AGENDA
FINANCE COMMITTEE
SPECIAL MEETING NOTICE
APRIL 11, 2022
PUBLIC MEETING 3:45 P.M.

Members
Victor M. Gordo, Mayor
Felicia Williams, District 2
John J. Kennedy, District 3
Andy Wilson, District 7

STAFF
Matthew Hawkesworth, Director of Finance
Theresa Fuentes, Assistant City Attorney
Gloria Acevedo, Recording Secretary

MISSION STATEMENT
The City of Pasadena is dedicated to delivering exemplary municipal services, responsive to our entire community and consistent with our history, culture and unique character.

In compliance with the Americans with Disabilities Act of 1990, Assistive Listening Devices are available from the City Clerk's Office with a 24-hour advance notice. Please call (626) 744-4124 to request use of a listening device.

Language translation services are available for this meeting by calling (626)744-4124 at least 24 hours in advance.
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Items on the agenda may not be called in order listed. Agendas and supporting documents are available on the Internet at https://www.cityofpasadena.net/commissions/city-council-finance-committee/

*Materials related to an item on this Agenda submitted to the Finance/Audit Committee **after** distribution of the agenda packet will be posted online and listed as: "Supplemental Agenda Material Received after the Posting of the agenda"*

PURSUANT TO EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020, THE SPECIAL FINANCE COMMITTEE MEETING FOR APRIL 11, 2022 AT 3:45 P.M. WILL TAKE PLACE *SOLELY* BY VIDEOCONFERENCE/TELECONFERENCE.

TO ACCESS THE MEETING:

http://pasadena.granicus.com/MediaPlayer.php?publish_id=9

AND

WWW.PASADENAMEDIA.ORG

In order to facilitate public participation at meetings held solely by electronic means, the City will accept public comment in the following manner:

1. During the meeting, members of the public may provide live public comment by submitting a speaker card prior to the start of public comment on that item, at the following webpage:

   www.cityofpasadena.net/commissions/public-comment

   After submitting a public speaker card, join the virtual meeting at the published start time with a computer, other electronic device, or by telephone. The same name or telephone number on the Speaker Card **must** be used for the virtual meeting in order to locate and unmute the speaker.

   Computer or electronic devices, join the meeting at:
   https://us02web.zoom.us/j/161482446

   Telephone only dial-in: 1-669-900-6833, Meeting ID: 161 482 446

2. Members of the public may submit correspondence of any length prior to the start of the meeting, at the following email address:

   gacevedo@cityofpasadena.net

   Correspondence will be forwarded to the legislative body prior to the start of the meeting.

3. If assistance is needed by phone, please call the City Clerk's Office at: (626) 744-4124.

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OFFICE OF THE MAYOR

CITY OF PASADENA
NOTICE OF SPECIAL MEETING
OF THE FINANCE

APRIL 11, 2022
PUBLIC MEETING: 3:45 P.M.
PASADENA CITY HALL, COUNCIL CHAMBER
100 NORTH GARFIELD AVENUE, ROOM S249

Note to the Public: City Hall is closed to the public until further notice.

NOTICE IS HEREBY GIVEN that the regular meeting of the Finance Committee that would have been scheduled for Monday, April 11, 2022 at 4:00 p.m. is now taking place at 3:45 p.m. by videoconference/teleconference to discuss matters on the attached agenda. This virtual meeting is held pursuant to Executive Order N-29-20 issued by Governor Gavin Newsom.

Victor M. Gordo, Mayor
City of Pasadena

I HEREBY CERTIFY that this notice, in its entirety, was posted on the Internet at www.cityofpasadena.net/commissions/city-council-finance-committee and on the Council Chamber Bulletin Board, Room S249 and the Bulletin Board in the rotunda area, City Hall, 100 North Garfield Avenue, this 7th day of April, 2022, by 5:30 p.m., and that copies hereof were faxed, emailed or delivered to each member of the City Council and to each local newspaper of general circulation, radio or television station requesting notice in writing, all of which recipients are identified on the distribution list set forth herein below.

Gloria Acevedo, Recording Secretary
Finance Committee

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SPECIAL MEETING
AGENDA
FINANCE COMMITTEE
APRIL 11, 2022

Public Meeting: 3:45 P.M.
Council Chamber, Pasadena City Hall
100 North Garfield Avenue, Room S249

PUBLIC MEETING - 3:45 P.M.

ROLL CALL

PUBLIC COMMENT – LIMITED TO ITEMS ON THIS SPECIAL MEETING AGENDA AND WILL BE HEARD AT THE TIME THE ITEM IS CONSIDERED

APPROVAL OF MINUTES

March 14, 2022	Special Meeting
March 28, 2022	Cancellation Notice

NEW BUSINESS

1. **APPROVAL OF AN AFFORDABLE HOUSING LOAN AGREEMEENT WITH HERITAGE HOUSING PARTNERS FOR A CITY LOAN IN AN AMOUNT NOT TO EXCEED $2,000,000 TO ACQUIRE AND REHABILITATE PROPERTY AT 2322 E. FOOTHILL BOULEVARD FOR OPERATION AS A SIX-UNIT AFFORDABLE RENTAL HOUSING PROJECT FOR HOMELESS AND HOUSING INSECURE TRANSITION AGE YOUTH**

INFORMATION ONLY

ADJOURN

APPROVAL OF MINUTES

- **MARCH 14, 2022 SPECIAL MEETING**
- **MARCH 28, 2022 CANCELLATION NOTICE**

Special Meeting Minutes
FINANCE COMMITTEE
Monday, March 14, 2022 ▪ 3:00 p.m.
Videoconference/Teleconference Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: The special meeting of the Finance Committee was called to order at 3:03 p.m. with Mayor Gordo, Vice Mayor Wilson, and Councilmembers Kennedy and Williams.

Attendees (Absent as indicated):

Councilmembers	**Staff**	**Guests**
Mayor Gordo, Chair	Matthew Hawkesworth	Kim McKay, BRIDGE Housing Inc.
Andy Wilson	Theresa Fuentes	Anna Slaby, BRIDGE Housing Inc.
John Kennedy Arrived (3:04 p.m.)	Tony Olmos	
Felicia Williams	Kris Markarian	
	Phillis Hallowell	
	Vic Erganian	
	James Wong	
	Marvin Moon	
	Natalie Ouwersloot	
	Laura Rubio- Cornejo	
	Daniel Carlos	
	Gary Takara	
	Varoojan Avedian	

Recording Secretary: Gloria Acevedo

B. PUBLIC COMMENT- None

C. APPROVAL OF MINUTES

- February 14, 2022 Special Meeting
- February 28, 2022 Cancellation Notice

The Minutes were approved as submitted.

D. NEW BUSINESS

1. AMENDMENTS TO FISCAL YEAR 2022 CAPITAL IMPROVEMENT PROGRAM BUDGET

Mayor Gordo introduced the item.

The Finance Committee approved forwarding this report to the full City Council.

2. PROPOSITION A LOCAL RETURN FUND EXCHANGE WITH THE CITY OF HIDDEN HILLS

Mayor Gordo introduced the item and Laura Rubio-Cornejo; Director of Transportation gave a brief overview.

Vice Mayor Wilson thanked Ms. Cornejo for engaging in this opportunity.

Mayor Gordo requested any new similar opportunities to be brought to the Finance Committee

The Finance Committee approved forwarding this report to the full City Council

3. APPROVAL OF BUSINESS TERMS OF THE SECOND AMENDMENT TO DEVELOPMENT, LOAN AND LEASE AGREEMENT NO. 23,370 WITH BRIDGE HOUSING INC. INCLUDING ADDITIONAL CITY FUNDING IN AN AMOUNT NOT TO EXCEED $2,000,000 FOR THE DEVELOPMENT OF THE HERITAGE SQUARE SOUTH PERMANENT SUPPORTIVE HOUSING PROJECT FOR CHRONICALLY HOMELESS SENIORS AT 710 N. FAIR OAKS AVENUE

Mayor Gordo introduced the item.

Mayor Gordo asked if this action would allow the City to see the project finalized without further requests for funding. James Wong, Senior Project Manager, stated that this is the last piece of funding that will allow the project to move forward. Anna Slaby indicated BRIDGE Housing Inc. has taken the project out to bid and secured additional funding to cover the gap.

Vice Mayor Wilson asked for clarification of the original funding structure that had a certain expectation of City support and if the action is in-line with that expectation. Mr. Wong responded that the project increased by $10 million due to construction costs; however, the developer was able to reduce the gap to $2 million. The $2 million gap is the additional loan amount to the previous $5 million loan that City Council approved.

Mayor Gordo asked about the terms of the commercial component. Mr. Wong responded that no changes were made to the action the City Council took in May of 2020; 7,500 sq. ft., of noncommercial space remains in the scope of the development. Mayor Gordo also asked how the developer plans to use the space. Anna Slaby, from BRIDGE Housing Inc., stated they have engaged a potential cafe tenant and are aiming to reach out to potential service providers that support the local community.

Councilmember Kennedy thanked BRIDGE Housing Inc., the City Council for its leadership, the Finance Committee, William Huang, and James Wong for bringing this much-needed project to the most vulnerable members of the community.

The Finance Committee approved forwarding this report to the full City Council.

4. QUARTERLY INVESTMENT REPORT - QUARTER ENDING DECEMBER 31, 2021

Mayor Gordo introduced the item and Vic Erganian, Deputy Director of Finance/Treasurer, provided a PowerPoint presentation and responded to questions.

Vice Mayor Wilson asked if there were any benchmarks of other City Environmental, Social, and Governance investment targets and if so, how does the City compare. Mr. Erganian stated there are no guidelines or standards on how to invest. Matthew Hawkesworth, Director of Finance, added that after staff spoke to two-dozen entities across the country on the subject, he found everyone invests differently.

Councilmember Kennedy asked if a recession is unavoidable. Mr. Erganian responded that every dollar not invested in goods or services can slow the economy. Vice Mayor Wilson asked if the City is in a good position to weather a recession and if there are any recommendations for the overall financial health of the City. Mr. Erganian stated there is no certainty, the forecast models 1-2 years out show a slow-down if inflation persists, and that more facts on the economy are needed to make an assessment on the City's position.

Mayor Gordo expressed concern for contracts that are indexed to the Consumer Price Index (CPI) and asked if language can be added to vendor contracts indexed to CPI that would keep the City from paying permanent high fees. Mr. Hawkesworth stated that most contracts have a cancellation or termination clause allowing the City to end the agreement if found to be in a poor contract. Mayor Gordo requested for staff to closely monitor contracts that have an impact to all of the funds and to engage negotiations whenever possible.

The Finance Committee approved forwarding this report to the full City Council.

E. INFORMATION ONLY

5. FINANCIAL UPDATE - MARCH 2022

Mayor Gordo introduced the item and Matthew Hawkesworth, Director of Finance, provided a PowerPoint presentation and responded to questions.

Vice Mayor Wilson asked for an explanation on the signal and traffic light tax fund and asked if it is restricted. Matthew Hawkesworth, Director of Finance responded, that the

tax is assessed on all electric bills and funds this General Fund unrestricted revenue category.

Councilmember Williams inquired about the process to change the cannabis tax rate. Mr. Hawkesworth responded that it would require an ordinance for City Council to amend the Pasadena Municipal Code or even a resolution to change the current rate in the code.

Mayor Gordo asked if growth is available to the cannabis tax. Mr. Hawkesworth stated that the rate is at 4% and it could go up to 6%. Mayor Gordo requested a Memo with the details on how to increase this tax rate.

The Finance Committee acknowledged receiving the report.

F. ADJOURN

With no further business to come before the Finance Committee, the meeting adjourned at 3:56 p.m.

_____

Victor M. Gordo Date
Chair, Finance Committee

_____

ATTEST: Gloria Acevedo, Date
Recording Secretary

OFFICE OF THE MAYOR

CITY OF PASADENA
NOTICE OF CANCELLATION
FINANCE COMMITTEE
REGULAR MEETING
MARCH 28, 2022

NOTICE IS HEREBY GIVEN that the regular meeting of the Finance Committee, scheduled for Monday, March 28, 2022 at 4:00 p.m. in the Pasadena City Hall, 100 North Garfield Avenue, Pasadena, is cancelled.

Victor M. Gordo, Chair
Finance Committee

I HEREBY CERTIFY that this notice, in its entirety, was posted on the Internet at www.cityofpasadena.net/commissions/city-council-finance-committee and on the Council Chamber Bulletin Board, Room S249 and the Bulletin Board in the rotunda area, City Hall, 100 North Garfield Avenue, this 24th day of March 2022, by 5:30 p.m., and that copies hereof were faxed, emailed or delivered to each member of the City Council and to each local newspaper of general circulation, radio or television station requesting notice in writing, all of which recipients are identified on the distribution list set forth herein below.

Gloria Acevedo, Recording Secretary
Finance Committee

DISTRIBUTION:

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NEW BUSINESS

1. **APPROVAL OF AN AFFORDABLE HOUSING LOAN AGREEMEENT WITH HERITAGE HOUSING PARTNERS FOR A CITY LOAN IN AN AMOUNT NOT TO EXCEED $2,000,000 TO ACQUIRE AND REHABILITATE PROPERTY AT 2322 E. FOOTHILL BOULEVARD FOR OPERATION AS A SIX-UNIT AFFORDABLE RENTAL HOUSING PROJECT FOR HOMELESS AND HOUSING INSECURE TRANSITION AGE YOUTH**

Agenda Report

April 25, 2022

TO: Honorable Mayor and City Council

THROUGH: Finance Committee (April 11, 2022)

FROM: Department of Housing

SUBJECT: **APPROVAL OF AN AFFORDABLE HOUSING LOAN AGREEMENT WITH HERITAGE HOUSING PARTNERS FOR A CITY LOAN IN AN AMOUNT NOT TO EXCEED $2,000,000 TO ACQUIRE AND REHABILITATE PROPERTY AT 2322 E. FOOTHILL BOULEVARD FOR OPERATION AS A SIX-UNIT AFFORDABLE RENTAL HOUSING PROJECT FOR HOMELESS AND HOUSING INSECURE TRANSITION AGE YOUTH**

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1) Find that the proposed housing financing, acquisition and rehabilitation activity, as described in this agenda report, does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) (State CEQA Guidelines Section 15301) and Class 26 (Acquisition of Housing) (State CEQA Guidelines Section 15326;

2) Approve a budget amendment appropriating $1,600,000 from the Inclusionary Housing Trust Fund's unappropriated fund balance to the Housing Department's FY 2022 Operating Budget to fund the proposed City loan for the Heritage Housing Partners Transition Age Youth Housing Project;

3) Approve certain key business terms, as described in this agenda report, of the proposed Affordable Housing Loan Agreement with Heritage Housing Partners; and

4) Authorize the City Manager to execute any and all documents necessary to effectuate the staff recommendation.

BACKGROUND:

The subject Property (the "Property") is located at 2322 E. Foothill Boulevard, Pasadena. The Property is a 4,189 square foot lot that currently contains two buildings, including a front one that was constructed in 1924, along with a rear building that was reconstructed with a second floor circa 1973. The total square footage for both buildings is 2,360 sq ft. The Property is currently vacant, although it was previously used as a five-(5) unit non-permitted residential rental property.

The Property is zoned as General Commercial. Under the permissible Commercial General land uses, the Property can be used to provide either Transitional Housing or Single Room Occupancy ("SRO") by-right.

The property owner ("Seller") listed the Property for sale in December 2021. The Seller entertained several offers before Heritage Housing Partners, a Pasadena-based non-profit affordable housing developer, negotiated a purchase and sale agreement with the Seller for an acquisition price of $1,300,000 ($551/SF). The Property is currently in escrow, with closing scheduled for thirty (30) days after Council approval. Due diligence activities contemplated by the purchase and sale agreement include property and environmental investigations. Any findings will be remediated as part of the rehab construction.

HHP proposes renovating the existing structures and reconfiguring the five (5) existing floor plans to provide six (6) units of interim housing for homeless and at-risk youth (generally from the ages of eighteen to twenty-four). The proposed Project (the "Project") will help address an unmet need for housing among this population.

In order to comply with SRO development standards, all six of the units will be no more than 375 square feet. New drywall, flooring, and bath and kitchen fixtures will be installed, along with microwaves, ranges, garbage disposals, and refrigerators.

In addition, new mechanical, electrical, and plumbing systems will be installed as part of the rehab construction. The Property will also be re-roofed. Other improvements include creating a laundry room, resurfacing the driveway, upgrading the storm water drainage system, and creating a landscaped seating area near the back building. HHP anticipates a nine-month construction period.

Once the rehab construction is complete, HHP intends to enter into a Master Lease with a qualified operator, which will manage the property and provide supportive services to Transition Age Youth ("TAY") tenants, all of whom will be homeless or at-risk of homelessness.

HHP is in discussions with several local service providers and intends to enter into a Letter of Intent with one of these during the rehab construction period. There will be a Pasadena preference as part of tenant selection and depending on the funding the chosen provider is able to access, the Project may be able to house youth tenants who are also Pasadena City College students.

Youth housing remains an unmet need in the City and throughout the region. According to a recent study, UCLA's "State of Crisis: Dismantling Student Homelessness in California", it's estimated that one (1) in five (5) California Community College students experience homelessness or are housing insecure. Community colleges have the highest rates of homelessness and housing insecurity across California's three public systems of post-secondary education. Currently, there are not enough housing opportunities that are affordable to students and growing housing insecurity among college students stemming from high rents poses serious barriers to educational achievement.

Critical interventions for youth experiencing homelessness include early and immediate access to interim housing and a clear pathway to long-term housing that will end their homelessness and promote early stabilization, so they can get connected to resources such as employment and education support.

The total project budget is $2,215,950, consisting of $1.3M for acquisition, $820,000 for property rehab construction, $69,450 for capitalized operating and replacement reserves, $15,000 for developer acquisition fee, $8,000 for construction period insurance, and $3,500 for transaction and title costs.

The Project is proposed to be financed with a City loan in the amount of $2,000,000 (drawn from Inclusionary ($1,600,000) and ARPA ($400,000) funds), $200,000 Developer private funds consisting of an anticipated grant from the Pasadena Community Foundation ("PCF") and a $15,950 Developer contribution. PCF will consider the Developer's funding request at its April 20, 2022 Board of Directors' meeting. The Developer is also exploring other potential sources, including additional grant funding. If HHP secures additional funding, the City's loan may be reduced or may be used to subsidize operating costs as needed.

HHP submitted a request to the City on February 24, 2022 for loan assistance in the amount of $2,215,950. Documentation received from HHP includes property inspection reports, a project budget, an annual budget for operation of the Property as affordable rental housing, and a 10-year cash flow analysis. HHP proposes to acquire the Property, make necessary renovations, and operate the Property as affordable rental housing targeting TAY students at Very Low income (50% of the Los Angeles County area median income) or below. If the operation of the Project as TAY housing becomes financially unsustainable at the City's determination, the Property may be operated as affordable rental housing for low-income persons at 60% of AMI.

Staff analyzed HHP's request and believes that the project financial assumptions are reasonable, the funding amount is in line with the subsidy levels provided by the City on other affordable housing projects, and that the proposed loan assistance for the project is an appropriate use of City housing funds. Accordingly, staff recommends that the City enter into an Affordable Housing Loan Agreement with HHP in connection with the Property. The staff recommendation was reviewed by the Internal Housing Loan Committee on April 7, 2022, which recommended approval.

KEY BUSINESS TERMS OF THE AFFORDABLE HOUSING LOAN AGREEMENT

The proposed Affordable Housing Loan Agreement (the "Loan Agreement") between the City and HHP ("Developer"), in connection with the acquisition, rehabilitation, and operation of the Property as affordable rental housing (the "Project"), includes the following key business points:

1) **Project Budget**: The estimated total project cost is $2,215,950 comprised of acquisition, rehabilitation, capitalized replacement and operating reserves, escrow/title fees, and HHP acquisition fee. This amount shall be financed with the City Loan and Developer private funds.

2) **City Loan funding, interest, term**: City funding assistance for the Project shall not exceed $2,000,000 in the form of a loan ("City Loan") drawn from the Inclusionary Housing Trust Fund and the ARPA Fund. The City Loan shall bear interest at the fixed rate of 1.50% per annum, compounded annually, with a 55-year term. City Loan funds shall be used to pay project costs as set forth in the Project Budget.

3) **City Loan payment**: Developer shall make annual payments on the City Loan from the Project's residual receipts, if any (where residual receipts equals 55% of net cash flow after operating expenses, property taxes, replacement/operating reserves, and asset management fee, are paid). Developer's share of net cash flow is 45%.

4) **City Loan security**: The City Loan shall be secured with a deed of trust in the first lien position, recorded against the Property. Any sale, transfer, refinance, or encumbrance of the Property by Developer shall require the approval of the City.

5) **Scope of Development**: Acquisition and rehabilitation shall be performed in accordance with a Scope of Development.

6) **Schedule of Performance**: The Project milestones and timeframe for their completion shall be performed in accordance with a Schedule of Performance.

6) **Regulatory Agreement; Approval of Transfers, Encumbrances**: Developer shall comply with rental housing deed restrictions in favor of the City for a term of 55 years ("Regulatory Agreement"). Under the recorded Regulatory Agreement, occupancy of all six (6) dwelling units in the Project shall be restricted to Transition Age Youth (TAY) tenants at Very Low income with rents paid by tenants not to exceed the Very Low income affordability under the City's Inclusionary housing standards. In the event operation of the Project as TAY housing becomes financially unsustainable at the City's determination, the Property may be operated as affordable rental housing for low-income persons at 60% of AMI. Any sale, transfer, refinance, or encumbrance of the Property by Developer shall require the approval of the City. In the event of a sale of the Property by Developer, City shall have the right of first refusal to acquire the Property.

8) **Marketing, Tenant Selection, and Management Plans**: Developer or the Master Lessee on Developer's behalf shall submit to the City for approval a Marketing and Tenant Selection Plan for the TAY population which complies with the City's Local Preference and Priority Guidelines. Developer shall also submit to the City for approval a Property Management Plan for the operation and maintenance of the Project.

9) **City policies**: Developer shall comply with all applicable City ordinances, regulations and policies including but not limited to City Minimum Wage standards, "First Source" local hiring requirements, and insurance and indemnification requirements.

10) **Reporting**: Developer shall submit to the City the following reports: a) during the Scope of Development period: monthly status reports on compliance with the City's First Source local hiring and Minimum Wage ordinances; b) during the City Loan term: annual operating budget and audited financial statements; c) during the Regulatory Agreement term: annual affordable housing and property management compliance reports.

COUNCIL CONSIDERATION:

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Plan.

ENVIRONMENTAL ANALYSIS:

The implementation of the staff recommendation to provide financing for the purchase and rehabilitation of the subject property does not have a significant effect on the environment and has been determined to be categorically exempt under Classes 1 (Existing Facilities) and 26 (Acquisition of Housing) of the State California Environmental Quality Act ("CEQA"), (Sections 15301 and 15326 of the State CEQA Guidelines. Class 1 applies to the repair, maintenance and minor alterations of existing facilities where there is negligible or no expansion of the use. In this instance, the use – residential – will remain the same, and the repairs to the units will not have a significant effect on the environment. Class 26 applies where an agency is acquiring an interest in housing units for housing assistance, as is the case for this project. No unusual circumstances apply to these units, and no exceptions to the exemptions apply. Accordingly, no further CEQA review is required for this activity.

FISCAL IMPACT:

Approval of the recommended actions will increase the Housing Department's FY 2022 Operating Budget by the amount of $1,600,000 from the unappropriated fund balance of the Inclusionary Housing Trust Fund. The proposed City financing to implement HHP's acquisition and rehabilitation of the subject property will be drawn from the Inclusionary Housing Trust Fund (Account No. 23916003-816700-51047). Approval of this action will leave an unappropriated fund balance of approximately $1.26M in the Inclusionary Housing Trust Fund. The City funding for this project will be in the form of a loan secured by a deed of trust. The debt service on the City loan would be paid from the project's annual residual receipts which are not guaranteed.

Respectfully submitted,

WILLIAM K. HUANG
Director of Housing

Prepared by:

Caroline Lockwood Nelson
Caroline Lockwood Nelson
Program Coordinator

Approved by:

CYNTHIA J. KURTZ
Interim City Manager

PASADENA

Department of Housing

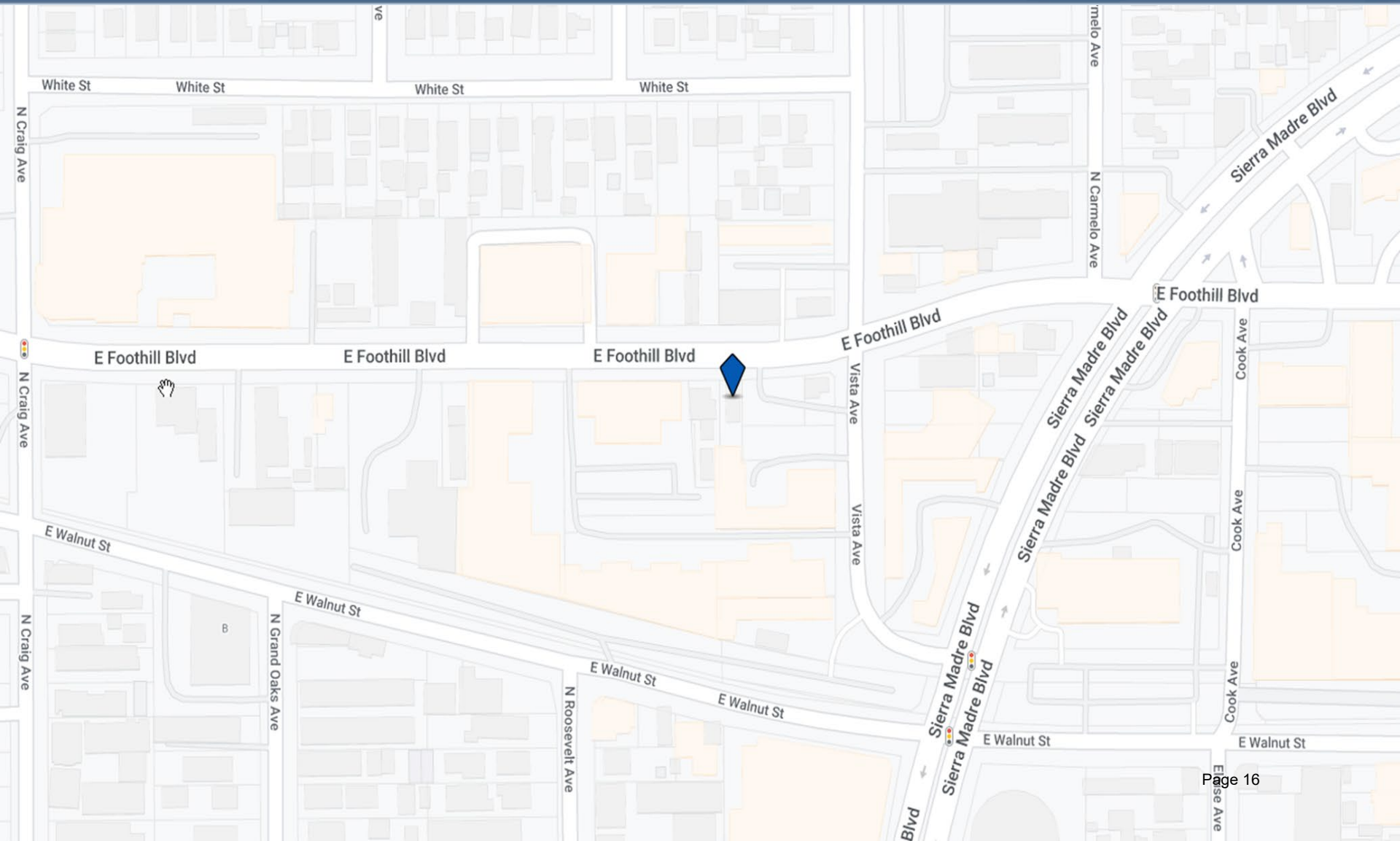
Approval of Affordable Housing Loan Agreement w/ Heritage Housing Partners for 2322 E. Foothill Blvd

Finance Committee Item 1

April 11, 2022

BACKGROUND

Department of Housing



BACKGROUND

Department of Housing

BACKGROUND

Department of Housing

- **Address:** 2322 E. Foothill Blvd (CD 2)
- **Improvements**: 5 vacant units previously used as non-permitted residential rental built in 1924 (front) / c. 1972 (rear)
- **Zoning**: CG - allows for by-right transitional housing or single room occupancy ("SRO")
- **Proposed Use**: 6 units of Transition Age Youth ("TAY") housing w/ potential focus on PCC students experiencing homelessness assisted w/ PCC rent subsidy

BACKGROUND

Department of Housing

- Property listed for sale in December 2021
- Developer Heritage Housing Partners (HHP) in escrow January 2022 to purchase at $1.3M
- HHP requested $2.2M City funding in February 2022 to acquire/rehabilitate the property for use as affordable rental housing for TAY pop.
- HHP has applied for a $200,000 grant from the Pasadena Community Foundation
- HHP and PCC exploring a PCC rent subsidy
- Escrow scheduled to close on 5/25/22

BACKGROUND

Department of Housing

- Substantial rehab to provide a total of 6 units
- Operation of property as TAY housing
  - > HHP to master lease w/ a qualified operator
  - > Operator will manage property and provide supportive services to TAY tenants who are homeless or at-risk of homelessness
  - > Housing for TAY population remains an unmeet need
    - Estimated that one (1) in five (5) CA Community College students is homeless or housing insecure
    - Access to interim housing and services help TAY clients meet their education/employment goals

BACKGROUND

Department of Housing

Project Budget

$1,300,000	Acquisition
820,000	Rehabilitation
69,450	Capitalized Reserves
15,000	Developer Fee
8,000	Insurance
3,500	Title and Escrow
$2,215,950	Total

Proposed Funding Sources

$2,000,000	City Loan
200,000	PCF Grant
15,950	Developer Contribution
$2,215,950	Total

LOAN AGREEMENT TERMS

Department of Housing

- **City Loan Amount:** $2,000,000
- **Funding:** Inclusionary ($1.6M), ARPA ($0.4M)
- **Interest Rate/Term:** 1.50% / 55 years
- **Repayment:** Based on Residual Receipts
- **Affordability Reqt:** Low income up to 60% AMI
  - > Recorded deed restrictions w/ 55-year term
  - > Can be operated as affordable rental housing for low-income persons should TAY project prove unfeasible
- **Marketing:** City's Local Preference Guidelines
  - > Possibility for PCC student preference depending on source of operator's funding

FISCAL IMPACT

Department of Housing

- Increase the Housing Department's FY 2022 Operating Budget by the amount of $1,600,000 from the unappropriated fund balance of the Inclusionary Housing Trust Fund
- The City financing to implement the project will be drawn from the Inclusionary Housing Trust Fund (Account No. 23916003-816700-51047), leaving an unappropriated fund balance of approximately $1.26M
- Debt service on the City loan for the project would be paid from the project's annual residual receipts which are not guaranteed

RECOMMENDATION

Department of Housing

- Find that the proposed housing financing, acquisition and rehabilitation activity, as described in the agenda report, does not have a significant effect on the environment and has been determined to be categorically exempt under Class 1 (Existing Facilities) (State CEQA Guidelines Section 15301) and Class 26 (Acquisition of Housing) (State CEQA Guidelines Section 15326);

- Approve budget amendment appropriating $1,600,000 from the Inclusionary Housing Fund unappropriated fund balance to the Housing Department's FY 20212 operating budget for the HHP Transition Age Youth Housing Project;

RECOMMENDATION

Department of Housing

- Approve certain key business terms, as described in the agenda report, of the proposed Affordable Housing Loan Agreement with Heritage Housing Partners; and

- Authorize the City Manager to execute any and all documents necessary to effectuate the staff recommendation.