



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



March 26, 1991

Transportation/Community Development  
and Budget & Finance Committees  
Sacramento, CA

Honorable Members in Session:

SUBJECT: Del Paso Heights Family Housing Demonstration Project

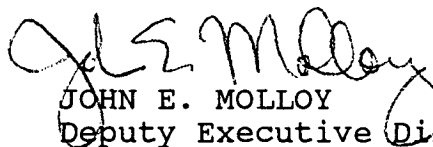
SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Housing Authority, Redevelopment Agency and City Council of the City of Sacramento.

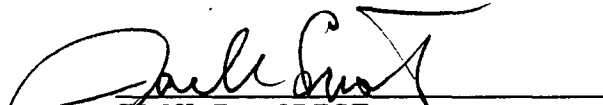
RECOMMENDATION

The staff recommends approval of the attached resolutions approving the project.

Respectfully submitted,

  
JOHN E. MOLLOY  
Deputy Executive Director

TRANSMITTAL TO COMMITTEE:

  
JACK R. CRIST  
Deputy City Manager

Attachment



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



March 26, 1991

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** DEL PASO HEIGHTS FAMILY HOUSING DEMONSTRATION PROJECT

## SUMMARY

State legislation authorized Proposition 84 funds for a Family Housing Demonstration Program. The program will demonstrate the benefits of developing affordable housing projects which have child care, supportive services and job training as integral components. The State Department of Housing and Community Development has issued a Notice of Funding Availability and will be awarding 3% deferred payment loans for new construction or for acquisition and rehabilitation of existing properties.

Two existing apartment complexes with a total of 28 units across the street from one another are for sale on Norwood Avenue in our Del Paso Heights Redevelopment Area. One is boarded and vacant. Both require extensive rehabilitation. This report recommends that the Housing Authority secure options on these properties and apply to HCD for funds to acquire and rehabilitate both properties and to build a child care center on one of the parcels. The report also recommends that the Redevelopment Agency allocate \$250,000 of Tax Increment funds to the project.

## BACKGROUND

### The Family Housing Demonstration Program

The California Department of Housing and Community Development (HCD) has issued a Notice of Funding Availability (NOFA) for the Family Housing Demonstration Program (FHDP) authorized by Proposition 84 in 1988. Under FHDP, HCD provides 3% deferred payment loans to sponsors for the construction, rehabilitation or

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acquisition and rehabilitation of rental projects which include child care, supportive services and a job training and placement program. Applications must be submitted by April 1, 1991. Site control at the time of application is mandatory. Funding decisions are to be made by June 1, 1991.

To qualify, the project must have a minimum of 20 units on one or more sites. At least 30% of the units must be affordable at restricted rents to low-income households and two-thirds of these must be affordable to very-low income households. Twenty to thirty percent of the low-income units must be available to elderly (over age 60) persons. The remainder must be available to families with children on a priority basis. The project must contain a range of unit sizes, including three or more bedrooms.

Each development must include a child care center and related play area on site. The center must be licensed to care for at least the number of children expected to reside in the development who need child care. The child care must be affordable to low-income households. Additional supportive services appropriate to the needs of the residents are encouraged.

The sponsor must prepare a job training and placement program which will be available to all assisted households. The program must include individual vocational assessments, education and skills development, job interview training, an assessment of nearby employment opportunities and a hiring preference for assisted households within the development. The program must be implemented within a year and a half of completion of the development.

HCD Program financing will be provided through a combination of construction and permanent loans. For acquisition and rehabilitation projects the minimum term is 30 years. The interest rate is 3%, simple. Interest is payable annually only to the extent that project cash flow is available to pay it.

There are no loan limits. Funds can be used for acquisition and most normal residential project development costs. Loan proceeds can also be used to pay 50%, and under certain circumstances, up to 100% of the development costs of the child care center.

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## Project Sites

Staff has conducted an extensive site search for units which would potentially qualify under this program. In this effort, we sought troubled properties which would 'fit' with the program goals. We wanted to select a property which would definitely improve as a function of program participation. A strong criteria was a problem project in a neighborhood which would benefit from strong management control. We investigated projects in Del Paso Heights, Meadowview and the North Sacramento area. The site recommended is one which will definitely benefit from participation in this program.

The proposed project involves two existing apartments across the street from each other in Del Paso Heights (Exhibit A). Both are for sale. Both require extensive rehabilitation. Staff has begun negotiations on options to purchase which will be conditional on Agency approval of this report and upon HCD commitment of a FHDP loan. The purchase prices will be set by fair market value appraisals.

The property at 402 Carroll Avenue contains twelve-two bedroom units in three fourplex buildings. The property is boarded up as a result of City action. The preliminary estimates by SHRA staff to rehabilitate the property to Agency standards is in the range of \$220,000 - \$250,000. The asking price is \$250,000.

The property at 3256 Norwood Avenue has 16-two bedroom units in four fourplex buildings. The buildings are approximately 50% occupied. Rents range between \$395 and \$410 a month. These buildings also require rehabilitation. Staff's preliminary estimate range for rehabilitation is \$290,000 - \$320,000. The asking price for this property is \$499,000.

The Norwood parcel is approximately one acre in size. The fourplexes are on the southern portion of the lot, leaving sufficient space in the remainder to construct a child care center and related outdoor play facilities.

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## Development Concepts

The proposed FHDP will involve acquisition of both existing apartments and their subsequent operation by the Housing Authority of the City as one project. Rehabilitation will be extensive to insure long-term operational viability, and increased quality and external appearance to assure a positive contribution to the overall revitalization of Del Paso Heights.

The anticipated major external improvements include new roofs, painting, landscaping and fencing. Interior work will include upgraded kitchens and baths, central heat & air, extensive finish carpentry repairs and new floor coverings. Additionally, 12 of the two bedroom units will be reframed to create six-three bedroom and six-one bedroom units.

Upon completion the rental project will be operated by the Housing Authority at rents which will be affordable to low-income (80% of median) and very low-income (50% of median) households. Project income from rents must be sufficient to meet operating expenses since no external subsidy is anticipated. In accord with HCD requirements, the following are the anticipated maximum incomes and rents by size of apartment:

<u>#</u> <u>Units</u>	<u>#</u> <u>Bedrooms</u>	<u>Type</u>	<u>Max</u> <u>Income</u>	<u>Max</u> <u>Rent</u>
6	1	Elderly	15,000 (VL)	\$235
10	2	Family	16,875 (VL)	252
6	2	Family	27,000 (L)	418
3	3	Family	18,750 (VL)	268
3	3	Family	30,000 (L)	503

The low-income rents are comparable to market rate rents in the area for comparable sized units.

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## Child Care Proposal

The proposed child care facility will be designed to accommodate 60 children, and is proposed to be operated by HeadStart. Forty spaces will be for 3-4 year old children (HeadStart Program), 8 spaces will be for infants - 2 year old, and the remaining 12 spaces will be for school-age children. In addition, the adjoining community room would accommodate an additional 10 school-age children if needed. Priority for enrollment will be given to those residing in the project, with the excess capacity providing opportunities for children in the surrounding neighborhood. State space standards for child care facilities will require a building of approximately 3,000 square feet and outdoor play space of 4,500 square feet. There is sufficient space on the Norwood Avenue property for a facility of this magnitude.

The 40 spaces for the HeadStart program will be funded by HeadStart (half day, four days a week, 10 months of the year). This would include operating expenses, including food and the supervising of parent volunteers, as well as the furnishings and playground equipment for the HeadStart children. A child care fee schedule will be needed for the remainder of the child care program; for both the additional hours needed by the HeadStart children for full-day, full-year care, and also for those children of other ages. The child care fee will be based on the individual household's gross monthly income and family size, not to exceed the rates published by the California Department of Education Child Development Division.

As an example, the full-time attendance daily fee for a three person family with an income of \$16,875 (very low-income) would be \$4.60. Establishment of this type of fee schedule will, of course, take subsidy. Prior to accepting the loan, this requirement will have to be met. All efforts will be made to utilize any child care funding available to the residents through the GAIN/JOBS programs, as well as other child care subsidies currently being explored by the federal and state government.

The City's Child Care Coordinator has been an active participant in the development of this project, and has agreed to work with those at HeadStart and to assist in its further design. A more detailed description of the facility and a proposal for the operation and financing of the child care center will be developed if the project is funded by the State.

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## Supportive Services Concepts

Supportive services will be provided through programs operated by SHRA's Community/Social Services Department and by referral to other community programs.

Seniors will be recruited to participate in our Older American Volunteer Programs: Foster Grandparents, Senior Companion, and Retired Senior Volunteer Program. The first two programs provide person-to-person support to adults and children having special needs; the latter program provides a variety of opportunities for full participation in the community through significant volunteer services with non-profit organizations and public agencies. They will also be invited to participate in the Agency's congregate meal program at nearby Robertson Center. Gateway Services staff will provide assessment, referral and follow-up with at-risk seniors, as well as telephone well-being checkups for those desiring such service.

In addition to the availability of child care and employment services, families will be apprised of the information and referral services available through calling the Community Information Center. Additionally, lists of nearby services will be posted in the facility's common area.

## Job Training and Employment Concepts

Employment training and placement services will be made available to adult residents of the project as follows:

1. Services will be provided to residents on a voluntary basis. (There will be no requirement that residents must access employment training or placement services as a condition of occupancy.)
2. All interested residents will be certified as residing in a high density employment area and entered as a priority job applicant into the Job Match computer system administered by the Employment Development Department of the State of California in conjunction with the Enterprise Zone Program of the City and the County of Sacramento. The Job Match system refers job applicants to employment opportunities in the City and County Enterprise Zones.

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3. Very low-income and low-income residents receiving AFDC benefits will be referred to the nearest GAIN (Greater Avenues for Independence) office to register for employment training services provided by the County Department of Social Services.
4. All interested residents will be linked with local employment services' program operators for possible participation in Federal Job Training Partnership Act (JTPA) programs offering classroom and on-the-job training, as well as permanent job placements.
5. Vocational assessments, job readiness workshops, and temporary and permanent job placements will be offered in coordination with the services above by the Sacramento Housing and Redevelopment Agency's "Just One Break" (JOB) Program.

## Application Process Concerns

Because of the very constricted time frame for developing this proposal, there are still a number of uncertainties, such as acquisition costs and the potential child care contract. To meet the HCD deadline, however, it is necessary that the Agency proceed as though all remaining issues can be resolved satisfactorily in a timely fashion. Any options to purchase that are negotiated will be contingent on Agency approval of this report and a receipt of HCD financing. Staff will report back after the NOFA decision by HCD along with the final figures for all components.



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## FINANCIAL DATA

Exhibit C summarizes the preliminary financial aspects of this project. The total development cost of the 28 units and the child care facility is approximately \$1,800,000 (assuming payment of the asking price and the highest rehabilitation estimate). Excluding the cost of the child care facility this is approximately \$53,000 per residential unit. These costs appear reasonable for the acquisition and rehabilitation of two-bedroom units.

The anticipated residential income and operating expenses are approximately equal. The project, therefore, cannot carry any debt service. Proposed funding includes the maximum possible deferred payment loan from HCD for acquisition and rehabilitation of the residences and for construction of the child care center, a contribution of Agency administrative costs to develop the project, \$50,000 of Del Paso Heights Tax Increment funds for the Child Care Center and \$200,000 from the 1990 Downtown Redevelopment Area Tax Allocation Bond for the residential portion. If the program is not approved the funds will be returned to their original sources for other consideration. (For the latter, \$400,000 has already been earmarked for assistance in the rehabilitation of boarded up and vacant properties.)

This project would be eligible for federal and state tax credits. As much as \$500,000 could be raised through syndication. This potential has not been included in the proforma because of its speculative aspects. Nevertheless, staff will evaluate the possibility further and prepare an application to the State Tax Credit Allocation Committee if the results of the analysis are favorable.

## ENVIRONMENTAL REVIEW

Per Guideline Section 15267, CEQA does not apply to actions taken by the Department of Housing and Community Development to provide financial assistance for the development and construction of residential housing for persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code. The residential project which is the subject of the application for financial assistance will be subject to CEQA when approvals are granted by the City.

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## MBE/WBE

The actions proposed in this report have no MBE/WBE impact. If the subject properties are acquired by the City Housing Authority, any contracts for rehabilitation, construction and supportive services will comply with Agency MBE/WBE policies.

## POLICY IMPLICATIONS

The actions proposed in this report are consistent with policies for expanding the supply of very low income affordable housing units, rehabilitation of boarded/vacant properties, neighborhood improvement in the Del Paso Heights Redevelopment Project Area and provision of supportive services to public housing residents. The Agency has developed several other non-traditional public housing development (i.e. non-conventional public housing), not encumbered by traditional HUD regulations and without ongoing operational subsidies.

## RECOMMENDATION OF THE DEL PASO HEIGHTS REDEVELOPMENT ADVISORY COMMITTEE (RAC)

This project is to be reviewed by the RAC at its meeting of March 14, 1991. Their recommendation will be presented prior to your March 26th meeting.

## VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of March 20, 1991, the Sacramento Housing and Redevelopment Commission adopted a motion on the attached resolutions. The votes were as follows:

AYES: Amundson, Cespedes, Moose, Pernell, Simon, Simpson,  
Wooley, Yew, Strong

NOES: None

ABSENT: Diepenbrock, Williams

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## STAFF RECOMMENDATIONS

Staff recommends adoption of the attached resolutions which:


- a. Approve the purchase of the apartment projects at 3257 Norwood Avenue and 402 Carroll Avenue.
- b. Appropriate \$200,000 of the Downtown Redevelopment Tax Allocation Bond proceeds towards the acquisition and rehabilitation of the above two properties.
- c. Find that the utilization of Downtown Redevelopment Area Tax Increment funds will be of benefit to the merged Downtown Redevelopment Target Area.
- d. Allocate \$50,000 of Del Paso Heights Redevelopment Project Area Tax Increment funds towards construction of a child care center on 3257 Norwood Avenue.
- e. Authorize the Executive Director to apply to the State of California Department of Housing and Community Development for loan in an amount not to exceed \$1,800,000, and to act on behalf of the Housing Authority in the execution of all required state documents and any amendments thereto.
- f. Direct the Executive Director to have the properties at 3257 Norwood Avenue and 402 Carroll Avenue appraised, for the purposes of establishing fair market value.
- g. Authorize the Executive Director to negotiate and consummate the purchase of the subject properties at prices which do not substantially exceed their fair market values.
- h. Authorize the Executive Director to prepare and submit an application to the State Tax Credit Allocation Committee (TCAC) for state and federal tax credits.
- i. Authorize the Executive Director to negotiate a contract with a child care provider to operate the child care facility on the premises.

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- j. Direct the Executive Director to take whatever steps are necessary to implement the social services and jobs/training components of the Family Housing Demonstration Program.
- k. Direct staff to report back within 120 days on the HCD funding decision and subsequent action.
- l. Authorize issuance of an RFP for an architect to develop plans for the housing and child care facilities and to subsequently negotiate and execute a contract.

Respectfully submitted,

  
JOHN E. MOLLOY  
Deputy Director

TRANSMITTAL TO COUNCIL:

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WALTER J. SLIPE  
City Manager

Contact Person: Thomas V. Lee, 440-1357

[Exhibits]

# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

## FAMILY HOUSING DEMONSTRATION PROJECT APPLICATION

WHEREAS, The Redevelopment Agency of the City of Sacramento, a public entity, has applied for a FHDP loan to develop low and very low-income rental housing.

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

Section 1: The Redevelopment Agency of the City of Sacramento hereby authorizes John Molloy, Acting Executive Director of the Redevelopment Agency of the City of Sacramento, to apply for and accept a loan from the State of California, Department of Housing and Community Development, Division of Community Affairs, FAMILY HOUSING DEMONSTRATION PROGRAM (FHDP), in an amount not to exceed \$1,800,000, and to, for the loan, execute a State of California Standard Agreement, other required State documents, and all amendments.

ATTEST:

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
SECRETARY

FOR CITY CLERK USE ONLY

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

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

# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

## FAMILY HOUSING DEMONSTRATION PROJECT SUBSIDY

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

Section 1: Two Hundred Thousand Dollars (\$200,000) of Downtown Redevelopment Area Tax Allocation Bond proceeds are allocated to assist in the acquisition and rehabilitation of properties at 3257 Norwood Avenue and 402 Carroll Avenue.

Section 2: The Redevelopment Agency finds that utilization of Downtown Redevelopment Area Tax Increment Funds for the production of housing through the Family Housing Demonstration Project will be of benefit to the Merged Downtown Redevelopment Project Area.

Section 3: Fifty Thousand Dollars (\$50,000) of Del Paso Heights Redevelopment Area Tax increment funds are allocated for construction of a child care facility at 3257 Norwood Avenue.

Section 4: The Executive Director is authorized to negotiate and consummate the purchase of the properties at 3257 Norwood and 402 Carroll Avenues at prices which do not substantially exceed their fair market value.

Section 5: The Executive Director is hereby authorized to have the properties at 3257 Norwood Avenue and 402 Carroll Avenue appraised for the purpose of establishing such fair market value.

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FOR CITY CLERK USE ONLY

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

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

Section 6: The Executive Director is authorized to prepare and submit an application to the State Tax Credit Allocation Committee for State and Federal Tax Credits for the Project.

Section 7: Subject to acquisition of the properties and to obtaining financing for the rehabilitation of the properties, the Executive Director is authorized to negotiate and consummate a contract with a child care provider to operate the child care facility to be constructed at 3257 Norwood Avenue.

Section 8: Staff is directed to report back within 90 days on the outcome of the State application and subsequent progress towards implementation of the Family Housing Demonstration Program.

Section 9: The Executive Director is authorized to prepare and issue an RFP for an architect to prepare plans for rehabilitation of the apartment units and construction of a child care facility and to subsequently negotiate and execute a contract for architectural services at a contract amount within the project budget.

ATTEST:

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
SECRETARY

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**FOR CITY CLERK USE ONLY**

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

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



SACRAMENTO

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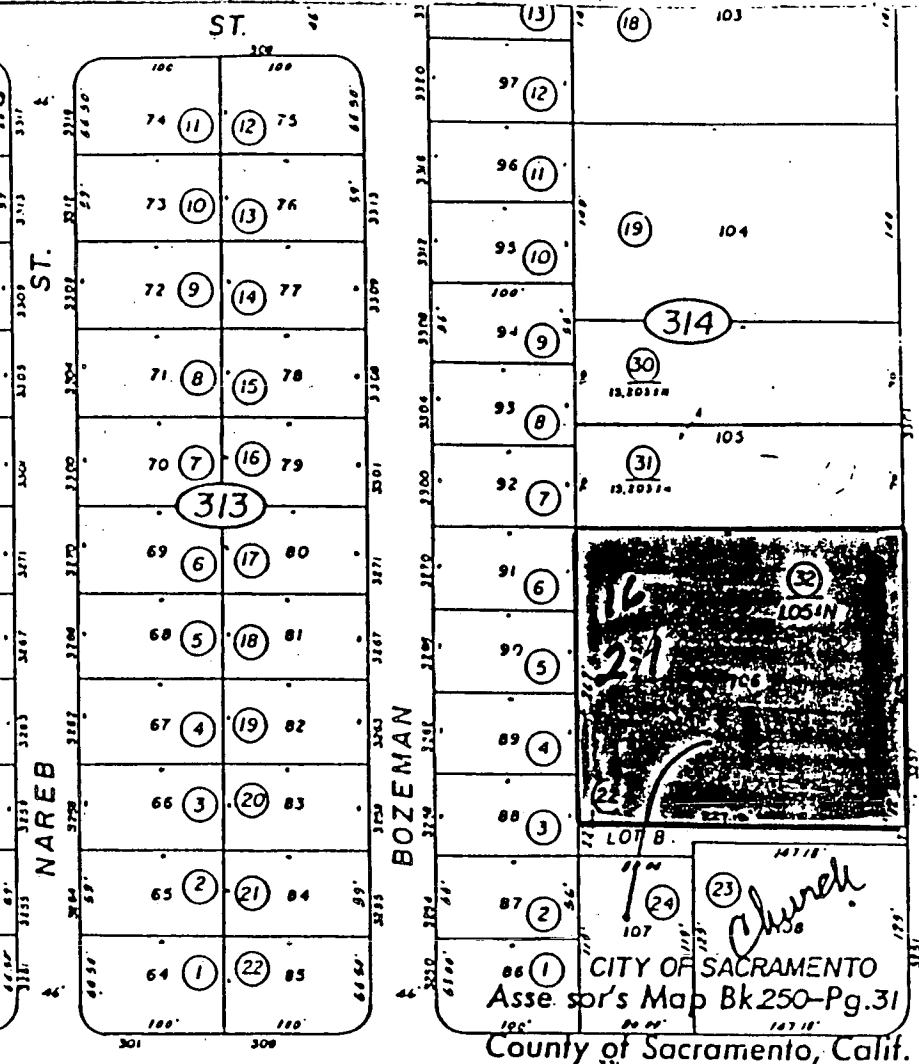
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NORTH SACRAMENTO

SACRAMENTO

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NORWOOD AV

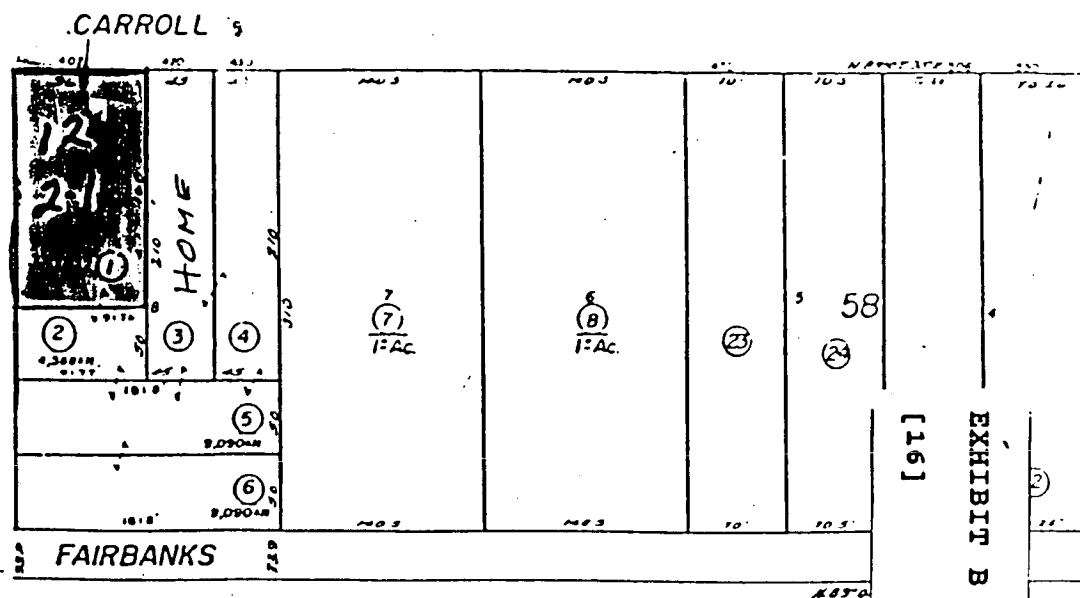
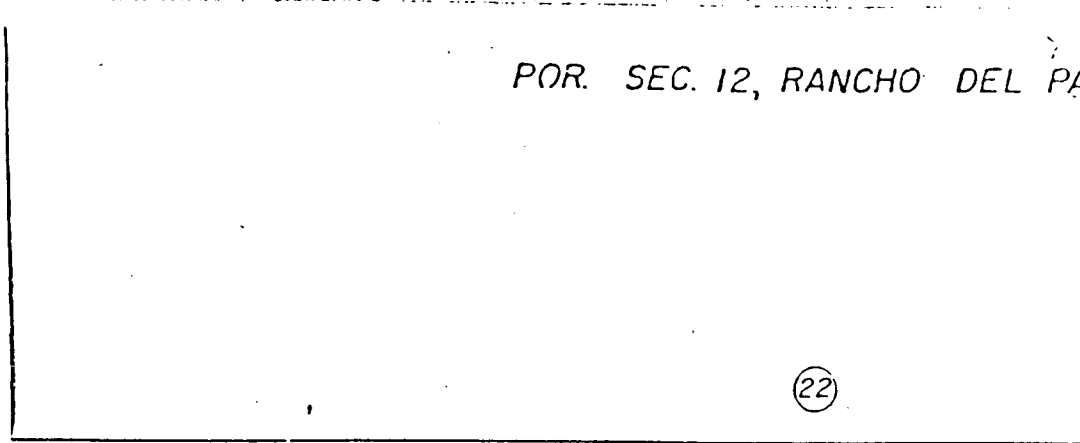


EXHIBIT B

Assessor's Block Numbers Shown in Ellipses.  
Assessor's Parcel Numbers Shown in Circles

AVE.

Bk. 263

PROJECT NORWOOD & CARROLL HCD FHDP

EXHIBIT C

[17]

402 Carroll	12	- 2brdm units
3257 Norwood	16	- 2brdm units
Total units	28	

PROJECT COSTS

Site Acq. - Carroll	250,000	(asking)
- Norwood	499,000	(asking)
Rehab - Carroll	252,000	(prelim. est.) \$21,000 /unit
- Norwood	320,000	(prelim. est.) \$20,000 /unit
Child care construction	300,000	Child care 60 children
Soft costs	87,200	50 sq. ft./child
Admin. overhead	87,200	\$100 /sq. FT.
Relocation	12,000	Number relocated 8 @ \$1,500
Total cost	1,807,400	Admin. Overhead 10.00% of development costs
Devel. fee (if syndicated)	269,310	Devel fee 15.00% of costs
Grand total	2,076,710	Soft costs 0.1 of development costs

INCOME	Size	Number	Rent	Total
Very-low	1 brdm	6	231	1,386
Very-low	2 brdm	10	252	2,520
Low	2 brdm	6	418	2,508
Very-low	3 brdm	3	268	804
Low	3 brdm	3	503	1,509
		28		8,727

OPERATING PROFORMA

GSI	104,724	
Vacancy @	5,236	Vacancy 5.00%
EGI	99,488	
Operating expenses	94,080	Op. Exp. \$280 PUM
NOI	5,408	
Replacement reserve	2,994	Rep. Res. 0.60% of construction
Operating reserve	2,822	Op. res. 3.00% of expenses
Max. conventional debt	0	DSR 1.1 :1
HCD debt payments	0	
CFBT	(409)	

FINANCING SOURCES

	per unit	%	
Max suportable debt	0	0.00%	Debt interest 10.00% 30 years
Agency cash			
- Del Paso TI	50,000	2.77%	
- Downtown TI	200,000	11.07%	
Admin overhead	87,200	4.82%	
Devel. fee	0	0.00%	
HCD	1,470,200	81.34%	HCD payments Deferred
Total sources	1,807,400	100.00%	