



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



*Agency Report*  
**37**

May 31, 1985

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

CITY MANAGER'S OFFICE  
**RECEIVED**  
AUG 7 1985

Honorable Members in Session:

SUBJECT: Assessment of Residential Properties for Capital  
Improvement

**APPROVED**  
AUG 13 1985  
SACRAMENTO REDEVELOPMENT AGENCY  
CITY OF SACRAMENTO

SUMMARY

The attached resolution regards establishing a clear Agency policy regarding the assessment of residential properties to pay for capital improvements such as the construction and reconstruction of sidewalks, curbs, gutters, and alleyways as well as the installation of streetlights.

BACKGROUND

The Agency, mainly through the Community Development Block Grant (CDBG) and Tax Increment (TI) funds, sponsors various residential capital improvements in redevelopment and target areas in order to:

- 1) increase the liveability and safety of the area;
- 2) improve the character and image of the area;
- 3) support and encourage private investment; and
- 4) increase residents' sense of pride and identity.

In the past, residential capital improvements have been funded with federal funds as well as local tax increment monies. In some cases, 100% of the cost of improvement has been subsidized while in other cases property owners have picked up as much as 50% of the cost. Because there currently is no overall policy governing Agency assessment of residential property, the Agency is in the position of treating property owners inconsistently from one redevelopment or target area to another as well as within any one area. Therefore, an Agency policy is needed to insure fair and uniform treatment of property owners in the future.

8-13-85  
All Districts

(1)

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## History of Agency Assessments

In the early seventies, the Agency used federal Neighborhood Development Program (NDP) funds to pay the full cost of residential capital improvements in the Del Paso Heights and Oak Park Redevelopment areas. Later, when the Community Development Block Grant (CDBG) program replaced the NDP program, the Agency assessed residential property owners for part of the cost of capital improvements. Up until 1984 the Agency assessed property owners from 20 - 50% of the cost of improvements financed with CDBG monies.

The Housing and Urban Rural Recovery Act of 1983 (HURRA) basically required the Agency to pay 100% of any assessment against owner occupant households earning 50% or less of the median income for the SMSA. In addition, except when lack of sufficient funds could be verified, the Agency was required to pay 100% of any assessment for households earning 51% to 80% of median. Due to the difficulty inherent in determining income eligibility as well as proving lack of funds--the policy of the Agency's CDBG program has been to pay for 100% of all CDBG financed residential capital improvements undertaken in 1984 and later regardless of household income (see Attachment A.) Consistent with this policy, CDBG funds will finance 100% of residential capital improvements proposed in the Redevelopment Project Areas and CDBG Target Areas.

In the case of residential capital improvements financed with tax increment funds, the Agency continues to have flexibility concerning assessment. The Alkali Flat Implementation Plan, approved May 29, 1984, proposes that one third of the cost of residential capital improvements be raised by an assessment against property owners. In Oak Park where CDBG are being used to pay for the design of capital improvements, and tax increment funds will pay for improvements themselves, the Agency could choose to assess property owners.

Staff recommends that, with the exception of alleyway construction and reconstruction, the assessment policy used by the CDBG program be adopted as a general policy governing all residential capital improvement efforts undertaken by the Agency.

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Alleyways have been excepted because it is felt that they primarily benefit adjacent property owners and have a limited impact on other residential properties or on the general image of a neighborhood.

A policy of paying 100% of the costs of all residential capital improvements undertaken by the Agency has the following advantages:

- 1) It is simple to administer;
- 2) All residential property owners will be treated equally;
- 3) Time and money will be saved by not having to form assessment districts and finance bond costs. The City Real Estate and Assessment Department estimates that setting up an assessment district takes approximately two months and increases overall cost by 20% - 25%.

A policy requiring the Agency to pay 100% of all residential capital improvement costs has the following disadvantage:

- 1) Because the Agency is paying full improvements cost, in some cases a reduction of the size of areas to be upgraded may be necessary. However, cost savings resulting from not having to pay for assessment district formation will offset much of this impact. In the case of Alkali Flat for example, one third of improvement costs would be raised through an assessment but to do so necessitates an increase in cost of as much as 25%.
- 2) Inequities will continue to exist between owners who are paying assessments in pre-1984 assessment districts and those who get free improvements in 1984 and later. This condition is mainly a result of changes in CDBG policy, however, and will continue regardless of this policy governing tax increment funds.

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## FINANCIAL DATA

This report sets policy guidelines for the use of tax increment funds for future residential capital improvement projects and does not commit any dollars for a specific project. Although the policy disallows the use of assessment districts to raise funds for residential capital improvements, savings in administrative costs required to set up assessment districts will offset much of this loss of revenue.

## ENVIRONMENTAL REVIEW

This action does not require environmental review.

## POLICY IMPLICATIONS

The action proposed in this staff report establishes new policy guidelines that are consistent with an existing policy regarding the Community Development Block Grant Program and there are no policy changes being recommended.

## VOTE AND RECOMMENDATION OF PROJECT AREA COMMITTEES (PAC'S) (Oak Park, Del Paso Heights, and Alkali Flat)

At their regular meetings of June 5, 20, and 12, 1985, the Oak Park, Del Paso Heights, and Alkali Flat PAC's will consider the recommended adoption of the attached resolution.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of Aug. 5, 1985, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Glud, Luttrell, Pettit, Wooley,  
NOES: None  
ABSTAIN: Angelides  
ABSENT: Lopez, Moose, Sanchez, Teramoto, Walton

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RECOMMENDATION

The staff recommends adoption of the attached resolution establishing Agency policy regarding the assessment of residential properties for capital improvements.

Respectfully submitted,

*William H. Edgar*  
WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe, Jr.*

for: WALTER J. SLIPE  
City manager

Contact Person: THOMAS V. LEE, 440-1315

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# RESOLUTION NO. 85-068

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
ON DATE OF

August 13, 1985

## POLICY REGARDING ASSESSING RESIDENTIAL PROPERTIES FOR CAPITAL IMPROVEMENTS

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY  
OF SACRAMENTO:

Section 1: The Agency approves and adopts the policy  
regarding the assessment of residential properties for capital  
improvements as set forth in the staff report.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

z:CapImprov



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

## MEMORANDUM

XCC - City 37  
1984 Council  
84-9

February 8, 1984

TO : Walter Slipe, City Manager  
John Varozza, Director, City Public Works

FROM : William H. Edgar, Executive Director

SUBJECT: Change in Community Development Block Grant (CDBG) Assessment  
District Eligibility

As you know, the Housing and Urban Rural Recovery Act of 1983 (HURRA) makes significant changes to the CDBG program. Foremost is the change in eligibility for projects financial jointly with CDBG and local assessment funds.

We are still awaiting promulgation of regulations implementing HURRA; however, excerpts from the Act are attached.

Page 8 of Attached is summarized below:

"The grantee will not attempt to recover any capital costs of public improvements assisted in whole or in part "with CDBG funds" by assessing any amount against properties owned and occupied by low and moderate income persons" ... unless (A) CDBG funds are used to pay the porportion of such assessment against low/moderate income owned properties that relates to the capital costs ... or (B) the grantee certified that it has inadequate funds to comply with paragraph A above for moderate income persons.

Per HUD regulations, income level definitions are:

- (1) Low or very low income = a household earning less than 50% of median income.
- (2) Moderate income = a household earning 51% - 80% of median income.

See attached chart.

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Our interpretation of this Section of the Act (absent regulations) is:

1. If we are to continue the current policy of CDBG funded assessment districts we will have to verify the income of all owner-occupants within the district. If they earn 50% or less of median income, we must pay their assessment. If they earn 51% - 80% of median income, we will be required to pay the assessment unless we verify to HUD that we lack sufficient funds to pay such assessment. The latter is of course, rather difficult to meet insofar as availability of funds is a question of priorities. For very small cities who might only receive \$100,000 in CDBG funds per year this clause might work; however, in cities the size of Sacramento we may have difficulty showing an inability to pay. This is particularly true in Redevelopment areas where tax increment funds are also available.
2. As far as we know, this new requirement affects only new CDBG grant funds received for the 1984 year and forward and is not retroactive. Our interpretation is based on the fact that this new requirement was tied to the 1984 CDBG appropriation bill. We are, however, awaiting confirmation from HUD on this. In the meantime, our policy has been to proceed with implementation of all CDBG assessment districts funded prior to 1984.

For future CDBG assessment districts (1984 and beyond) we have the following options:

1. Subsidize the District and Pay Low/Moderate Owner Assessment:  
Under this option we would proceed as we currently do to subsidize the overall improvement area with CDBG funds at approximately 75% - 80% of full project costs. The balance 20% - 25% could be financed through assessment. However, for the property owner portion, CDBG would also have to pay low/moderate owner's assessments.

The advantage of this option is that it more closely conforms to past practices and might lessen inequities in capital improvement financing.

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Disadvantages are manifold and include:

- (1) Costs would increase substantially in that we would have a double subsidy per project (upfront CDBG capital funds plus CDBG funded low income assessments).
  - (2) Paper work to do income verifications would be cumbersome, time consuming and would add to overall project costs.
  - (3) Unless assessments for low/income households are paid in full, the CDBG program would be encumbered for the life of the bond repayment period. Again this would be costly and cumbersome. The alternative (full, upfront payment of the assessment) might present inequities insofar as when properties turn over, the assessment is already paid. Future property owners may or may not be low income.
2. CDBG Funded Assessments Only: A second potential alternative is to fund all target area improvements entirely with property owner assessments. CDBG funds would only be used to pay low/moderate income assessments. All other income levels would pay 100%. The authorization to use CDBG funds to pay special assessments to recover local costs was included in the November 1, 1983 HUD regulations. It is not clear whether the November 30, 1983, HURRA statutes will negate this authorization. Our interputations is that the November 1, 1983 regulation will still be in effect.

Advantages of this option include less capital costs to the CDBG program.

Disadvantages include:

- (1) paper work to do income verifications and financially manage CDBG assessment payments;
- (2) because middle income homeowners will be required to pay 100% assessments, more protests may occur with projects being cancelled, and
- (3) politically and perhaps legally, we will not be providing equal treatment and protection in that some owners will pay nothing and other will pay 100% depending on income level.

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3. CDBG Funds Improvements - No Assessments: By far the most simple alternative is to simply have CDBG funds pay (100%) for improvements.

Advantages are:

- (1) it is simple to administer;
- (2) all people in the affected district are treated equally, and
- (3) time and money is saved by not having to form assessment districts and finance bond costs.

Disadvantages are:

- (1) inequities will exist within target areas between owners who are paying assessments in Pre-1984 Assessment district, and those who get free improvements after 1984, and
- (2) smaller improvement areas may need to be identified to conform to funding available solely in CDBG budget. Some cost savings as a result of not having to pay for assessment district formation may offset this impact.

Our preliminary recommendation is that we proceed with alternative #3 CDBG Pays. Please let me know if you concur by February 29, 1984 so we can revise the 1984 CDBG Application accordingly.

Should you have question on the above, please contact myself or Trish Davey, CDBG (440-1322).

Sincerely,

WILLIAM H. EDGAR  
Executive Director

WHE:TD:jr

Attachments

99-24-268

other financial resources are not available to meet such needs, except that the aggregate use of funds received under section 106 and, if applicable, as a result of a guarantee under section 108, during a period specified by the grantee of not more than 3 years, shall principally benefit persons of low and moderate income in a manner that ensures that not less than 51 percent of such funds are used for activities that benefit such persons during such period;

(4) it has developed a community development plan, for the period specified by the grantee under paragraph (3), that identifies community development and housing needs and specifies both short- and long-term community development objectives that have been developed in accordance with the primary objective and requirements of this title;

(5) the grantee will not attempt to recover any capital costs of public improvements assisted in whole or part under section 106 or with amounts resulting from a guarantee under section 108 by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless (A) funds received under section 106 are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than under this title; or (B) for the purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the grantee certifies to the Secretary that it lacks sufficient funds received under section 106 to comply with the requirements of subparagraph (A); and

(6) the grantee will comply with the other provisions of this title and with other applicable laws.

(c)(1) Any grant made under section 106(b) shall be made only if the unit of general local government certifies that it is following a current housing assistance plan which has been approved by the Secretary and which —

(A) accurately surveys the condition of the housing stock in the community (including the number of vacant and abandoned dwelling units) and assess the housing assistance needs of lower income persons (including elderly and handicapped persons, large families, owners of homes requiring rehabilitation assistance, and persons displaced or to be displaced) residing in or expected to reside in the community as a result of existing or projected changes in employment opportunities and population in the community (and those elderly persons

residing in or expected to reside in the community), or as estimated in a community accepted State or regional housing opportunity plan approved by the Secretary, and identifies housing stock which is in a deteriorated condition, including the impact of conversion of rental housing to condominium or cooperative ownership on such needs;

(B) specifies a realistic annual goal for the number of dwelling units or lower income persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, including existing rental and owner occupied dwelling units to be upgraded and thereby preserved, (ii) the sizes and types of housing projects and assistance best suited to the needs of lower income persons in the community, and (iii) in the case of subsidized rehabilitation, adequate provisions to assure that a preponderance of persons assisted should be of low and moderate income; and

(C) indicates the general locations of proposed housing for lower income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, and the reclamation of the housing stock where feasible through the use of a broad range of techniques for housing restoration by local government, the private sector, or community organizations, including provision of a reasonable opportunity for tenants displaced as a result of such activities to relocate in their immediate neighborhood, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects.

(2) The Secretary shall establish such dates and manner for the submission of housing assistance plans described in paragraph (1) as the Secretary may prescribe.

(d) Each grantee shall submit to the Secretary, at a time determined by the Secretary, a performance and evaluation report concerning the use of funds made available under section 106, together with an assessment by the grantee of the relationship of such use of the objectives identified in the grantee's statement under subsection (a) and the requirements of subsection (b)(3). Such report shall also be made available to the citizens in each grantee's jurisdiction in sufficient time to permit such citizens to comment on such report prior to its submission, and in such manner and at such times as the grantee may determine. The grantee's report shall indicate its programmatic accomplishments, the nature of and reasons for changes in the grantee's program objec-