

RESOLUTION NO. 2003-777

ADOPTED BY THE SACRAMENTO CITY COUNCIL

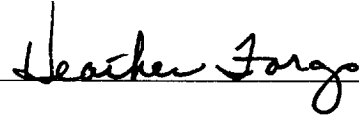
ON DATE OF **NOV 04 2003**

**AMENDED REPLACEMENT HOUSING PLAN
FOR DEL PASO NUEVO, PHASE I, SITE A & B1**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
SACRAMENTO:

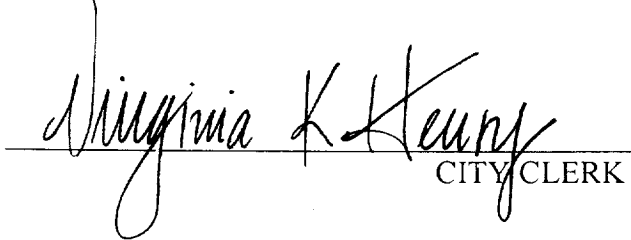
Section 1: After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2: Pursuant to and consistent with the requirements of the Federal Housing and Community Development Act of 1974 and the California Health & Safety Code Section 33413, the attached amended replacement housing plan is adopted for the project known as Del Paso Nuevo, Phase I, Site A & B1.



MAYOR

ATTEST:


CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2003-777

DATE ADOPTED: **NOV 04 2003**

AMENDED REPLACEMENT HOUSING PLAN Del Paso Nuevo, Phase I, Site A & B1

November 4, 2003

Description of Property

Del Paso Nuevo is a 154-acre master planned neighborhood in the Del Paso Heights Redevelopment Area of the City of Sacramento. Del Paso Nuevo is one of six homeownership development projects nationwide to receive a major funding award by the US Department of Housing and Urban Development in 1997. The Sacramento Housing and Redevelopment Agency ("Agency") received an Economic Development Initiative (EDI) grant award, and has received approval for \$5,445,000 in Section 108 loan guarantees for development of the Del Paso Nuevo Homeownership Project. Upon full buildout, the project will accommodate 300 new housing units. The EDI funds combined with section 108 guaranteed loan funds will be used to invest \$10.5 million in Del Paso Nuevo for land acquisition, infrastructure and residential lot development.

The purpose of the Del Paso Nuevo project is to create homeownership opportunities by using New Urbanist planning principles to create a sustainable community with a variety of lifestyle options and a mixture of land uses and public facilities. The project presents a significant opportunity to improve the redevelopment area by significantly altering the composition of housing stock.

Responsibilities of Redevelopment Agencies

California statutes require redevelopment agencies to replace low and moderate-income housing lost to residential use if that action involved either a development agreement or financing by the agency. The specific provision of the California Health and Safety Code (Sec. 33413) is as follows:

"Whenever dwelling units housing persons and families of low or moderate income are destroyed or removed from the low- and moderate-income housing market as a part of a redevelopment project which is subject to a written agreement with the agency or where financial assistance has been provided by the agency, the agency shall, within four years of the destruction or removal, rehabilitate, develop, or construct, or cause to be rehabilitated, developed, or constructed, for rental or sale to person and families of low or moderate income, an equal number of replacement dwelling units which have an equal or greater number of bedrooms as those destroyed or removed units at affordable housing costs within the territorial jurisdiction of the agency. When dwelling units are destroyed or removed after September 1, 1989, 75 percent of the replacement dwelling units shall replace dwelling units available at affordable housing cost in the same income level of very low income households, lower income households, and persons and families of low and moderate income, as the persons displaced from those destroyed or removed units. When dwelling units are destroyed or removed on or after January 1, 2002, 100 percent of the replacement dwelling units shall be available at affordable housing cost to persons in the same or a lower income category (low, very low, or moderate), as the persons displaced from those destroyed or removed units."

History and Description of Project since the Replacement Housing Plan Adoption

In this phase of the project, the Agency assembled the majority of parcels for the development of Site A & B1 of Del Paso Nuevo. This parcel assemblage allowed for the construction of the detention basins and conjunctive use park sites at Gateway Park and Nuevo Park, construction of a new road "A", and on-site development for approximately 60 residential lots. As a result of this activity twenty-one very-low, low, and moderate income dwelling units were demolished to accommodate the above improvements. The original replacement housing plan provided an estimate of twenty-five units required to be demolished for this phase; this amended plan takes into account the actual results of this phase.

Replacement Housing Needs

Federal Guidelines

Del Paso Nuevo is subject to both federal and state replacement housing law by virtue of use of Community Development Block Grant ("CDBG") and tax increment financing. Section 104(d) of the Housing and Community Development Act of 1974 requires that any units occupied or occupiable as "lower income dwelling units" (a unit with a market rent that does not exceed the Fair Market Rent (FMR) for the area) be replaced if they are demolished, converted to a housing unit that no longer meets the definition of a lower income dwelling unit, or converted to a non-residential use.

Per the federal guidelines, Del Paso Nuevo, Phase I, Site A & B1 would be responsible for the replacement of only 39 of the lost bedrooms; the market rate bedrooms lost in this phase would not be eligible for replacement. These 39 replacement bedrooms could be on or off-site, and at least the same size as the lost bedrooms, would have to be regulated for a minimum of ten years and would need to be created within three years of the destruction of the original units. Under federal regulations, smaller units may be used to replace larger units (i.e. two one bedroom units to replace one two bedroom unit) if this need can be demonstrated in the HUD approved Consolidated Plan.

State Guidelines

However, because the project includes the use of local redevelopment tax increment funds, Del Paso Nuevo is also subject to state replacement housing law, California Health and Safety Code 33413. When a project is subject to both federal and state replacement housing law, the more onerous law prevails. In most instances, it is the state law, which requires replacement not only of those units demolished, converted to a market rate residential unit, or converted to a non-residential use, but also replacement by affordability. Under state law, if a unit was occupied by a very low income family (regardless of actual housing costs), and taken off line through demolition or other actions, that unit must be replaced at the same income level, and must be regulated at that affordability level for the longest feasible time as determined by the Agency but for not less than the period of the land use controls established in the Redevelopment Plan. State law requires that replacement units be created within four years of removal or destruction.

To fully comply with state law, the income level of the original occupants must be determined. Of the 21 units and 53 bedrooms demolished in this phase, 13 units and 32 bedrooms were

occupied by very low income households, two units and five bedrooms by low income families, and six units and 16 bedrooms by market rate households. Only the very low and low income units lost are required to be replaced under federal and state guidelines, however, the Agency has chosen to replace all lost units, regardless of affordability level of the household.

Using these more restrictive state guidelines, the affordability level, type and number of units/bedrooms required to be replaced in Del Paso Nuevo, Phase I, Site A & B1 are outlined below:

Number of Units	Unit Type	Affordability	# Bedrooms
8	2 Bedroom	Very Low Income	16
4	3 Bedroom	Very Low Income	12
1	4 Bedroom	Very Low Income	4
1	2 Bedroom	Low Income	2
1	3 Bedroom	Low Income	3
3	2 Bedroom	Market	6
2	3 Bedroom	Market	6
1	4 Bedroom	Market	4
21 (total)			53 (total)

According to California Health and Safety Code Section 33413(f), a fewer number of replacement dwelling units may be provided if the total number of bedrooms equals or exceeds the number of bedrooms in the units removed and if the replacement units are affordable to the same income level of households as the units removed. The units used to replace the bedrooms must be at least the same size as those lost. Since 57 percent (12) of the units in Del Paso Nuevo were two bedrooms, 33 percent (7) were three bedrooms, and ten percent (2) were four bedrooms, 57 percent of the replacement units must be at least two bedrooms in size or larger, 33 percent of the replacement units must be at least three bedrooms in size or larger and ten percent of the replacement units must be at least four bedrooms in size or larger. This option of replacement by bedrooms will be used for the calculation of replacement housing needs for Del Paso Nuevo, Phase I, Site A & B1.

Timing of Replacement

The Agency's priority is to replace these bedrooms within the project area, however, if the Agency is unable to do so, according to Health and Safety Code Section 33334.5, "the Agency shall, within four years of such destruction or removal, rehabilitate, develop, or construct, or cause to be rehabilitated, developed, or constructed, for rental or sale to persons and families of low or moderate income an equal number of replacement dwelling units at affordable housing costs, as defined by Section 50052.5, within the project area or within the territorial jurisdiction of the agency." As the project is subject to both federal and state guidelines, the Agency must follow the more onerous timeline for replacement. Per federal guidelines, all lost units must be replaced within three years from the date of commencement of demolition (February, 2000). Therefore, under the federal statute, all replacement units would have to be created by February, 2003. Per state guidelines, replacement units must be created within four years from the date of removal of the units from the housing stock or demolition of the units (funding for the demolition of the project was also secured in February, 2000). Under the state statute, all replacement units would need to be created by February 2004. Since the federal guidelines for

the timing of the replacement are more onerous, it must be followed. Therefore, all units counted as replacement units for Del Paso Nuevo, Phase I, Site A & B1 must be created by February, 2003; creation of the units can be considered complete when the financing for the replacement units is awarded.

Thus, by February 2003, the Agency must replace the following bedrooms in relation to Del Paso Nuevo, Phase I, Site A & B1:

Number of Units	Unit Type	Affordability	# Bedrooms
8	2 Bedroom	Very Low Income	16
4	3 Bedroom	Very Low Income	12
1	4 Bedroom	Very Low Income	4
1	2 Bedroom	Low Income	2
1	3 Bedroom	Low Income	3
3	2 Bedroom	Market	6
2	3 Bedroom	Market	6
1	4 Bedroom	Market	4
21 (total)			53 (total)

Regulatory Requirements

Under federal statute, the replacement housing must remain affordable for a minimum of ten years. However, per the state guidelines in effect at the time of the replacement housing plan for Del Paso Nuevo, Phase I Site A & B1, the replacement housing units are to remain available at affordable housing cost to persons of very low, low, and moderate income as determined by the Agency but for not less than the land use controls established in the Del Paso Heights Redevelopment Plan, or the greater of the term requirements of the financing sources used as subsidies. (Health and Safety Code Section 33413(c)). This more onerous option will apply to the replacement units for Del Paso Nuevo, Phase I, Site A & B1. All units used as replacement units will have restrictive covenants regulating their rent and occupancy for a minimum of 30 years with either the Agency or another public entity.

Replacement Housing Options

The Agency has identified the following projects that satisfy the replacement housing needs for Del Paso Nuevo, Phase I, Site A & B1:

Project Name	# of Bedrooms	Affordability Level	Financing Date
Terracina Gold (2 BR units)	16	Very Low Income	06/06/2000
Terracina Gold (2 BR units)	8	Low Income	06/06/2000
Terracina Gold (3 BR units)	12	Very Low Income	06/06/2000
Terracina Gold (3 BR units)	9	Low Income	06/06/2000
Northpointe Park (4 BR units)	4	Very Low Income	06/17/2003
Northpointe Park (4 BR units)	4	Low Income	06/17/2003
	53 (total)		

Terracina Gold (Villages 1 & 3) and Northpointe Park Apartments will provide replacement housing off-site for Del Paso Nuevo, Phase I, Site A & B1. Both of the projects have been fully funded using either Low Income Housing Tax Credits or Mortgage Revenue Bonds and Agency loan funds. Both projects are located in the North Natomas area of the City of Sacramento. Terracina Gold was completed construction in early 2003, and the Northpointe Park apartments was financed in the summer of 2003, with an expected construction start date of Spring, 2004.

Article XXXIV

The City of Sacramento is currently in compliance with its requirements under the California Constitution, Article XXXIV. All projects being used as replacement housing for Del Paso Nuevo, Phase I, Site A & B1 are within the current allocation and do not require a vote of the public.

Performance Schedule

The required Replacement Housing for this project will be created within three years of the removal or demolition of the existing units, approximately February, 2003 to comply with both federal and state guidelines. The replacement bedrooms for the two four bedroom units were financed in June, 2003, three months after the deadline due to the difficulty in securing the creation of affordable four bedroom units.

The report referenced in
City Council Resolution 2003-777
is from the 11/4/2003 City Council Meeting
Item 6.1