepted the increased construction cost. The Commission's \$115,220 loan and \$1,785 in Participant's equity will finance the balance of the rehabilitation/construction cost. The terms of the HUD grant are that the home remains low-income housing for the disabled for the next forty (40) years and the residents pay 30% of their income toward their housing expense. This stipulation ensures that the special needs population will have affordable, subsidized housing for the next four decades.

The HUD grant also allows up to \$19,300 annually (up to 5 years) to cover repairs, maintenance, utilities, insurance, gardening and other miscellaneous operating expenses. The Participant anticipates that their Project Rental Assistance Contract (PRAC) will be renewed after the initial PRAC expires.

The scope of the rehabilitation/construction is extensive with the interior of the dwelling being totally demolished and reconstructed plus the addition of the caretaker's suite. Architectural drawings and plans have been submitted for design review and approval.

The Participant has extensive experience in managing group homes for the developmentally disabled. It currently manages nine, 6-bed group homes in Pasadena and three, 6-bed group homes in Agoura. In addition to providing a home for the six special needs residents, the Participant will be responsible for the planning, recording, evaluation, and provision of all supportive services. These services are paid for by Villa Esperanza's Regional Center in monthly installments. On-site services include developmental, hygienic, and independent living training. Supportive services, such as recreation and habilitation (socialization skills), will be conducted mostly off-site. Each resident receives at least forty (40) hours per week of supportive services, individually and collectively, with fellow residents.

LOAN TERMS:

The Commission Loan in the amount of \$115,220 at 2% interest for 40 years shall be secured by a Residual Receipt Note and Deed of Trust. The Participant shall pay annually, throughout the 40-year term, any available residual receipts. However, because the project's rent structure will be established to maintain very-low-income affordability, it is not expected that residual receipts will be available from Project income. At the end of the 40-year term, the outstanding balance on the Commission Loan (principal plus interest at 2% per annum), shall be due and payable in full. Assuming that residual receipts may not be available from Project income, the Commission may a) seek remedy for repayment by foreclosing upon the subject property; or b) extend the term of the Commission Loan an additional 20 years.

If option "b" is chosen, upon maturity of the extended Commission Loan at the 60-year maturity date, the principal amount of the Commission Loan shall be due and payable and the Commission shall agree to waive all accrued interest if the Participant has provided very low-income rental housing pursuant to the terms and conditions of the affordability and occupancy covenant.

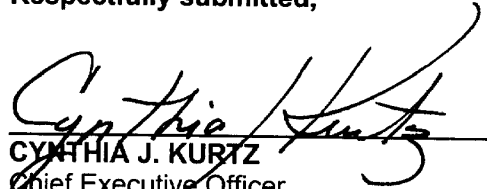
HOUSING IMPACT:

Approval of the subject recommendation shall result in the rehabilitation of an existing group home for residents with special needs and a suite for the live-in caretaker. The net effect represents the continuance in the City's affordable housing for the special needs population. This affordable housing activity is consistent with the goals and objectives of the Commission's Affordable Housing Plan 1995-2000, the Commission's Priority Work program, the City of Pasadena's General Plan (Housing Element), and the City's Consolidated Plan.


FISCAL IMPACT:

The Commission conditionally committed \$92,000 to fund this affordable housing activity. The additional funds required for the Wynn House Project shall be derived from a reduction in the Commission assistance conditionally approved for the Participant's second project, "Chester House", from \$69,000 to \$45,780. The Commission's Low and Moderate Income Housing Trust Funds Account (Account No. 810-6841-2051208) will be reduced by \$115,220 and allocated to this Project.

Respectfully submitted,


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