

DATE: JUNE 14, 1999

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA KURTZ, ACTING CHIEF EXECUTIVE OFFICER

SUBJECT: THIRD 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:

Approve the terms and conditions of the Third 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:

- A. An increase of \$91,500 to the existing \$567,000 Commission Loan to the Partners from Low and Moderate Income Housing Trust funds to pay for unanticipated costs incurred for the installation of drywall, finish carpentry, taxes, insurance; and
- B. Approve a Journal Voucher allocation of \$91,500 from the Low and Moderate Income Housing Trust Funds Account (Account No. 810-684120) to the 160 Euclid Partners Project Account.
- C. Authorize 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 50% complete with the 160 S. Euclid building now occupied by eight (8) households. The 156 S. Euclid building is currently under reconstruction and will provide seven (7) additional transitional housing units 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 Third Amendment would provide \$91,500 of additional funding to assist in the payment of soft cost overruns and other construction costs mainly attributed to the installation of drywall and finish carpentry. In the fall of 1998, the Commission approved a \$60,000 increase to the existing \$507,000 Commission Loan (\$567,000).

Unfortunately, the Partners continue to be faced with inadequate funds to complete the project due to the failure of promised donations of labor and materials not materializing from sub-contractors brought into the project by HomeAid. Building industry activity escalated about the same time construction began and has remained extremely busy. The increased activity of contractors diminished both their interest in participating in the project and their availability to do so. Two line items that were not budgeted, drywall and finish carpentry, are currently the items needed to move ahead with construction.

If approved, the Third Amendment would award an additional \$91,500 in Housing Trust Funds to assist in the completion of the project.

ADVISORY BOARD ACTION:

Staff will report verbally to the Commission on the action taken by the Community Development Committee on this matter at its meeting of June 10, 1999.

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 \$845,000 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) (\$917,961), HomeAid Donations (\$300,000), and the Partners' equity (\$490,297) which includes foundation grants.

All the public agencies were aware that the project budget called for \$1.8 million in construction financing even though only \$1.2 million was available. The \$600,000 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 \$600,000 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.

The 160 Euclid Partners L.P. (Partners) Euclid/Villa Project has experienced cost overruns. The original construction budget had a 12% contingency which paid for items encountered in changes in seismic and disability requirements, asbestos removal discovered during demolition, and delays due to the above-average rainfall encountered during early 1998. The additional \$60,000 Commission loan assisted in paying for abatement of contaminated lead-based paint soil and a fire alarm annunciator system required which was not in the original plans. The soil abatement and fire alarm system were costs not anticipated or included in the original development proforma.

In addition to the construction-funding gap, the project is also experiencing a shortfall of funds to cover soft costs, such as taxes, insurance, accounting and development services which continue to be incurred as the construction period is extended. To pay for these expenses, the Partners have sought to address the funding shortfall through soliciting funds from foundations, such as California Federal and the Weingart Foundation. They also are submitting new applications for both federal and state low-income housing tax credits and will also seek an increase in funding from the Affordable Housing Program of the Federal Home Loan Bank.

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 begun a renewed fundraising effort. Donations are being requested from the Ahmanson, James Irvine, and Ralph M. Parson Foundations. The Weingart Foundation has recently awarded a \$50,000 grant to assist in paying for some of the soft costs and to continue construction.

Despite these fundraising efforts, the construction gap is estimated to be \$150,000. The City of Glendale has indicated that it would contribute additional funding conditioned upon the Commission advancing additional funds to make both public agency's investment equal since the project is located in Pasadena. To date, both public agencies have invested the following amounts:

<u>Pasadena</u>	<u>Glendale</u>
\$567,000	\$600,000

To distribute the \$150,000 equitably to fill the gap, Pasadena and Glendale would additionally contribute the following:

	<u>Pasadena</u>	<u>Glendale</u>
	\$567,000	\$600,000
	<u>91,500</u>	<u>58,500</u>
TOTAL	\$658,500	\$658,500

During the past five years, loan assistance provided through the Commission's rental rehabilitation program has averaged approximately \$52,000 to \$65,000 per unit. The Commission's proposed subsidy for the Euclid Villa project is \$43,900 per unit (\$658,500/15 units) which is well below the per unit subsidy permitted under the HOME Program (\$79,535 – one bedroom; \$96,714 – two bedroom; and \$125,115 – three bedroom). Accordingly, it is recommended that the Commission approve the proposed terms and conditions of the Third Amendment to the OPLA which would award an additional \$91,500 in Housing Trust Funds to assist in the completion of the project.


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 childcare. 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 \$91,500 and allocated to the 160 Euclid Partners' project to assist in the payment of soft cost overruns and other construction costs mainly attributed to installation of drywall and finish carpentry. The Commission's Loan would be increased from \$567,000 to \$658,500.

Respectfully submitted:



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Reviewed by:

 For

GREGORY ROBINSON
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Approved by:



STEPHEN G. HARDING
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