SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

5

April 10, 1990

Budget & Finance Committee
Transportation/Community
Development Committee
Sacramento, CA

Honorable Members in Session:

SUBJECT: Replacement Housing for the Californian and the Francesca

SUMMARY

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

RECOMMENDATION

This report is for your information and no specific action is necessary.

Respectfully submitted,

for ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

SOLON WISHAM, JR.
Assistant City Manager

Attachment

SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY

April 10, 1990

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

Subject: Replacement Housing for the Californian and the Francesca

SUMMARY

This report provides a summary of activities taken by the Redevelopment Agency of the City of Sacramento to provide replacement housing for the Californian and the Francesca. The report is for information only.

BACKGROUND

In recent years, two Downtown housing projects totalling 144 units have been demolished to make way for redevelopment projects. The Californian, a 112 unit SRO was demolished in early 1988 to make way for the Library Plaza project. The Agency relocated 89 residents from that building in February 1988. The rents at the Californian ranged from $230 - $320 per month, averaging $250; The Francesca, a 32 unit studio apartment project was demolished in October 1988 to enable the completion of the Hyatt, as approved by the City Council. On behalf of the City, the Agency relocated 24 persons in May/June 1988. The rents at the Francesca were $275 per month.

A survey of the incomes of relocated tenants from the Francesca indicates that, 30% were very low income and 17% low income. The Californian was primarily housing for very low income persons on fixed incomes.

Several questions have been asked about what plans are in progress regarding replacement of the units in these facilities and the disposition of monies in several funds previously established for replacement housing. Specifically, the Library Plaza project provided a replacement fund of $1 million for the Californian. In addition, the 1985 Tax Allocation Bond Issue set aside $3 million of tax increment funds for housing in the Northeast Neighborhood, which is that area bounded by 16th, 18th, I, and L Street.

MAILING ADDRESS: P.O. Box 1834, Sacramento, CA 95812-1834

The one million dollar Californian replacement fund was used for the landbanking of various sites to be used for housing replacement. These included:

o	5th and T	($478,000),
o	Cotton Lane	($119,000),
o	Fair Grounds Dr.	($300,000), and
o	Rio Lane	($403,000)
	TOTAL	$1,300,000

As can be seen, other funds had to be added to the $1,000,000 to consummate these purchases.

The $3 million Northeast Neighborhood funds were used as follows:

o	acquire a portion of the half block housing site at 17th and K	($748,327);
o	construction costs at Riverview Plaza	($810,673);
o	Property acquisition for a shelter for public inebriates	($180,000);
o	Salvation Army shelter construction costs	($280,000);
o	architectural plans for the 18th and L Street housing project	($142,000);
o	Glen Ellen Mutual Housing Association for acquisition/rehabilitation of housing	($650,000) (1)
o	Emergency Shelter homeless program	($289,000)
		$3,100,000

1

[1] Three hundred thousand dollars of these funds are expected to be refunded when the permanent loan is originated on the property in November 1990. The Sacramento Mutual Housing Association has informally requested that a portion of these funds be recommitted to the Mutual for a second affordable housing project.

Once again, additional funds were added to the original amount set-aside.

Collectively, it is our finding that these and other expenditures over the past two years have benefitted the types of low and very low income households displaced by the demolition of the two housing projects. As a result of the above and other tax increment expenditures 263 new permanent housing units were produced over the past two years: (a) Riverview Plaza, a 123 unit one bedroom senior housing complex affordable to very low income tenants with rents ranging from $120-$325 per month; (b) Glen Ellen, a 36 unit, two bedroom Mutual housing cooperative affordable to low income households with an occupancy fee of $350 per month and, (c) Woodhaven, a 104 unit very low income senior project in Del Paso Heights, financed partially through Downtown Tax Increment funds in 1989. (The project will receive $225,000 a year in rent subsidy through 1993 from Downtown Tax Increment). In addition, facilities for 132 shelter beds were constructed; five very viable housing sites were acquired which could eventually accommodate over 600 residents; and, funding for development of 24 units of public housing at the Broadway/Fairgrounds site has been received.

As noted above, our housing strategy has included a significant land banking component. Given today's escalation in real estate values, we believe this to have been a wise approach. Land banking is a critical first step in the affordable housing production process. The diminishing availability of residentially zoned sites, our desire to achieve dispersion of low income units, increasing land costs and the arduous, risky task of acquiring sites one at a time as funding opportunities for construction arise argued for using these funds to landbank sites. By owning landbanked sites the Housing Authority is better able to compete for federal public housing and/or state loans/grants, and to more proactively encourage the development of affordable housing in the community in conformance with fair share goals.

Completion of the land banked sites as well as several of the other projects outlined in this report will result in as many as 577 units of new housing, more than the required replacement housing units. Recent activities currently underway should lead to the development of several of these projects. For example, under the proposed 1990 Tax Allocation Bond (TAB) staff will be recommending that funds be designated to develop housing on the 5th and T site, and to preserve existing and construct new SRO's. The bonds will not be sold until later in 1990. (The Agency is currently in the process of sizing the bond issue.) Additionally, the City has indicated interest in purchasing the 17th and K Street site, owned by the Agency, to accomplish replacement of the Merrium. The effect of this purchase will be to repay the Agency ($1.2 million) for costs incurred in originally acquiring the site. If the site is sold, the Agency will recycle these funds towards other Central City housing efforts. (The Redevelopment Agency has not been formally approached concerning the potential sale of the site.) Additional details of these and other project's under consideration are presented below and summarized in Attachment A:

5th and "T" Street

The Agency is in the process of preparing an RFP on 5th and T. The site will hold between 35-45 units. Mixed income housing is proposed, with at least 20% of the units targeted to low and very low income households. One, two, and three bedroom units are expected with rents ranging from $343 - $650 per month. A draft of this RFP will be available for review and comment by Southside residents around April 23rd. Commission and Council action is expected May 21st and 29th respectively.

17th and "K" Street

In 1989, staff negotiated with RJB pursuant to a development agreement that gave the developer the first right to develop the housing component of 17th and K. After reaching an impasse over the level of subsidy needed to make the project economically feasible and the number of low income units to be made available, the Agency exercised its right to end negotiations. The developer was proposing a mixed use, primarily market rate project. The Agency separately, or on behalf of the City intends to RFP for a developer for the 17th and K Street site. The site is expected to hold 80 - 100 primarily studio and 1 bedroom units.

SRO'S

The 1990 TAB is proposed to contain $1.0 million in proceeds to preserve existing SRO's and provide for new construction in Downtown. The availability of the SRO funds will depend on a sufficient amount of TAB proceeds being available to cover both the SRO program plus other already obligated Agency commitments (e.g., Hahn, Docks, and Lot A projects), and on the outcome of the Council's action on the Shasta. The Shasta renovation could easily consume the full $1.0 million plus another $2.0 - $2.5 million that has yet to be identified.

Under the SRO program Agency staff desires to have $500,000 for rehab of existing SRO structures plus $500,000 for landbanking of one or two sites for future new SRO's. The SRO Program is tentatively planned for Commission and Council review on April 16 and April 24, respectively. Once sites are landbanked and funding in place, the Agency will issue an RFP. The RFP will require that the developer obtain Proposition 84 or Tax Credit subsidies. If such subsidies are not available, the development of new SRO's will be postponed until other local, state and federal subsidies are forthcoming. Two hundred units of newly constructed SRO housing is expected. The amount of development subsidy expected to be needed assuming a land write down is $3,000,000 at $15,000 per unit.

If acquisition of the Shasta is approved, and the full $1 million SRO Program fund is used on the Shasta, other funds will be needed to enable acquisition of sites for construction of new SRO's. Two possible funding options are designation of the City's $1.2 million repayment to the Agency for the land at 17th and K (if a purchase offer is made and accepted), and commitment of the Lot A one million dollar housing fund.

Other Agency housing activities for which development subsidy has not yet been identified but for which some of the Northeast Neighborhood and Californian funds have already been expended are described below:

<u>18th and "L"</u>

Pursuant to a development agreement, the Agency will eventually have the air rights to develop housing over the parking facility at the office project planned at that location. Because of parking limitations, this project may be limited to elderly housing or SRO's, unless a parking waiver is obtained. The developer, Pannatoni and Oates, is in the process of obtaining planning entitlements on the office building. The Agency could not begin construction on the housing until the garage is built. This is not expected to occur until June 1991. Except for an expected $175,000 contribution from the developer, and the acquisition of a previously developed set of plans for the project, no funds have yet been budgeted to subsidize the project. The expected cost of preparing the parking pad for construction of the housing is $400,000. Based on our own research and that of the R Street Committee, we expect a required subsidy of $35,000 to $45,000 per unit if developed as primarily market rate housing or $20,000 per unit if developed as an SRO. The project could generate from 52 to 100 units of housing.

Rio Lane/Cotton Lane/Fairgrounds Drive

These sites were acquired to provide future public housing. The Fairgrounds Drive site is the only one currently funded and is planned for 24 units. Construction is scheduled to begin in November 1990.

Rio Lane will provide 12-16 units. Construction is expected to start within two years.

Cotton Lane will provide 20 - 24 units. Construction is expected to start in three years. (Space is also available on site for a 30 unit private sector project.)

Based on historical costs and HUD contributions, the Agency expects to need a local subsidy of $40,000 per unit to complete each of these three sites. The balance comes from HUD. Total local subsidy is estimated to be between $2,240,000 and $2,560,000.

Other Housing Developments

In addition to the above, the Agency is in the process of negotiating with three developers for housing developments to be located in the Downtown. The first is development of 1111 G Street. This mixed use project has been under negotiation for several years, and proposes 40 units of one and two bedroom housing. Twenty percent will be affordable to households with incomes under 80% of median. The proposed rents range from $450 to $750. The Agency will be contributing $540,000 in below market rate deferred 30 year loans.

The second is the Duke Development Company site in the redevelopment portion of R Street. Depending on the outcome of the R Street Advisory Committee work and the interim Central City housing strategy, the Agency is negotiating to receive one to two full blocks from Duke for future development of between 150 - 260 housing units. Assuming a land writedown, and an additional subsidy of $18,000 per unit, $2.7 - $4.7 million is expected to be needed to develop the housing.

The third project, Capitol Towers, is at 5th and N. This project could potentially entail conversion of the Capital Towers site to a mixed use project and is dependent upon zone changes which have yet to be considered. Three hundred fifty (350) to 400 units of <u>new</u> housing units are expected under the plans as we know them.

These will replace 206 existing low rise units. The level of subsidy necessary to achieve development of the units is still being assessed. Using an estimate of $35,000 per unit, a subsidy of $12,000,000 to $14,000,000 will be required.

Agency staff has many other ideas for Downtown housing. Unfortunately, the Agency presently does not have the funding for the completion of two of the proposed public housing developments or for three of the above noted downtown developments (18th and L, Duke and Capitol Towers). As future year Agency budgets are developed, tax increment, Housing Trust Fund and CDBG monies will be looked at to finance these projects along with state and federal grants and various debt and equity sources. Reordering of priorities within these funding sources may be necessary.

FINANCIAL DATA

Financing approvals related to individual projects will be considered on a case by case basis in subsequent reports.

ENVIRONMENTAL

Each project discussed in this report has been or will be subject to individual environmental review at the time the Agency or City acquisition or approval.

MBE/WBE

This report has no MBE/WBE implications.

POLICY IMPLICATIONS

Redevelopment law does not require that replacement units be within proximity to the demolished units, of like kind or even of similar affordability, except that they be affordable to low/moderate income households. Therefore, it is our opinion the Redevelopment Agency has satisfied the replacement requirement for the Francesca and Californian. However, as a matter of policy the Agency recommends, to the extent possible, replacing all units lost with units of like kind, and similar affordability. The development of land bank sites as described in this report will further ensure compliance with this policy objective.

The Agency has taken steps to provide comparable replacement housing units through various construction and landbanking efforts. Potential funding sources for the actual development of land banked sites is outlined in this report. The subsidy needed to replace very low income units is considerable, and has not been sufficiently available through existing resources. In addition, prevailing thought is that development of even market rate housing in the Downtown will require some level of public subsidy. The funding now being proposed only begins to address that needed to accomplish all of the above listed projects. The Agency, in looking prospectively, and as a matter of policy, is positioning itself to be able to allocate a greater percentage of its Downtown Tax Increment funds into housing. However, because of current and prior commitments, funding to enable this shift in priorities will have to occur over time.

CONCLUSION

The Agency has implemented an aggressive replacement housing program. Replacement funds have been used to develop some sites and to landbank others that in the future will provide more than the required number of replacement units. Subsidy has been provided for three already completed projects that provide affordable units- Woodhaven, Glenn Ellen and Riverview Plaza. More replacement units will be achieved with the development of the 17th and K Street, and the 5th and T Street sites. These two projects are possible because of landbanking by the Agency in prior years. RFP's for these sites will be forthcoming to the Council within the next 30 - 60 days.

Further replacement of the Californian units in accordance with the policy recommendations above will be forthcoming through the Agency's proposed SRO program and by the development of public housing sites in the future. Given the cost of land in the CBD, it may be difficult to replace the Californian within the CBD. Either the 18th and L street site or new sites within the Central City as yet to be acquired through the SRO program will serve as replacement housing.

RECOMMENDATION

This report is for information only. No action is required.

Respectfully submitted,

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

for ROBERT E. SMITH
Executive Director

Summary of Potential Replacement Housing Projects

Project Location	No. Units	Unit Mix	Rents	Targeting	Completion/ Development Status	Subsidy Source	Subsidy Amount
Completed Units							
Glen Ellen	36	All 2 br.	$350	80% of Median	Operational 12/89	SAMCO Loan NHSA Loan Rental Rehab Loan CA Deferred Payment Rehab Loan SHRA Unconditional Grant SHRA Conditional Grant	$341,234 330,333 319,500 170,500 137,000 71,433 $1,370,000
Riverview Plaza 600 "I" Street	123	All 1 br.	$120-325	40% very low; 60% under 60% of median	Completed 10/88	Tax Increment CDBG HoDAG Tax Credits	$3,319,119 1,500,000 2,000,000 10,000,000 $16,819,119
Woodhaven	104	All 1 br.	$300	80% of Median	Operational 2/90	Tax Increment CHFA	$500,000 1,767,422 $2,267,422
Subtotal Completed Units	**263**						
Planned Units							
17th & "K"	80-100	Studio & 1 br.	$275-395	Unknown	RFP under development	Yet to be determined	Unknown
18th & "L"	52-100	Unknown	Unknown	Senior housing or SRO	Air rights will be conveyed in 6/90	Yet to be determined	Unknown
1111 "G"	40	24 2 br. 16 1 br.	$450-750	20% @ 80% of median	Start Const. 6-7/90 Completion 1-1.5 yrs.	Tax Increment	$540,000
5th & "T"	34-43	8 3 br. 16 2 br. 10 1 br.	$343-650	20% low 20% very low	RFP to be issued 6/90	Tax Allocation Bond	$600,000
SRO's	200	SRO	$200-250	Very low	RFP to be issued 5/90	Tax Allocation Bond Yet to be determined	$500,000 3,620,000 $4,120,000
Fairgrounds Brdwy & Fairgrounds	24	All 3 br.	$409	30% of Household Income	Start const. 11/90	Local	$960,000
Cotton Ln. Public Hsg. Cotton & Bruceville	20-24	All 3 br.	$409	30% of Household Income	Start const. estimated 3 yrs.	Local	$640,000 to 800,000
Cotton Ln. Private Hsg. Cotton & Bruceville	30	1-3 br.	$300-550	Mixed Income	Start const. estimated 3 yrs.	Yet to be determined	Unknown
Rio Ln. Rio & Riverside	12-16	All 3 br.	$409	30% of Household Income	Start const. estimated 2 yrs.	Local	$480,000
Subtotal Planned Units	**492-577**						
Total Units	**755-840**						

ATTACHMENT 5