

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 BEACON HOUSING ("PARTICIPANT") FOR THE REHABILITATION AND CONVERSION OF A 53-UNIT APARTMENT BUILDING AT 445 N. GARFIELD AVE., PASADENA .

RECOMMENDATION:

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

Adopt a resolution:

- A. Finding and determining that the project ("Project") described in the proposed Owner Participation and Loan Agreement ("Agreement") executed by Beacon Housing ("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.
- B. Finding and determining that the use of Federal funds under the HOME Investment Partnership Program ("HOME Program") for the Project in accordance with the terms and provisions of the Agreement is categorically excluded from the National Environmental Policy Act of 1969 and authorizing the Chief Executive Officer of the Commission to make the appropriate certifications to the U. S. Department of Housing and Urban Development ("HUD") to effect the use of the HOME Program funds for the Project.
- C. Approving the terms and provisions of the Agreement between the Commission and Participant including Commission assistance in the amount of \$455,000.
- D. Authorizing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the Agreement.

ACTION OF ADVISORY BOARDS:

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. The Northwest Commission was not able to

review and take action on the subject recommendation at its regular meeting on Wednesday, June 2, 1999, due to lack of a quorum.

EXECUTIVE SUMMARY:

Approval of the Owner Participation Loan Agreement ("Agreement"), shall provide financial assistance (\$320,000 Commission Loan and \$135,000 Commission grant) for the rehabilitation and reconfiguration of seventeen units to provide ten larger units which will eliminate existing overcrowded conditions at the Garfield Park Apartments, 445 N. Garfield Avenue, Pasadena. Seventeen units will be rehabilitated and reconfigured from the existing inventory of 53 units to increase the number of two-bedroom units (7) and three -bedroom units (2), and thereby reducing the number of units from 53 to 46. One unit will also be remodeled to provide a children's learning center and on site computer lab. Through its social services provider, Servant Partners, the Participant will continue to offer social services, summer enrichment and after school tutorial program for the residents at an annual budget of \$30,750.

The 40-year Commission Loan will be deferred at zero interest during the first five years with 2% interest for the following 35 years. A covenant will be recorded to assure affordability during the 40-year term; however, the covenant can be removed after year 15 if the Commission assistance is repaid through either sale or refinancing of the property.

BACKGROUND:

The Participant was a selected proposer under the Notice of Funding Availability ("NOFA"), made available to non-profit and for-profit housing developers/sponsors in October of 1997. Subsequently, the Participant entered into an Exclusive Negotiation Agreement ("ENA"), dated July 24, 1998, for a 120-day period, to negotiate diligently and in good faith to fulfill the requirements for the preparation of an Agreement between the Commission and the Participant. A request to extend the ENA was reviewed and approved by the Commission on Monday March 1, 1999, to provide for continuation of the negotiations to May 1, 1999.

On April 13, 1998, the Commission conditionally approved Housing Trust Funds (\$230,000) and HOME Program funds (\$225,000) to assist the Participant in the reconstruction of seventeen (17) rental units at 445 N. Garfield Ave., Pasadena. The Participant is rehabilitating and converting seventeen units to create larger units to eliminate overcrowding in the existing 53-unit building by increasing the inventory of two-bedroom units from three to ten, and providing two, new, three-bedroom units thereby decreasing the total number of units by 7 from 53 to 46. In addition, the Participant is converting one of the one-bedroom units into a children's learning center where the Participant's Social Service Coordinator will provide tutoring for the resident children and where a computer lab will be available for all residents.

The six tenants affected by the reduction in existing units and rehabilitation were properly noticed as to their rights under the Uniform Relocation Act. The project currently has vacant units to which tenants may move temporarily while the rehabilitation is underway. Six tenants have been offered permanent, suitable replacement units in the project upon completion of the rehabilitation and will be reimbursed for their moving costs. Attachment 1 designates \$15,000 for relocation costs.

The scope of work will include: 1) environmental testing and abatement, 2) architectural/engineering, 3) soft costs, 4) new entry portico, 5) exterior lighting, 6) repairs to parking areas, 7) repairs to the building façade, 8) roof repairs, 9) landscaping, 10) a

children's play area, and 11) unit rehabilitation. The Participant is paying for improvements to the pool, community room, homework room, sauna, and laundry area.

The Participant, Beacon Housing, is a non-profit, affordable housing development company serving families in urban neighborhoods. The Participant provides a variety of affordable housing opportunities under a "housing continuum" that encompasses three levels of housing need: 1) transitional housing, 2) single/multi-family rental housing, and 3) home ownership. The housing continuum strategy was developed to assist families as they strive to achieve greater financial independence and self-sufficiency.

At the first level, the Participant owns and operates two transitional housing facilities on Navarro St. in northwest Pasadena; one for single women and one for single men, who are reentering society from rehab centers for chemically dependent persons. At the second level, the Garfield Park Apartments, the Participant contracts with Servant Partners, at an annual budget of \$30,750, for the day-to-day operations of the social services and after school tutorial program for the residents. The Participant has not reached the third level of providing home ownership. Plans to implement this program will begin upon completion of rehabilitation of the Garfield Park Apartments.

PROPOSED PROJECT FINANCING AND COMMISSION LOAN TERMS:

Sources and uses of funds for the Project is as follows (please refer to Attachment 1):

Mortgage Buy-down	\$135,000	Commission Grant
Relocation	15,000	Commission Loan
Rehabilitation	<u>305,000</u>	Commission Loan
Total Commission Funds	\$455,000	
Mortgage Buy-down	35,833	Beacon Housing
Rehabilitation	28,206	Beacon Housing
Rehabilitation	<u>79,599</u>	Charitable Donations
Total Project Cost	\$598,638	

The Participant will require a Commission subsidy of \$135,000 to reduce its existing first mortgage of \$1,340,290 (8% interest payable only) because net operating income to service the debt will be decreased from \$144,654 to \$125,706 (\$18,948) annually due to the reduction of rental units from 53 to 46 units (see Attachment 2). Additionally, the 40-year Commission Loan will be deferred, at zero interest for the first five years, with 2% interest beginning in year six and continuing to maturity. A covenant will be recorded to assure affordability during the 40-year term; however, the covenant can be removed after year 15 if the Commission assistance is repaid through sale or refinancing of the property.

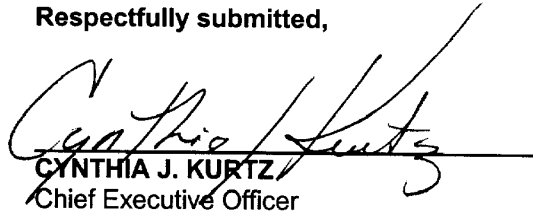
HOUSING IMPACT:

Approval of the subject recommendation shall result in the rehabilitation of the Garfield Park Apartments and the reconfiguration of seventeen units to provide ten larger units to eliminate existing overcrowded conditions. 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), the Northwest Pasadena Community Plan (Housing Element), and the City's Consolidated Plan.

FISCAL IMPACT:

The Commission conditionally committed \$455,000 of the \$1,157,235 provided in the 1998 Notice of Funding Availability to fund this affordable housing activity. Low and Moderate Income Housing Trust Funds in the amount of \$225,000 are currently available in account number 810-684120-51208 and HOME Program Funds in the amount of \$230,000 are currently available in account number 221-684110-52301.

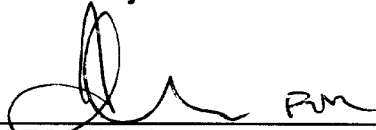
Respectfully submitted,


CYNTHIA J. KURTZ
Chief Executive Officer

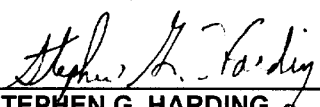
Prepared by:


STELLA LUCERO
Program Coordinator

Reviewed by:


GREGORY ROBINSON
Housing Administrator

Approved by:


STEPHEN G. HARDING
Interim Director