

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



5.1

June 4, 1997

Housing Authority
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: VARIOUS ACTIONS RELATED TO PING YUEN CENTER

LOCATION AND COUNCIL DISTRICT: 5th & I Streets, District 1

STAFF RECOMMENDATION

Staff recommends approval of the attached resolution which authorizes the Executive Director to:

- Request the U.S. Housing and Urban Development Department's (HUD) permission to prepay the outstanding mortgage balance for Ping Yuen Center;
- Request that HUD transfer Ping Yuen Center from the project-based Section 8 program to the public housing inventory;
- Take actions necessary to apply for federal funds under the HUD HOPE VI Program, or HUD Portfolio Re-engineering Demonstration Project (to the extent applicable) for renovation or reconstruction of Ping Yuen Center; and
- Transfer a total of \$500,000 of Merged Downtown tax increment funds to the Housing Authority of the City of Sacramento (HACS) for prepayment of the HUD mortgage on the Ping Yuen Center site, as well as demolition of the existing building. These funds will be made available as a loan to be repaid through federal grant funds.

CONTACT PERSONS: Pat Duplechan, Director of Housing, 440-1337
Mary Wray, Interim Director, Downtown
Development, 440-1376

FOR COUNCIL MEETING OF: June 10, 1997

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
June 4, 1997
Page 2

SUMMARY

Because of deteriorating conditions of the Housing Authority-owned Ping Yuen Center public housing/office development, located at 5th and I streets, Agency staff has begun the notification process for transfer of the residents out of the building and prepayment of the HUD mortgage. The transfer of all tenants will occur by September 15, 1997. At this time, Agency staff is requesting authorization to seek federal funds to assist with prepayment of the existing HUD mortgage, and rehabilitate or reconstruct a new residential/retail mixed use project at the site. However, staff may return to request approvals to pursue commercial development of the site, should federal funds for residential development prove to be unavailable within a reasonable time frame. A summary of site development alternatives is included as Attachment I.

COMMISSION ACTION

At its meeting of June 4, 1997, it is anticipated that the Sacramento Housing and Redevelopment Commission will recommend approval of the attached resolution. In the event they fail to do so, you will be advised prior to your June 10, 1997 meeting.

BACKGROUND

•The Housing Authority of the City of Sacramento purchased the Ping Yuen Center affordable housing complex in 1972, using federal HUD funds under the Section 8 Program. Since that time, the Housing Authority has managed the 72-unit complex as public housing for low-income individuals, as well as office space for Agency staff.

•Constructed in the mid-1960's, the Ping Yuen building is now nearing the end of its useful life, and in recent years has experienced severe problems with the roofing and electrical, mechanical, and plumbing systems. Because of the severe deterioration of the these building systems, the Agency retained a consultant to prepare a full evaluation of the needed renovation in 1993. The consultant's report concluded that a total of \$4,434,000 in renovation is needed (at an average unit

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
June 4, 1997
Page 3

cost of approximately \$62,000), and would require transferring residents out of the building for an 18-month period. The high renovation costs are due to the type of mid-rise, reinforced masonry construction of the existing building, and necessity of replacing building systems.

- Because temporary "fixes" to the building systems are no longer workable due to immanent failure of some building systems, the Housing Authority has commenced with the federal HUD notification required prior to transfer of Ping Yuen residents. Section 8 vouchers will be made available to all residents by August 1997, and staff anticipates that the building will be vacated by mid-September 1997.

- Staff has previously obtained authorization to relocate Agency staff offices out of the building, and that relocation will be completed in summer 1997.

- Agency staff has evaluated various alternatives which include reconstructing some type of mixed-use residential/retail project on the site or pursuing commercial office/retail development, and replacing the residential uses elsewhere in the Central City. However, because there is a window of opportunity to apply for federal funds under the HUD HOPE VI Program, staff is requesting authorization to apply for funds to construct residential/retail development on the Ping Yuen Center site. Agency staff has prepared a preliminary analysis of development cost for a new 72-unit public housing complex on the Ping Yuen Center site. Development costs total \$7.2 million (with an average unit cost of approximately \$100,000 per unit), which is higher than the average cost of new multi-family construction, primarily due to the necessity of developing a mid-rise building on the quarter-block development site. It is important to note that this cost also includes structured parking for tenants (the existing project contains no parking for tenants), and ground floor retail.

- HUD has released a notice of availability of funds (NOFA) to assist housing authorities to rehabilitate or reconstruct severely distressed public housing, under the HOPE VI Program. The deadline for accepting applications under the NOFA is July 18, 1997. Staff is requesting authorization to prepare and submit an application to develop a mixed-use residential/retail project on this site which would replace the public housing units, as well as provide for ground floor retail uses. In addition to the HOPE VI Program, staff is considering submitting an application under HUD's Portfolio Re-engineering Demonstration Project, which may provide financial assistance in prepaying the

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
June 4, 1997
Page 4

HUD mortgage, or otherwise provide funding for renovation or reconstruction of the public housing units.

FINANCIAL CONSIDERATIONS

- The total cost of prepayment of the HUD mortgage on the Ping Yuen building is approximately \$720,000. Other miscellaneous obligations total \$30,000. Thus, the immediate financial implication of the actions recommended in this report totals \$750,000.
- Funding for the actions recommended in this report will be funded by two sources including 1) \$250,000 from existing HUD-required Ping Yuen maintenance reserves, and 2) a loan of \$500,000 from Merged Downtown Sacramento tax increment funds to the Housing Authority.
- Repayment of the loan of downtown tax increment funds is anticipated to be repaid by proceeds from successful award of federal funds under the HOPE VI program.
- Prepayment of the loan amount to HUD will terminate the Housing Authority's commitment of the site for public housing (low income tenancy) purposes.
- There is no direct impact from the transfer of tenants out of Ping Yuen Center. Transfer of tenants will be accomplished by the Housing Authority using Section 8 certificates and therefore will have no direct financial impact on the Agency.
- If successful in our efforts to obtain federal funds, the Housing Authority will receive funds up to \$8 million to cover costs which would otherwise be required from local sources if we are to preserve these affordable housing units.

FUNDING SUMMARY	
<i>Sources</i>	
Loan of Downtown T.I. (Developer Assistance)	\$500,000
Ping Yuen Reserves	<u>\$250,000</u>
subtotal	\$750,000
<i>Uses</i>	
Prepay HUD mortgage	\$720,000
Prepay other Ping Yuen obligations	<u>\$ 30,000</u>
subtotal	\$750,000

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
June 4, 1997
Page 5

POLICY CONSIDERATIONS

There are no changes in policy related to the actions requested as part of this report.

ENVIRONMENTAL REVIEW

The proposed actions are exempt from environmental review per CEQA Guidelines section 15301 and 15378 (b)(3).

M/WBE CONSIDERATIONS

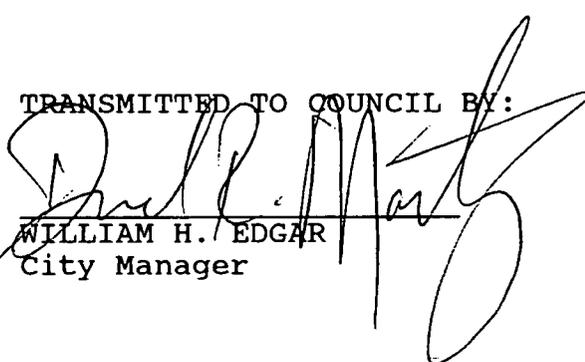
There are no goods or services being purchased as a result of approval of the recommended action, therefore M/WBE considerations do not apply.

Respectfully submitted by,



THOMAS V. LEE
Executive Director

TRANSMITTED TO COUNCIL BY:

for 
WILLIAM H. EDGAR
City Manager

F:\PBB\CHINATWN\YUENSTFF.RPT

AMENDED

RESOLUTION NO. 97-005

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

JUN 10 1997

ON DATE OF _____

VARIOUS ACTIONS RELATED TO PING YUEN CENTER

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO:

Section 1. The Executive Director is authorized to request U.S. Housing and Urban Development Department's (HUD) permission to prepay the outstanding mortgage balance for Ping Yuen Center.

Section 2. The Executive Director is authorized to request that HUD transfer Ping Yuen Center from a project based Section 8 program to the public housing inventory.

Section 3. The Executive Director is authorized to apply for HUD funds under the HOPE VI program, to pursue funds for renovation or reconstruction of Ping Yuen Center and to apply for participation on HUD's Portfolio Re-Engineering Demonstration Project, to the extent applicable.

Section 4. The Executive Director is authorized to transfer a total of \$500,000 of Merged Downtown tax increment (Developer Assistance Project) to a Ping Yuen Project account, and loan this amount to the Housing Authority of the City of Sacramento for prepayment of the HUD mortgage on Ping Yuen Center. These funds shall be considered a loan to be repaid either through federal funds or through future disposition of the site to a private developer.

JOE SERNA, JR.

CHAIR

ATTEST

VALERIE BURROWES

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: JUN 10 1997

not Amended



RESOLUTION NO. 97-005

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF _____

VARIOUS ACTIONS RELATED TO PING YUEN CENTER

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO:

Section 1. The Executive Director is authorized to request U.S. Housing and Urban Development Department's (HUD) permission to prepay the outstanding mortgage balance for Ping Yuen Center.

Section 2. The Executive Director is authorized to request that HUD transfer Ping Yuen Center from a project based Section 8 program to the public housing inventory.

Section 3. The Executive Director is authorized to apply for HUD funds under the HOPE VI program, to pursue funds for renovation or reconstruction of Ping Yuen Center and to apply for participation on HUD's Portfolio Re-Engineering Demonstration Project, to the extent applicable.

Section 4. The Executive Director is authorized to transfer a total of \$500,000 of Merged Downtown tax increment (Developer Assistance Project) to a Ping Yuen Project account, and loan this amount to the Housing Authority of the City of Sacramento for prepayment of the HUD mortgage on Ping Yuen Center, as well as building demolition and site preparation. These funds shall be considered a loan to be repaid either through federal funds or through future disposition of the site to a private developer.

CHAIR

ATTEST

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

**PING YUEN CENTER
SITE DEVELOPMENT ALTERNATIVES**

MAY 1997

SUMMARY

This paper summarizes the distressed conditions and proposed development alternatives for the Sacramento Housing and Redevelopment Agency's Ping Yuen Center affordable housing project. The Ping Yuen Center is a mixed-use, public housing/commercial office use building located at the southwest corner of 5th and I streets, within the two-block former "Chinatown" redevelopment district, and the present boundaries of the Merged Downtown Sacramento Redevelopment Project Area (see Exhibit A, vicinity map). The building is owned and maintained by the Housing Authority of the City of Sacramento (HACS), and includes 72-units of low income housing, subsidized by the U.S. Department of Housing and Urban Development (HUD) Section 8 program.

In recent years, the Ping Yuen Center building has been plagued with major mechanical, structural, electrical, roofing and plumbing problems which have required a high degree of maintenance. Some housing units have been left permanently vacant because repairs are not possible without replacement of the system serving the entire building. Conditions have become so bad that staff has determined that the building is no longer habitable, and that the tenants should be transferred to other housing resources in the City, utilizing Section 8 certificates.

The Housing Authority has reviewed three alternatives for the Ping Yuen site, including:

1. Renovation of the existing structure;
2. Demolition of the existing structure and construction of a new mixed-use residential/commercial project on the site; and

3. Development of an office/retail complex on the site, and designation of replacement units elsewhere in the Central City.

The Housing Authority does not currently have the resources to renovate or reconstruct Ping Yuen Center, and the current federal Section 8 subsidies for the operation of Ping Yuen Center are expiring at the end of 1997. Without significant subsidies, Ping Yuen cannot continue to serve as housing targeted at low income (rents at 30% of the median income) persons. Because of HUD's elimination of traditional subsidy programs for public housing, and programs to develop new public housing, there are few options for continuing Ping Yuen Center in its current use.

However, there is an opportunity to pursue federal funding under the U.S. Department of Housing and Urban Development's (HUD) HOPE VI program, which is targeted at assisting distressed public housing. This program is competitive, and funding is limited. Applications for the HOPE VI program are due July 18, 1997. If the Agency is unsuccessful in securing HOPE VI funds, staff will return with alternative proposals for the site.

Background

History

The two-block area bounded by 3rd, 5th, I, and J streets was part of the former redevelopment project area #4, adopted by the City of Sacramento in 1966. The area was historically the center for the ethnic Chinese community in the City, hence the designation "Chinatown." Redevelopment objectives for the Chinatown District called for demolition of the blighted structures in the area, assemblage of a "super block," and preparation of a master plan which called for development of both residential and commercial uses. Redeveloped to reflect the dominant culture of its former (and present) inhabitants, Chinatown was redeveloped between 1968 and 1972. However, it should be noted that the Chinatown deed restrictions related to the original Project Area #4 expired on August 25, 1996, and the original restrictions of that plan no longer apply to the Chinatown District.

To this day, the area adheres to the original Chinatown District plan. Streets and alleyways were abandoned in favor of a subterranean pedestrian mall, and the subterranean floors of most buildings were designed to create a subterranean retail mall. However, the retail uses have generally failed to survive in the isolated setting, and office uses have taken over most retail spaces. In order to enhance the automobile-free environment, Chinatown provided no designated off-street parking areas, and only a single source of auto access for service vehicles. In addition to Ping Yuen Center, Chinatown includes another multifamily residential structure, the distinctive 12-story Wong Center, which houses low-income senior citizens with a

subsidy from the HUD Section 8 program (the Agency does not participate in the operations of Wong Center). The various original cultural facilities and community halls continue to attract great numbers of ethnic Chinese, predominantly for nighttime and weekend activities. Other businesses in Chinatown include the Vagabond Inn motel and a Denny's restaurant, located at the western end of the project.

The Ping Yuen Center was originally developed by a non-profit residential housing firm related to the adjacent Confucius Church. The Housing Authority of the City of Sacramento purchased the Ping Yuen Center from Confucius Church in 1972, using a HUD Section 8 loan. Since that time, HACS has managed the 72-unit complex as affordable housing for low- and very-low-income individuals, with a subsidy provided by HUD. HUD is slowly phasing out these subsidy programs, and the Housing Authority has chosen not to renew the HUD contract which expires in August 1997.

Site Description

Ping Yuen Center sits on a quarter-block (25,000 sq. ft.) site, and consists of a single floor of subterranean "retail" space, and three floors containing a total of 72 residential units. The units consist of studio to two-bedroom units, ranging from 500 - 900 sq. ft. For years, the former retail space has been occupied by offices of the Sacramento Housing and Redevelopment Agency. However, In November, 1996, the Redevelopment Agency authorized the relocation of Agency offices from this location due to deteriorating conditions in the building.

The site is bounded by the SP Depot/Amtrack Station and the new federal courthouse on the north, a small office/retail building on the south, the Confucius Church on the west, and the Sacramento Commercial Bank office building on the east. Access to the building, by way of a subterranean public right-of-way, has been designated as "pedestrian" access, although the pedestrian-ways are commonly used by automobiles and/ or as unauthorized parking for Chinatown businesses. Auto access to the Ping Yuen site service court is provided via I and 4th streets.

Condition of Building

Completed in December 1970, the Ping Yuen Center building is a four-story building, with a subterranean ground floor commercial space, and three floors of residential above. It is constructed of reinforced concrete, infilled with concrete masonry walls. Although less than thirty years old, most building systems are failing. In recent years, the building has experienced chronic problems with the building's roofing, electrical, mechanical, and plumbing systems.

Deteriorated conditions have resulted in many of the units being permanently vacated, and as conditions of major building components worsen, additional units are anticipated to be shut down. Because temporary "fixes" to the building systems are no longer a workable situation, the Housing Authority has commenced with the notification

requirements precedent to the transfer of Ping Yuen residents. Using Section 8 vouchers, staff anticipates that the building will be vacated by mid-September 1997.

Ping Yuen Center demolition cost has been estimated at \$60,000. Because the structure is known to contain asbestos and lead materials, a hazardous materials report will be required, and remediation of these materials would be an as-yet-to-be-determined, additional cost.

Site Reuse Alternatives

Because of deteriorating conditions of the Agency-owned Ping Yuen Center, Agency staff has evaluated various alternatives for the Ping Yuen Center site. Regardless of the alternative chosen, staff has determined that due to the high cost of maintaining the existing structure, the residents should be given Section 8 vouchers and transferred to other housing locations. Staff has reviewed three alternatives for the site, as outlined below.

1. Renovation of Existing Structure

Because of the severe deterioration of the aforementioned building systems, in 1993 the Agency retained a consultant to prepare a full evaluation of the needed renovation. The consultant's report concluded that a total of \$4,434,000 in renovation is needed (at an average unit cost of \$61,583 in 1993 dollars), and would include transferring residents out of the building for an 18-month period. The high renovation costs are due to the type of mid-rise construction of the existing Ping Yuen building. The Agency does not have the resources to undertake renovation at this time.

2. New Residential Construction

Agency staff has prepared a preliminary analysis of development of a new affordable 72-unit housing complex on the Ping Yuen Center site. Total development costs total \$7.2 million, which is higher than average cost of new construction, due to necessity for developing mid-rise building on the quarter-block development site (with an average unit cost of approximately \$100,000 per unit). The total construction cost includes development of structured parking for the tenants, as well as ground floor retail space.

3. Office/Retail Use

Since the original development of Chinatown in the late-1960's, the nature of land use in the area has changed significantly to one of a high-rise, Class A office district. The adopted Central Business District Urban Design Plan designated the I Street corridor as a high-rise office zone within the C-3 zoning district, with a land use designation as a "civic" government office corridor, which in recent years has seen development of the new County jail, the Sacramento

Commercial Bank building, and the new federal courthouse presently under construction. In addition, the SP Railyards Plan calls for development of 4.5 million square feet of high-rise, Class A office immediately to the north of Chinatown. We believe these factors favor the development of commercial, rather than residential uses on the Ping Yuen Center site.

Agency staff has evaluated the option of an office/retail project on the site, and has determined that market, economic, and financial conditions are favorable for such a project. Staff has developed a proposal for an eight-story, 160,000 sq. ft. building on the site. Based on conversations with commercial brokers, staff has determined that demand for support office uses related to the new federal courthouse will create a high market demand for an office/retail project on this site.

Financial Considerations

The Agency is currently obligated to pay the mortgage on the Ping Yuen Center, amounting to approximately \$720,000. This mortgage must be repaid if the building ceases to be available as a housing resource for low income individuals. There are also \$30,000 in miscellaneous expenses related to Ping Yuen, for a total debt commitment of \$750,000.

Staff is recommending a loan of \$500,000 of Merged Downtown Redevelopment Area tax increment and \$250,000 of available HUD required Ping Yuen maintenance funds to prepay the HUD mortgage and miscellaneous expenses.

Future Actions

In order to proceed with development of the staff recommendation to pursue the continuation of at least some public public housing units on the Ping Yuen site, the following tasks should be undertaken:

- *Transfer tenants* - Transfer of tenants will be accomplished using Section 8 certificates and therefore have no direct financial impact on the Agency.
- *Pay off HUD mortgage* - Staff will submit a request to HUD for authorization to prepay the existing mortgage agreement. This will remove the obligations to operate the project as affordable housing for low income individuals.
- *Pursue federal/state funding to renovate or reconstruct Ping Yuen Center.* Staff will submit an application to HUD under the HOPE VI program for funding to renovate or reconstruct Ping Yuen Center. Applications to HUD are due July

18th. In August 1997, staff should have an indication as to whether these funds will be forthcoming.

- *Develop alternatives should federal funds be unavailable:* Staff believes that the Ping Yuen Center site has value as a potential commercial development site. Should federal funds not be available to renovate or reconstruct housing on this site, staff will prepare a proposal for pursuing commercial development. It may be that a combination of federal grant funds, and revenues from commercial development on the site will be required to maintain at least some public housing units on the site.

f:\pbb\chinatwn\pyhous.97

PING YUEN CENTER VICINITY MAP

