



## City Council Report

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**File ID:** 2019-00082

February 5, 2019

**Consent Item 04**

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**Title: Affordable Housing Sustainable Communities Applications for Twin Rivers and Railyards Housing Projects**

**Location:** River District and Railyards, District 3

**Recommendation:** Adopt: 1) a Resolution supporting the grant application for the Twin Rivers Housing Project from the State of California for Affordable Housing and Sustainable Communities (AHSC) program funding; and 2) a Resolution supporting the grant application for the Railyards Lot 48 Mixed-Income Housing Project for AHSC funding.

**Contact:** Rachel Hazlewood, Economic Development Senior Project Manager, (916) 808-8645; Marco Gonzalez, Project Manager, (916) 808-5757, Office of Innovation and Economic Development

**Presenter:** None.

**Attachments:**

1-Description/Analysis

2-Resolution Supporting Twin Rivers Application

3-Resolution Supporting Railyards Application

## Description/Analysis

**Issue Detail:** On November 1, 2018, the State of California issued a Notice of Funding Availability for \$395 million in available statewide funding from the Strategic Growth Council's Affordable Housing and Sustainable Communities (AHSC) program. The program provides grants and loans to housing projects that will achieve reductions in greenhouse gas ("GHG") emissions by increasing access to affordable housing and key destinations via low-carbon transportation modes and increased use of transit, bicycling and walking. Typically, affordable housing developers are the primary applicants.

Two development teams in the city intend to submit applications for funding in this round. First, the Sacramento Housing and Redevelopment Agency (SHRA) and the housing developer McCormack Baron Salazar, Inc. (MBS) will be co-applicants on an AHSC grant application for up to \$20 million in funding for the Twin Rivers Housing Project. The application requests funding for the Phase 2 of the project's housing development and associated active transportation elements including transit, bicycle and pedestrian improvements. Second, Downtown Railyard Venture LLC (DRV) will be applying for an AHSC grant for its mixed-income housing project on Lot 48 and associated infrastructure improvements.

Phase 2 for the Twin River Housing Project, located south of Richards Boulevard and west of North 12<sup>th</sup> Street, will include 123 mixed-income rental housing units within 10 buildings. Each unit will contain between 1 and 4 bedrooms. A minimum of 60 public housing replacement units and 11 market rate units will be included in this phase of the project's development, with the balance of the units targeted to incomes between 60% and 80% Average Median Income (AMI). The amenities included in this phase will be a tot lot, barbeque areas, and electric car share.

DRV will be applying for \$16.8 million in funding for the Railyards' Lot 48 Mixed-Income Housing Project, located south of Railyards Boulevard between 6<sup>th</sup> and 7<sup>th</sup> Streets. The project will include 303 residential units, of which 61 units will be affordable at or below 80% of AMI and the balance at market rate. The amenities included in for this project are a clubroom, lounge, fitness center, roof deck, and ground floor retail.

**Policy Considerations:** The proposed projects are consistent with the City's policy to promote resiliency with respect to air quality, renewable energy, sustainable land use, and the reduction of GHG emissions.

The projects have been reviewed for consistency with the 2035 General Plan. The projects will advance the General Plan goals, policies, and targets that will directly or indirectly support the conservation of energy resources and reduction of GHG emissions, as well as promote

affordable housing located near transit. The projects are also consistent with the objectives of their respective specific plans: the River District Specific Plan and the Railyards Specific Plan.

**Economic Impacts:** If funded through AHSC grants, the economic impacts of these projects will be assessed at the time of the award of the construction contract.

**Environmental Considerations:** SHRA's application for and administration of grant funds is not considered a project under CEQA per CEQA Guidelines §15378, as this is a government administrative and fiscal activity. The impacts of both development projects have been analyzed under the respective environmental impact reports.

**Sustainability:** The projects will advance the goals, policies, and targets that will directly or indirectly conserve energy resources and reduce GHG emissions identified in the 2035 General Plan (Appendix B: Climate Action Plan).

**Commission/Committee Action:** The Twin Rivers Housing Project was heard at the January 16, 2019 SHRA Commission meeting and the AHSC application was supported by the commission. There is no commission action needed for the Railyards Lot 48 Mixed-Income Housing Project grant application.

**Rationale for Recommendation:** Both projects will provide opportunities to build more affordable housing in the Central City in the context of reducing GHG emissions.

**Financial Considerations:** Grant awards up to \$20 million are typically provided directly to the affordable housing developers. For the Twin Rivers Housing Project, SHRA and MBS will be co-applicants. Approximately \$13 million will go towards the housing development and up to \$4 million will be available to the City for the transportation related improvements. Staff will return to Council to request approval of an SHRA agreement and budget authority for the transportation related improvements funding once the grant is awarded. For the Railyards project, funds will be distributed directly to DRV.

**Local Business Enterprise (LBE):** Not applicable at this time.

## Background

### AHSC Grant Program

The Strategic Growth Council's AHSC program provides grants and affordable housing loans for compact transit-oriented development and related infrastructure and programs that reduce GHG emissions. These projects increase the accessibility of housing, employment centers,

and key destinations via low-carbon transportation options (walking, biking, transit) resulting in fewer vehicle miles traveled (VMT) and mode shift.

Funds are allocated through a competitive process, based on the merits of applications submitted and the proposed use of funds within the identified Project Area. The threshold requirements and application selection criteria focus on the extent to which developments realize the AHSC program's objectives of reducing GHG emissions, benefiting Disadvantaged Communities and Low-Income Communities, providing affordable housing, demonstrating project readiness, and meeting other policy considerations. Applications for AHSC are due February 11, 2019 with awards anticipated to be announced on June 21, 2019.

### Twin Rivers Housing Project

In July 2017, the SHRA Commission and City Planning and Design Commission approved the environmental impact report, relocation plan, demolition plan, and other actions needed to begin full implementation of the Twin Rivers Housing Project. On December 12, 2017, SHRA entered into a Master Development Agreement with McCormick Baron Salazar Inc. (MBS) as master developer to construct a minimum of 487 new multi-family rental units and related infrastructure and amenities in multiple phases.

Multiple sources of funds will be required for the various phases of the project's development, including tax credit equity, public and private debt, and State grant funds. The project was recently awarded a Transformative Climate Community (TCC) grant from the Strategic Growth Council for the Dos Rios Light Rail Station which will provide much needed local access to the Blue Line for Twin Rivers' residents.

SHRA proposes to use up to \$13 million in AHSC funding to support Phase 2 of the housing construction in partnership with MBS. Part of the project would fund up to \$4 million in improvements to be constructed by the City for pedestrian, bicycle, and transit improvements in the Central City. The balance of the funds will be used for bus vouchers, light rail station improvements, two fuel efficient buses and administrative costs. Construction of the Phase 2 housing is anticipated to begin in the spring of 2020.

The City has been working in partnership with SHRA since 2011 to redevelop the Twin River Housing Project. The City and SHRA are co-grantees for the Choice Neighborhoods Initiative grant for the redevelopment of the Twin Rivers Housing complex, one of only five nationwide \$30 million implementation grants awarded by the Department of Housing and Urban Development (HUD).

### Railyards Housing Project

DRV is preparing an application for AHSC funds to mitigate the cost of development and improve the feasibility of developing affordable housing within the Downtown Railyards. If awarded, these funds will assist with funding public infrastructure required to support the affordable housing project.

DRV has requested a Resolution of support from the City of Sacramento, which will be included in the application to AHSC. The grant funds, in the amount of \$16.8 million, will be essential to financing necessary infrastructure to serve a new 303-unit mixed-use apartment building, which is expected to complete the City's Design Review process by Spring of 2019. This will be the first residential project to be developed in the Railyards. The project is planned to be mixed-income, with 20% of the units set aside for residents earning at or below 80% of AMI.

The grant funds from the AHSC program will help make the low-income units financially feasible to construct. Funds will be used for sustainable infrastructure projects that promote active transportation, transit ridership and urban greening features, all of which reduce GHG emissions in the region.

## **RESOLUTION NO. 2019-**

Adopted by the Sacramento City Council

### **SUPPORT OF AN APPLICATION FOR AN AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES GRANT FOR TWIN RIVERS HOUSING PROJECT**

#### **BACKGROUND**

- A. The California Strategic Growth Council (SGC) and the Department of Housing and Community Development (HCD) issued a Notice of Funding Availability under the Affordable Housing and Sustainable Communities (AHSC) Program for infill housing projects that serve disadvantaged and low-income communities that encourage transit usage to reduce greenhouse gas emissions.
- B. The AHSC program is intended to invest in projects that reduce greenhouse gas emissions by supporting more compact, infill development patterns, encouraging active transportation and transit usage, and promote affordable housing. Concept proposals must be submitted to the State by February 11, 2019.
- C. The Twin Rivers Transit Oriented Development and Light Rail Station Project (the "Twin Rivers Housing Project") is the transformation of an older public housing complex with 218 units into a mixed-income community with 487 new housing units, a new light rail station, and a public park, among other amenities located in the City of Sacramento. The US Department of Housing and Urban Development issued a \$30 million Choice Neighborhood Implementation (CMI) grant for the Twin Rivers Housing Project to the City and the Housing Authority of the County of Sacramento (HACOS) which owns the Twin Rivers Housing Project property. However, more funding is needed to support the 218 extremely low-income housing units to be provided as replacement housing and the necessary infrastructure to serve this new community. The Twin River public housing tenants displaced by the Twin Rivers Housing Project construction will have the first right to return to occupy the new housing units.
- D. The Sacramento Housing and Redevelopment Agency (SHRA) is managing the Twin Rivers Housing Project on behalf of the City and HACOS. SHRA is a joint powers authority which provides services for its constituent entities: the City of Sacramento (City), the County of Sacramento (County), and the City and County Housing Authorities. SHRA manages the City and County public housing operations and manages federal and state housing finance programs for the City and County. SHRA has been instrumental in assisting development of affordable housing and community redevelopment since 1982. The City Council has taken action to delegate to SHRA the role of Project Manager for the CNI grant and on January 22, 2019 authorized SHRA to apply for the AHSC grant for the Twin

Rivers Housing Project. The AHSC grant is to fund \$13 million of the costs for the Twin River Housing Project and \$4 million for the Sustainable Transportation Infrastructure.

- E. SHRA, in partnership with McCormack Baron Salazar, Inc. (MBS), the Twin Rivers Housing developer, will be applying for a \$20 million AHSC grant for Phase 2 of the Twin Rivers Housing Project.
- F. The Twin Rivers Housing Project will result in greenhouse gas emission reductions, development of affordable housing, and opportunities for active transportation and transit, consistent with the objectives of the AHSC grant. The Twin Rivers Housing Project is located within the River District and it is a development that will help transform this industrial and disadvantaged community into a vibrant mixed use and mixed income community served by high-frequency public transit consistent with the River District Specific Plan. The River District is part of the Central City and is close to the core area of Downtown Sacramento.
- G. Part of the grant application is funding for Sustainable Transportation Infrastructure. Up to \$4 million is being requested to construct bicycle, pedestrian, and transit infrastructure that will improve the connectivity of the Twin Rivers residents to amenities and key destinations within the Central City. If the grant is awarded, the City will construct these infrastructure projects under an agreement with SHRA. All of the infrastructure projects are located within existing City right-of-ways. The proposed infrastructure projects are consistent with all applicable local rules, regulations, codes, and City policies and plans.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City supports the application by SHRA and MBS for funding from the SGC for a \$20 million AHSC grant to support the Twin Rivers Housing Project and the Sustainable Transportation Infrastructure.
- Section 2. Development of the Twin Rivers Transit Oriented Development and Light Rail Station Project is a high priority for the City. The AHSC grant funds are essential for implementation of this important public housing redevelopment effort to provide those disadvantaged residents with a new community and infrastructure and opportunities for transformation of their lives. The Twin Rivers Housing Project will also facilitate the redevelopment of the River District and provide new housing near transit and employment centers to reduce greenhouse gas emissions.

## **RESOLUTION NO. 2019-**

Adopted by the Sacramento City Council  
On date of

### **SUPPORT OF RAILYARDS HOUSING PROJECT APPLICATION FOR FUNDING FROM STATE AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM**

#### **BACKGROUND**

- A. On November 1, 2018, the California Strategic Growth Council and the Department of Housing and Community Development issued a Notice of Funding Availability for the State Affordable Housing and Sustainable Communities (AHSC) program.
- B. The AHSC program is intended to invest in projects that reduce greenhouse gas emissions by supporting more compact, infill development patterns, encouraging active transportation and transit usage, and promote affordable housing. Concept proposals must be submitted to the State by February 11, 2019.
- C. The Sacramento Railyards Project is one of the largest urban infill projects in the nation, with approximately 240 acres of land for redevelopment, directly north of the City's downtown core.
- D. The scale and development requirements for the Sacramento Railyards makes the project a public private partnership of significant scope and importance to the community. As the home of the region's intermodal transportation facility and 8th busiest passenger train station in the nation, the City and private ownership have partnered to fund and build the backbone infrastructure to implement the plan for high density housing, employment, and community-serving facilities.
- E. In December 2007, the City approved the Sacramento Railyards Specific Plan, including a commitment to continue to work in partnership to address the many hurdles to redevelopment of a former brownfield site to meet mutual goals to achieve high quality mixed use, transit-oriented development, as a means to accommodate future growth while reducing greenhouse gas emissions (GHG) and air pollutants.
- F. In October 2016, the City Council approved planning entitlements for the development for the Downtown Railyards.
- G. Downtown Railyards Venture LLC (DRV) will be submitting an application for the AHSC program to assist with the funding of the Lot 48 mixed-income housing project and public infrastructure required to support the development of a 303-

unit apartment building, including housing related infrastructure, sustainable transportation infrastructure, and transit-related amenities.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. Development in the Railyards will result in GHG emission reductions, development of affordable housing, and opportunities for active transportation and transit, consistent with the objectives of the AHSC grant.
  
- Section 2. The City Council of the City of Sacramento supports the application by DRV and funding for an AHSC grant to support the Railyards Lot 48 Mixed-Income Housing Project and associated infrastructure and transportation improvements.