



**Sacramento  
Housing &  
Redevelopment  
Agency**

June 6, 2001

14.2

City Council and Redevelopment Agency  
of the City of Sacramento  
Sacramento, California



Honorable Members in Session:

**SUBJECT: MODIFICATION OF DISPOSITION AND DEVELOPMENT AGREEMENT  
(DDA) TO INCLUDE ADDITIONAL FUNDING FOR 931 T STREET  
PROJECT**

**LOCATION & COUNCIL DISTRICT** 931 T Street, District 4

**RECOMMENDATION**

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

- amend the Disposition and Development Agreement (DDA) to provide for additional project funding;
- transfer \$110,000 from the Downtown New Ownership Housing Project to the 931 T Street Project;
- amend the approved project budget by moving the \$90,000 of City Housing Trust funds designated for mortgage assistance to the projects development assistance; and
- Appropriate \$90,000 of CalHome homebuyer assistance to the project.

**CONTACT PERSONS**

Lisa Bates, Director of City Community Development, 440-1357  
Darren Bobrowsky, Program Manager Development Services, 440-1328

**FOR COUNCIL MEETING OF** June 12, 2001

## **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

City Council and Redevelopment Agency  
of the City of Sacramento  
June 12, 2001  
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### **SUMMARY**

This report recommends approval of additional funds due to increases in construction costs, since the approval for the new construction of 13-condominium homes at 931 T Street.

### **COMMISSION ACTION**

It is anticipated that at its meeting of June 6, 2001, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending approval of the attached resolution. In the event they fail to do so, you will be advised prior to your June 12, 2001 meeting.

### **BACKGROUND**

On June 6, 2000, the Redevelopment Agency and the City Council of Sacramento approved a Disposition and Development Agreement and related loan documents with 931 T Street Development Company, LLC ("Developer") for the construction of 12 condominium homes and one live/work unit for sale to owner occupants. The DDA provided for an acquisition and construction loan of \$520,093 and homebuyer assistance in the amount of \$171,000 for three low-income homebuyers. A site location map is included as Attachment I.

The project consists of 12 three-bedroom, two and one half bathroom homes ranging in size from 1,388 to 1,680 square feet and one live/work unit consisting of 850 square feet of living space upstairs and 725 square feet of commercial space downstairs. The commercial space will be designed for use as neighborhood serving retail and may be sold separately from the living space. As adopted the project contains eight market rate homes, two homes affordable to moderate-income households, and three homes affordable to low-income households. The current projected sales prices are \$203,000 for the market rate homes, \$198,000 for moderate-income homes, and \$179,000 for low-income homes. The Agency is providing \$57,000 in the form of homebuyer assistance to each of the low-income homes, reducing the effective sales price to \$122,000 making these homes affordable to households at 80 percent of area median income.

The Developer of the project is 931 T Street Development Company, LLC, a California limited liability company composed of private investors and Mogavero Notestine Associates (MNA) as the principal managing partner. MNA has substantial architectural and project management experience evidenced by the River City Co-Housing project located at 5<sup>th</sup> and T, Metro Square at 26<sup>th</sup> and I Street and the Greater Sacramento Urban League project completed last year on Marysville Boulevard.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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of the City of Sacramento  
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### Proposed DDA Amendments

Due to construction defect litigation related to the construction of new condominium projects in California, there are a limited number of contractors willing to construct this type of project. This smaller pool of potential contractors has resulted in less competitive bidding. This factor combined with rapidly rising construction costs will require an additional development subsidy of \$291,000. Staff is recommending that this development subsidy be funded by an additional \$110,000 from Downtown Tax Increment Low-Mod Set-aside funds and \$90,000 from the City Housing Trust Fund committed to the project for homebuyer assistance. State CalHome funds will be replace the City HTF as homebuyer assistance.

Additionally, the City of Sacramento will fund \$91,000 for the offsite construction work from the focus area contingency funds for the R Street project. This offsite work will improve the alleyway adjacent to the development.

Staff recommends that with the additional Agency funding, one additional home be restricted at the moderate-income level for a total of three moderate-income homes and three low-income homes. A current project budget can be found in Attachment II.

Staff has also analyzed the feasibility of providing one additional very-low income home by replacing one of the three low-income-homes with a very low-income home. To do so would require an additional per home homebuyer subsidy of \$77,000 above the current recommended \$57,000 homebuyer subsidy. The total homebuyer subsidy for a very low-income household would be \$134,000 resulting in an affordable housing price of \$69,000 on a home, which has a market sales price of \$203,000.

Additionally, staff analyzed the feasibility of using the proposed subsidy to achieve all very-low income homes. Using the same proposed subsidy results in reducing the total restricted homes from 6 low and moderate homes to 2 very-low income homes. This change would reduce loan repayments to the Agency by \$36,000 and result in a per restricted home subsidy of \$445,500 versus the proposed \$148,500. Current Agency policy would require a minimum of six restricted homes. For these reasons, staff does not recommend reducing the number of restricted homes in this project. Instead we will explore the feasibility of using Section 8 certificates to create ownership opportunities for very-low income homebuyers. We will report back to the Council on the status of this effort.

### FINANCIAL CONSIDERATIONS

This report recommends providing \$200,000 of additional financing for the Project. This additional financing and the reallocation of homebuyer assistance to development assistance bring the total development assistance to \$720,093 (\$55,392 per home). An additional \$91,000 will be provided by the City of Sacramento's focus area contingency funds for the offsite improvements in the public right of way.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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### POLICY CONSIDERATIONS

The recommended actions are consistent with Agency's homeownership policies; however, the per home subsidy amount is higher than the average subsidy provided to previous downtown homeownership projects.

The recommended subsidy is necessary to build a high quality condominium project at market rates that is as yet unproven in the downtown area.

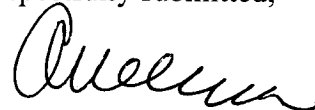
### ENVIRONMENTAL REVIEW

The proposed action is exempt from environmental review pursuant to CEQA sections 15310 and 15332.

### M/WBE CONSIDERATIONS

M/WBE considerations do not apply to the actions contained in this report.

Respectfully submitted,



ANNE M. MOORE  
Executive Director

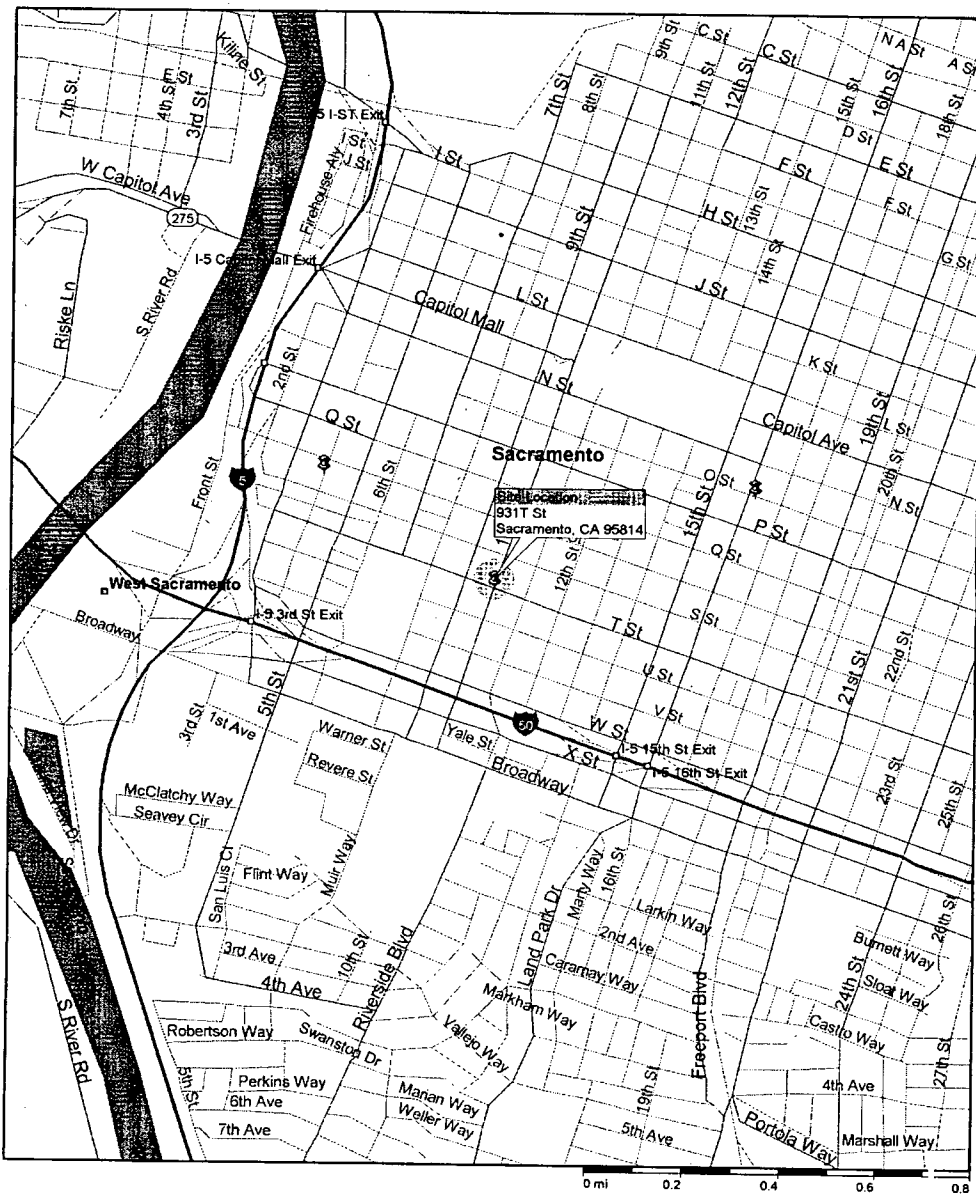
Transmittal approved,



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ROBERT P. THOMAS  
City Manager

### Site Location Map



PRODUCT SUMMARY								
Type	Units	Plan s.f.	Total s.f.	Total Const. Cost	Price per s.f.	Sales Price	Total Revenue	
1		955	955	110,308	105.24	100,500	100,500	
3/2.5	1	1,503	1,503	173,605	135.06	203,000	203,000	
3/2.5	5	1,405	7,025	811,426	144.48	203,000	1,015,000	
3/2.5	3	1,388	4,164	480,965	146.25	179,000	537,000	
3/2.5	3	1,388	4,164	480,965	146.25	198,000	594,000	
Total	13	6,639	17,811	2,057,268		176,700	2,449,500	
Average	—	1,370		—	74.03			
Retail Space	1	725	725	83,741	141.38	102,500	103,500	
Total	13		18,536	2,141,009	141.38		2,553,000	

SOURCES AND USES OF FUNDS			
	Total	Per Unit	
Sales Revenue	2,553,000	196,385	
Cost of Sales	(65,154)	(5,012)	3%
Net Sales Revenues	2,487,846	191,373	

CONSTRUCTION COST SUMMARY		
	Total Costs	Per Res. Unit
Land	\$148,500	11,423
Land Development	\$91,000	6,720
Building Permits/Fees	\$99,014	7,312
Consultants	\$24,650	1,820
A&E	\$127,000	9,378
Construction	\$2,057,268	151,921
Contingency	\$94,500	6,978
Overhead	\$55,000	4,062
Legal	\$11,000	812
Property Taxes	\$9,758	721
Escrow, Title Insurance, Bank Costs	\$5,665	418
Other	\$28,465	2,102
Operating Reserves	\$10,000	738
Marketing	\$40,000	2,954
Developer Fee	\$220,000	16,246
Financing Costs	\$125,841	9,293
Total Costs	\$3,147,661	242,128

CONSTRUCTION FINANCING SUMMARY		
	TOTAL	Per Res. Unit
Developer Equity (Cash)	316,568	21,442
Deferred Developer Fee	220,000	16,246
Land Loan	148,500	11,423
Construction Loan	1,800,000	132,923
Agency Construction Loan	571,593	43,969
City Public Works	91,000	6,720
Total Financing	3,147,661	242,128

PERMANENT FINANCING		
	TOTAL	Per Res. Unit
Net Revenues	\$2,487,846	181,968
Permanent Subsidy	659,815	50,755
<b>TOTAL SOURCES</b>	<b>3,147,661</b>	<b>232,777</b>

PERMANENT COSTS SUMMARY	
	Total Costs
Land	148,500
Bank Loan	1,800,000
Developer Fee	220,000
SHRA loan	571,593
Developer Equity Reimbursement	316,568
City Public Works	91,000
	3,147,661

Net Revenue Summary	
Bank Loan	1,800,000
Developer Fee	220,000
Developer Equity Reimbursement	316,568
Agency Repayment	\$151,278
Total Repaid from Net Revenues	2,487,846

Permanent Subsidy Summary	
Land	148,500
Construction Loan	571,593
Public Work Funding	91,000
Total Project Subsidy	811,093
Repayment from net revenues	151,278
Total Net Project Subsidy	659,815

RESOLUTION NO. 2001-400

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

APPROVED  
JUN 12 2001  
OFFICE OF THE  
CITY CLERK

**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA:  
AUTHORIZATION FOR MODIFICATION OF DISPOSITION AND DEVELOPMENT  
AGREEMENT (DDA) TO INCLUDE ADDITIONAL FUNDING FOR 931 T STREET  
PROJECT**

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF  
SACRAMENTO:

Section 1. The Executive Director or her designee is authorized to amend the  
approved project budget by moving the \$90,000 of City Housing Trust funds designated for  
mortgage assistance to the 931 T Street Project development assistance.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

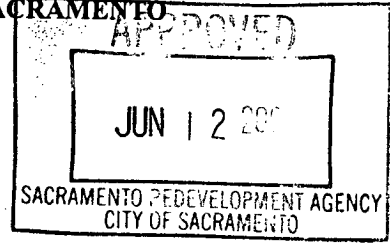
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DATE ADOPTED: \_\_\_\_\_

2001-036

**RESOLUTION NO.**

**ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

ON DATE OF



**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA:  
AUTHORIZATION FOR MODIFICATION OF DISPOSITION AND DEVELOPMENT  
AGREEMENT (DDA) TO INCLUDE ADDITIONAL FUNDING FOR 931 T STREET  
PROJECT**

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

Section 1. The Executive Director or her designee is authorized to transfer \$110,000 from the Downtown New Ownership Housing Project to the 931 T Street Project.

Section 2. The Executive Director or her designee is authorized to amend the approved project budget by moving the \$90,000 of City Housing Trust funds designated for mortgage assistance to the project development assistance

Section 3. The Executive Director or her designee is authorized to appropriate an additional \$90,000 of CalHome homebuyer assistance to the 931 T Street Project.

\_\_\_\_\_  
CHAIR

ATTEST:

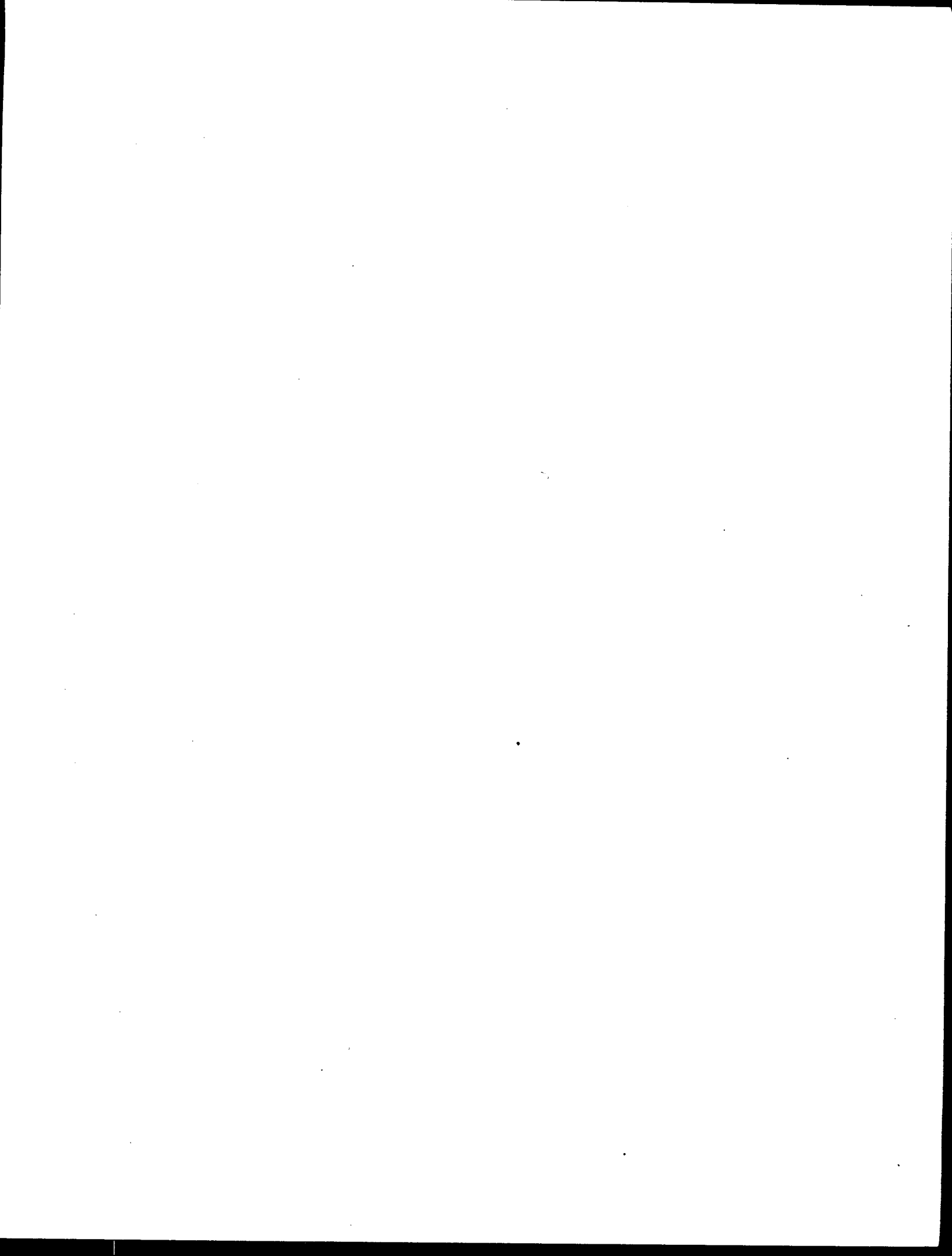
\_\_\_\_\_  
SECRETARY

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_





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**Sacramento  
Housing &  
Redevelopment  
Agency**

June 6, 2001

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California



Honorable Members in Session:

**SUBJECT: FREMONT BUILDING AFFORDABILITY MODIFICATIONS**

**LOCATION & COUNCIL DISTRICT**

16<sup>th</sup> Street between O and P Streets  
City Council District #5

**RECOMMENDATION**

Staff recommends adoption of the attached resolution which authorizes the Executive Director to execute and record modifications to the existing Regulatory Agreements which govern the use of tax increment housing set-aside funds in the Fremont Building consistent with terms contained in this staff report.

**CONTACT PERSONS**

Darren Bobrowsky, Program Manager, Housing Development, 440-1328  
Cassandra H.B. Jennings, Deputy Executive Director, 440-1357

**FOR COUNCIL MEETING OF** - June 12, 2001

**SUMMARY**

The Fremont Building is a 69-unit apartment building approved by City Council for funding in September 1998. All 69 units are rent-restricted at very low, low, and moderate income rents through Agency regulatory agreements. This report requests that the number of regulated units be reduced in exchange for deeper income targeting and a longer affordability period on the remaining restricted units.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento

June 5, 2001

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### COMMISSION ACTION

It is anticipated that at its meeting of June 6, 2001, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending approval of the attached resolution. In the event they fail to do so, you will be advised prior to your June 12, 2001 meeting.

### BACKGROUND

In September 1998, the City Council approved \$1.24 million of HOME and tax increment funds for construction and permanent financing for the 69-unit mixed-income, mixed-use Fremont Building. These funds were requested by Shasta/Downtown Mixed Use Development, LLC for construction and permanent gap financing. Construction is now nearing completion. Due to significant cost increases and changes in the downtown rental market, the Developer has requested modification of the affordability levels now in place. At the time the project was approved, neither staff nor the Developer projected that market rents in the downtown area would increase as significantly as they have. The Developer is requesting that a substantial number of the units in the project be released from regulatory restriction in order to: 1) prove the market for high-end rental housing in the downtown; and 2) compensate for the project's unforeseen construction cost increases allowing the Developer approximately the same rate of return as the original structure.

While this project has secured permanent financing, the debt and equity lenders are hesitant to forecast growth potential of rents when underwriting projects, therefore making it difficult for developers to propose higher end projects where proposed rents exceed current market levels.

At the time the development was approved, nine units were restricted at rents affordable to households earning 60 percent of the area median income with two of these units at 50 percent of the area median income. All of these units were restricted for twenty years.

While existing Agency policy and redevelopment law require only two additional restricted units in this project, all remaining sixty units were rent-restricted to be affordable at 110 percent of the area median income for thirty years. At that time, unrestricted market rents were affordable to households at only 90 percent of area median income.

During the past three years project construction costs have increased 12.6 percent, or \$1,096,444. To address these cost increases, the conventional construction financing was increased by \$748,800 and the developer contributed \$347,644 in additional equity. The increase in payments to the conventional loan and the increase in equity result in a decreased rate of return from the project to the Developer.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento

June 5, 2001

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Agency staff are recommending a modification of the existing agreements to accomplish the following:

- ◆ Increase the number of units affordable to households earning 60 percent or less of area median income from nine to eleven with seven units at 50 percent or less of area median income;
- ◆ Decrease the number of units affordable to households earning 110 percent or less of area median income from sixty to two and require income restrictions;
- ◆ The term of regulatory restrictions at 35 years for all restricted units; and
- ◆ Allow approximately 80 percent of the project's units to be made available at unrestricted rents.

Following is a chart summarizing the proposed unit mix changes:

<b>Approved Unit Mix</b>			<b>Proposed Unit Mix</b>		
	No. of Units	Term		No. of Units	Term
Unrestricted	0	-	Unrestricted	56	-
Moderate (Rent restricted only)	60	30	Moderate	2	35
Low Income	7	20	Low Income	4	35
Very Low Income	2	20	Very Low Income	7	35

No additional subsidy will be required. A schedule comparing the original and proposed unit restrictions may be found in Attachment 1.

### **FINANCIAL CONSIDERATIONS**

No change in prior financial commitments or terms of repayment is requested.

### **POLICY CONSIDERATIONS**

This report suggests that 80 percent of the currently restricted units be released from all restrictions in exchange for deeper affordability and increased duration of restrictions on the remaining units. This modification will promote both affordable quality housing in downtown and assist with the revitalization of the downtown community by bringing more residents to the area. The level of housing subsidy provided is comparable to other Agency-financed projects.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

Redevelopment Agency of the City of Sacramento

June 5, 2001

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**ENVIRONMENTAL REVIEW**

There are no environmental considerations in this report

**M/WBE CONSIDERATIONS**

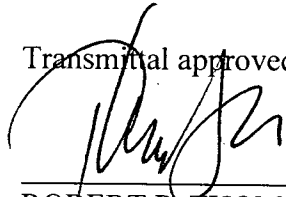
There are no M/WBE considerations in this report

Respectfully submitted,



ANNE M. MOORE  
Executive Director

Transmittal approved,



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ROBERT P. THOMAS  
City Manager

**Attachment 1**

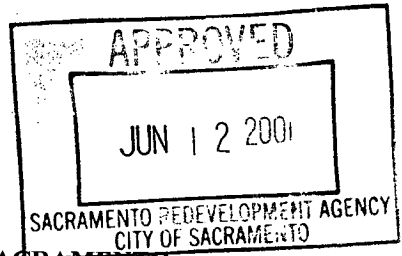
		<b>Original mix</b>	<b>Modification proposed</b>	<b>Current rent levels</b>
<b>Studio</b>	50%	0	0	\$ 457
	60%	1	1	\$ 562
	110%	7	0	\$ 775
	Unrestricted	0	7	\$ 775
<b>Sub Total</b>		<b>8</b>	<b>8</b>	
<b>1 BR 1 BA</b>	50%	1	2	\$ 490
	60%	2	2	\$ 596
	110%	21	1	\$ 1,045
	Unrestricted	0	19	\$ 1,045
<b>Sub Total</b>		<b>24</b>	<b>24</b>	
<b>2 BR 1 BA</b>	50%	0	1	\$ 580
	60%	1	1	\$ 707
	110%	7	1	\$1,275
	Unrestricted	0	6	\$ 1,275
<b>Sub Total</b>		<b>9</b>	<b>9</b>	
<b>2 BR 2 BA</b>	50%	1	1	\$ 580
	60%	3	3	\$ 707
	110%	24	0	\$1,275
	Unrestricted	0	24	\$ 1,495
<b>Sub Total</b>		<b>28</b>	<b>28</b>	
<b>GRAND TOTAL</b>		<b>69</b>	<b>69</b>	

Note: 110% rent restrictions are shown at the lesser of regulatory maximum or unrestricted market rates

**Number and percentage of restricted units by level of affordability**

	<b>50%</b>	<b>60%</b>	<b>110%</b>	<b>Unrestricted</b>	<b>TOTAL</b>
<b>Studio</b>	0	1	0	7	8
	0%	11%	0%	78%	
<b>1 BR / 1 BA</b>	2	2	1	19	24
	8%	8%	4%	79%	
<b>2 BR / 1 BA</b>	1	1	1	6	9
	11%	11%	11%	67%	
<b>2 BR / 2 BA</b>	1	3	0	24	28
	4%	11%	0%	86%	
<b>TOTAL</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>56</b>	<b>69</b>
<b>% of total</b>	<b>0.06</b>	<b>0.10</b>	<b>0.03</b>	<b>0.81</b>	

RESOLUTION NO. 2001-037



ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

**FREMONT BUILDING REGULATORY AGREEMENT MODIFICATIONS**

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

Section 1. The Executive Director or her designee is authorized to execute and record modifications to the existing Regulatory Agreements, which govern the use of HOME and Tax Increment Housing Set-aside funds in the Fremont Building.

Section 2. The modifications to existing Regulatory Agreements shall be consistent with the terms contained in the accompanying staff report and subject to the approval of Agency Counsel.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_