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Title: CONSIDER AND DISCUSS THE SCOTTSDALE RESIDENTIAL TOWNHOUSES REVITALIZATION PILOT PROJECT LOCATED AT 23400 AVALON BOULEVARD, INCLUDING THE USE OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS, NO CITY GENERAL FUNDS WILL BE USED (CITY COUNCIL)

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Attachments: 1. Exhibit No. 1 STC Map, 2. Exhibit No. 2 STA MOU

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Report to Mayor and City Council

Tuesday, October 04, 2016

Discussion

SUBJECT:

CONSIDER AND DISCUSS THE SCOTTSDALE RESIDENTIAL TOWNHOUSES REVITALIZATION PILOT PROJECT LOCATED AT 23400 AVALON BOULEVARD, INCLUDING THE USE OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS, NO CITY GENERAL FUNDS WILL BE USED (CITY COUNCIL)

I. SUMMARY

This is a progress report on the Scottsdale Townhouses Revitalization Pilot Project. In June, 2009 the City Council directed staff to prepare a report on the conditions at the Scottsdale Townhouse community, including options to resolve tensions between the residents and the Scottsdale Townhouses Association (STA). This progress report provides some history and facts about the Scottsdale Townhomes community and what intervening milestones City staff has accomplished since that time.

During the past five years (2012-2016) the City has assisted the neighborhood by (1) acquiring and reselling selected housing units through the City's Neighborhood Stabilization Program (NSP); (2) attending monthly membership meetings of the STA; (3) providing advice and technical support to the STA on various issues such as revisions to the Association's Covenants, Conditions, and Restrictions (CC&Rs) and bylaws; and (4)

proposing the use of federal CDBG funding that could assist the Association make roofing and termite repairs to buildings with severe structural issues.

II. RECOMMENDATION

CONSIDER AND DISCUSS THE SCOTTSDALE RESIDENTIAL TOWNHOUSES REVITALIZATION PILOT PROJECT LOCATED AT 23400 AVALON BOULEVARD

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The Scottsdale residential townhouse development is a 600-unit condominium complex located on approximately 44-acres in the southern section of the City of Carson. Constructed in 1963, the 53 year old community consists of two-story townhouse-style residential units. Although the Scottsdale Townhouses community is a for sale ownership community with the majority of the residents being owner-occupants, there is nevertheless a substantial population of renters.

Over the past several decades, the neighborhood has developed a long history of public safety issues. Recently the Association has made some improvements toward ameliorating these issues; for instance, there has been an increase in security personnel, collaboration between the Association and the Los Angeles County Sheriff's Department and other public safety entities; and, more stringent parking and property maintenance regulations. The City and the Sheriff's office continue to offer advice and technical support on these concerns whenever needed.

Over the years a significant number of the individual housing units have become rundown and in need of maintenance and repair. Using its own resources, the Association has made some efforts in making the much-needed repairs, which includes roof replacement/repairs but the scale of the problem has been overwhelming.

Staff used the City's contracted housing inspection firm, MDG Associates, Inc., to assess the condition of the buildings in the Scottsdale Townhouse community. All of the units are contained in multi-unit buildings, ranging from the smallest buildings with 4 units, to 16 units in the largest buildings. Of the eighty buildings in Scottsdale, there are six to eight buildings that show severe roof deterioration along with needed termite repairs. Therefore, these buildings have been identified as the priority to receive assistance in the Pilot program. (See Exhibit No. 1).

HUD Participation

At the request of the Association, in 2013 City staff contacted the U.S. Department of Housing and Urban Development (HUD) on behalf of the Association concerning the use of Community Development Block Grant (CDBG) funds to assist the Association in addressing the community's deferred maintenance issues, primarily roofing and termite

repairs.

In January 2016, representatives from Los Angeles HUD office toured the property with City staff and the property manager. The site visit helped HUD conclude that the community does exhibit severe deterioration and blighting conditions which could meet the CDBG criteria for assistance. The size of the property, at 600 total units, and level of deterioration were also factors in HUD's determination.

Currently, City CDBG funds are used primarily for rehabilitation of the dwellings of qualifying low- and moderate-income households. By using CDBG funds, the City would seek to assist the Association in repairing deteriorated roofs and eradicate termites from buildings qualifying as low and moderate income housing in accordance with HUD standards. The work would be performed by state licensed and properly insured contractors. The CDBG Annual Plan proposes to use recaptured CDBG funds returned to the City's CDBG line of credit as a result of the resale of the Dominguez Trailer Park property, which was originally acquired with CDBG funds.

Since the exterior of the buildings is owned by the STA, including the roof, the City and the STA would enter into a Memorandum of Understanding (MOU) to establish an irrevocable license to enter Scottsdale to repair certain roofs and eradicate termites from certain buildings. These buildings would need to qualify as "low and moderate income housing" within Scottsdale for the benefit of the Association and the individual unit owners.

The challenge with HUD is that, under the HUD guidelines, the guidelines for assistance to low income homeowners are different than low income renters, in that the additional party (and an additional beneficiary) in a program assisting renters is the property owner, who is typically not low-income. Often there is a regulatory agreement or other restriction requiring the owner to offer the unit at an affordable rent in return for the City improving their property.

Since each multi-unit building is a mix of homeowners and renters, it is difficult to administer one set of guidelines for all of the participants: therefore, HUD agreed that the common thread in all of the selected buildings designated for work is that a majority of the households in the building (homeowners and renters alike) must income qualify as low- or moderate income.

Costs and CDBG Allocation

The amount of \$698,777 was allocated in FY2016-2017 CDBG "recaptured funds" to the Scottsdale Townhouses Revitalization Project. The estimate for repairs ranges up to \$50,000 per unit to fully remove and replace the roofing material, replace any rotted sheathing or trusses, repair termite damage, and fix exterior stucco. This assumes that no interior repairs are necessary due to the faulty roof (i.e. attic or ceiling damage or interior plaster). It also does not budget for any other interior repairs to units. Staff anticipates completing at least one larger to two smaller buildings in FY 2016-2017 as the first phase of the Pilot Program.

At the \$50,000 per unit cost, the nearly \$700,000 currently allocated to the project would obviously fix only a small fraction of the total units in the neighborhood. It is likely that a fully funded revitalization project similar to the City's Pilot Project would cost between

\$25,000,000 and \$30,000,000. A program of that magnitude, even stretched over several years, is beyond the capacity of the City's resources at this time, even factoring in future CDBG allocations.

However, once the pilot program is complete and the City has data on the actual cost, the construction challenges in Scottsdale, and the level of cooperation in income-qualifying residents, it may be possible to seek additional grant funding from State or Federal sources to expand the pilot program, and perhaps ultimately seek a way for the STA to bond for the remaining improvements through an assessment on the properties to complete the project.

All of this will require an extraordinary level of cooperation among all parties: resident owners, absentee owners, renters, the property manager, the STA Board, and the City. However, the progress that has been made over the past several years in reconstituting a functioning STA Board, as well as new rules related to notification on changes in renters, have begun to change the culture of Scottsdale. Further progress in improving the physical environment may make a difference in the getting property owners to approve future self-assessments to ultimately improve the quality of the community permanently.

Staff plans to begin the informational meetings and application process with owners and tenants in the first phase buildings in mid-October.

After the completion of at least one to two buildings, depending on the availability of funding, staff will determine whether to continue allocating funding for the rehabilitation of the other selected buildings for the next program year (2017-2018).

V. FISCAL IMPACT

The amount of \$698,777 from CDBG fund was allocated to account 15-70-760-188-6062.

VI. EXHIBITS

1. Scottsdale Townhouse Association Buildings Map. (pg. 5)
2. Memorandum of Understanding between the City of Carson and Scottsdale Townhouse Association. (pgs. 6-27)

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