



CITY OF GLENDALE, CALIFORNIA REPORT TO THE GLENDALE HOUSING AUTHORITY

AGENDA ITEM

Report: Housing Authority Execution of an Affordable Housing Agreement and Ground Lease Associated with Piedmont Glendale, L.P., a California Limited Partnership Created by EAH Housing, for a Proposed 100% Affordable Senior Housing Project (Parkview Glendale) on Housing Authority Owned Land at 426 Piedmont Avenue and 507 Naranja Drive.

1. Housing Authority Resolution Approving an Affordable Housing Agreement and Ground Lease with Piedmont Glendale, L.P. for Housing Authority Owned Land at 426 Piedmont Avenue and 507 Naranja Drive in Glendale, California 91206.

COUNCIL ACTION

Item Type: Action Item

Approved for November 5, 2024 **calendar**

EXECUTIVE SUMMARY

Staff has negotiated and is bringing forth the terms of an Affordable Housing Agreement and Ground Lease by and between the Housing Authority of the City of Glendale ("Housing Authority") and Piedmont Glendale, L.P., a California Limited Partnership created by EAH Housing ("EAH"). The Affordable Housing Agreement and Ground Lease support Parkview Glendale, a 100% affordable, 68-unit rental, senior housing project located at 426 Piedmont Avenue and 507 Naranja Drive ("Project").

In May 2024, EAH was able to secure 9% low income housing tax credits ("9% Tax Credits") from the California Tax Credit Allocation Committee ("CTCAC"). With an award of 9% Tax Credits, the Housing Authority may now commit \$2,181,500 in HOME ARP funds as part of the approval of the Affordable Housing Agreement. Housing Authority authorization that the Executive Director enter into the Affordable Housing Agreement and Ground Lease is essential for the development of the Project.

RECOMMENDATION

That the Housing Authority approve, authorize, and direct execution of an Affordable Housing Agreement and Ground Lease with Piedmont Glendale, L.P. for Housing Authority owned land at 426 Piedmont Avenue and 507 Naranja Drive.

ANALYSIS

In August of 2022, the Housing Authority acquired 426 Piedmont Avenue and 507 Naranja Drive for \$11.9M. The purpose of the Housing Authority's acquisition was for a future 100% affordable senior rental housing development.

On May 1, 2023, the Housing Authority issued a Request for Qualifications (RFQ), for the development of 100% affordable rental housing at 426 Piedmont Avenue and 507 Naranja Drive (alternatively, the "Project Site").

The Project Site is improved with a main, two-story building and one three-story annex building which was used as a 112-bed senior assisted living facility. The buildings were vacant when the Housing Authority purchased the Project Site and the previous owner had begun a rehabilitation of the buildings. Approximately 90% of the exterior improvements had been made but the interior improvements were not complete before the acquisition.

In response to the RFQ issued on May 1, 2023, EAH submitted qualifications dated June 30, 2023 to ground lease the site from the Housing Authority and develop it with 67 units of 100% affordable rental housing for seniors, one manager's unit, and ancillary facilities, which development would occur through the adaptive reuse of the existing buildings. On October 10, 2023, the Housing Authority approved entering into an Exclusive Negotiation Agreement with EAH.

The Project will provide housing for seniors with incomes between 30% and 60% of area median income. EAH proposes to develop the Project with financing that includes 9% Tax Credits and HOME ARP funds, in addition to the Measure S Funds, Low and Moderate Income Housing Asset Funds (LMIHAF), and Permanent Local Housing Allocation Funds used for the acquisition of the Project Site. A conventional bank loan will also be used for construction.

On January 30, 2024, the Housing Authority approved entering into a Letter of Loan Commitment and Lease Option with EAH in time for EAH to apply for an allocation of 9% Tax Credits from CTCAC in March, 2024. The Letter of Loan Commitment provided \$2,181,500 in HOME ARP funds, in addition to the land value. EAH was able to secure 9% Tax Credits in May of 2024.

The Housing Authority, at a special meeting on October 8, 2024, adopted a resolution making findings that the property underlying the Project Site (426 Piedmont Avenue and 507 Naranja Drive) is exempt surplus land because it meets certain exemption criteria and, alternatively, that it is not subject to the Surplus Land Act pursuant to the California Health and Safety Code (Resolution No. H-537).

Since the award of 9% Tax Credits, EAH has been in the plan check process and anticipates building permit issuance soon. Concurrently, EAH and City staff have negotiated an Affordable Housing Agreement, Ground Lease and related documents for Housing Authority review and approval. See Draft Affordable Housing Agreement and Draft Ground Lease (Exhibit 2), attached. Once approved, and upon receipt of the California Department of Housing and Community Development's concurrence that the leasehold disposition is exempt based on the Housing Authority's findings in Housing Authority Resolution No. H-537, all closing documents will be executed.

Construction of Parkview Glendale will commence in December of 2024. Construction is expected to last approximately 18 months with a deadline of June 30, 2026. Marketing of the units will take place approximately six months prior to anticipated construction completion.

SUMMARY OF TERMS OF AFFORDABLE HOUSING AGREEMENT AND GROUND LEASE

The key terms of the Affordable Housing Agreement remain substantively the same as when the Housing Authority approved the Letter of Loan Commitment.

The key terms of the Affordable Housing Agreement and Ground Lease are summarized as follows:

- EAH will finance, adaptively re-use and construct a total of 68 residential dwelling units for seniors, with 67 as affordable rental housing and one reserved as an on-site manager's unit.
- The housing units will be reserved for rent by lower income, senior households at affordable rent levels between 30% and 60% area median income for a minimum period of 75 years with two 10-year options from the date of recordation of the regulatory agreement by EAH, or a longer period as mutually agreed upon by the Housing Authority and EAH, upon terms and conditions approved by the Housing Authority.
- The Housing Authority's total assistance to the project will be \$14,081,500 (consisting of \$11.9M for land and \$2,181,500 development loan), or \$207k per unit.
- The Housing Authority's assistance will be in the form of residual receipt loans secured by Leasehold Deeds of Trust that will be subordinate to a Permanent Financing Loan.
- The term of the Ground Lease will be for 75 years with two 10-year options at a capitalized value of \$11.9M payable through residual receipts.

PROJECT ECONOMICS

The estimated Parkview Glendale budget is \$38,694,701. The Housing Authority is providing \$11.9M in land (\$175k / unit) and \$2,181,500 (\$32,080 / unit) in cash. The

remaining \$24,613,201 will be financed using \$24,372,560 in federal tax credit equity and approximately \$240,541 in deferred interest.

Table 1 shows the sources of funds during and post-construction for the project.

TABLE 1	SOURCES OF FUNDS	
Construction	Amount	Per Unit
Construction Loan	\$19,261,207	\$283,253
Glendale Housing Authority Development Loan	\$2,181,500	\$32,081
Accrued Deferred Interest	\$32,291	\$475
Glendale Housing Authority Ground Lease	\$11,900,000	\$175,000
Accrued Deferred Interest	\$208,250	\$3,063
Costs Deferred Until Conversion	\$2,674,097	\$39,325
LIHTC Equity	\$2,437,256	\$35,842
General Partner Capital	\$100	\$1
Total Sources	\$38,694,701	\$569,040

Permanent	Amount	Per Unit
Glendale Housing Authority Development Loan	\$2,181,500	\$32,081
Accrued Deferred Interest	\$32,291	\$475
Glendale Housing Authority Ground Lease	\$11,900,000	\$175,000
Accrued Deferred Interest	\$208,250	\$3,063
General Partner Capital	\$100	\$1
Tax Credit Equity	\$24,372,560	\$358,420
Total Sources	\$38,694,701	\$569,040

TARGET POPULATION, INCOME LIMITS AND RENT SCHEDULE

The Project will provide affordable rental housing for a period of at least 75 years with two 10-year options to households having income ranging from 30% to 60% of area median income. Table 2 indicates the annual income limits for households at 30% to 60% of area median income, adjusted for household size in 2024.

TABLE 2		Number of Persons in Household	
Income limits		1	2
Extremely Low Income	0-30% of AMI	\$29,130	\$33,270
Very Low Income	30-50% of AMI	\$48,550	\$55,450
Low Income	50-60% of AMI	\$58,260	\$66,450

Gross monthly rents (plus utilities) for the units will range from approximately \$515 to \$859 per month for the studio units before utility allowances are deducted and \$780 to \$1,560 per month for the one-bedroom units. The total number of rent restricted units is 67. Table 3 shows the number of studio and one-bedroom units that will be available for each income level of households. One, two-bedroom unit will be reserved for the resident manager and will not have rent restrictions.

TABLE 3: Unit Mix and Rents					
Unit	No. of Units	% AMI	Gross Rent	Utility Allowance	Net Rent
Studio	14	30% (HCD)	\$515	\$65	\$450
Studio	2	30% (TCAC)	\$728	\$65	\$663
1-Bedroom	5	30% (TCAC)	\$780	\$70	\$710
Studio	4	50% (HCD)	\$859	\$65	\$794
1-Bedroom	11	50% (HCD)	\$981	\$70	\$911
1-Bedroom	18	50% (TCAC)	\$1,300	\$70	\$1,230
1-Bedroom	13	60% (HCD)	\$1,560	\$70	\$1,490
2-Bedroom	1	Manager's Unit	-	N/A	-

HUD HOME ACTION PLAN AND RESOLUTION OF APPROPRIATION

HUD HOME regulations require a Participating Jurisdiction to comply with its Citizen Participation Plan (“CPP”) before allocating HOME funds to a project. The CPP seeks to involve the participation of citizens of Glendale and social service agencies in the development and adoption of its Consolidated Plan (“CP”) and Annual Action Plan (“AAP”). The CP and AAP detail the City’s plan for addressing its affordable housing needs. The AAP provides details on specific affordable housing projects the Housing Authority intends to develop within a given year.

For the Project Site, staff completed a separate Allocation Plan specific for HOME American Rescue Plan funds, or HOME ARP. That plan, submitted to HUD on March 31, 2023, anticipated the use of \$2.2M in HOME ARP. HUD approved the plan on April 24, 2023.

STAKEHOLDERS/OUTREACH

Public hearings were conducted on October 10, 2023 awarding EAH an Exclusive Negotiating Agreement and on January 31, 2024 to approve the Density Bonus and Inclusionary Housing Plan, Letter of Loan Commitment and Lease Option. A Historic Preservation Commission hearing was also conducted on May 20, 2021. All hearings were properly noticed. In addition to the aforementioned hearings, the Housing Authority, at a special meeting on October 8, 2024, adopted a resolution making findings that the property is exempt surplus land because it meets certain exemption criteria and, alternatively, that it is not subject to the Surplus Land Act pursuant to the California Health and Safety Code.

FISCAL IMPACT

The Housing Authority's total assistance to the project will be \$14,081,500, consisting of \$11,900,000 for land and \$2,181,500 development loan. The property was acquired in August 2022. The \$2,181,500 of HOME ARP funds was previously appropriated as outlined below. Therefore no new appropriation is being requested at this time.

Existing Appropriation		
Amount	From (Account String)	Funding Source
\$2,181,500	43112-2030-CDD-0020-P0000 PL: CDD00914DG	Home Grant Fund

ENVIRONMENTAL REVIEW (CEQA/NEPA)

The project has undergone review under the California Environmental Quality Act (CEQA) and has been determined to be exempt from any further CEQA review pursuant to Section 15301 of Title 14 of the California Code of Regulations (CEQA Guidelines) as a Class 1 "Existing Facilities" project because no additions to the existing building are proposed, and pursuant to CEQA Guidelines Section 15332 as a Class 32 "In-Fill Development Project" as it meets all threshold criteria set forth in sections 15332(a) through (e).

CAMPAIGN DISCLOSURE

The names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in the company proposed for contract in this Agenda Item Report are attached in Exhibit 3, in accordance with the City Campaign Finance Ordinance No. 5744.

ALTERNATIVES

Alternative 1: Adopt the resolution authorizing execution of an Affordable Housing Agreement and Ground Lease with Piedmont Glendale, L.P. for Housing Authority owned land at 426 Piedmont Avenue and 507 Naranja Drive.

Alternative 2: Do not approve the resolution for the Project. This alternative will terminate the Project.

Alternative 3: Any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Submitted by:

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Prepared by:

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Aaron Brownell, Senior Housing Project Manager

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

Exhibit 1: Site Map

Exhibit 2: Draft Affordable Housing Agreement and Draft Ground Lease

Exhibit 3: Campaign Disclosures