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April 11, 1990

Budget and Finance and
Transportation and Community Development Committees
Sacramento, California

916-449-5704
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Honorable Members in Session:

SUBJECT

Replacement Housing Alternative for the Merrium Apartments

SUMMARY

This report recommends that the City Council confirm the 17th and K Street site, as described in this report, as the preferred replacement housing alternative to be reviewed in the Supplemental EIR for the Community/Convention Center Expansion project.

BACKGROUND

In October of 1988, the City Council certified the Program EIR and approved the east alternative for the Community/Convention Center Expansion Project. With the selection of this alternative, the Council directed that if the relocation of the Merrium Apartment building was found to be infeasible, the City will cause replacement housing to be built.

On January 23, 1990, the City Council selected the firm of Nichols-Berman to prepare a Supplemental EIR (SEIR) for the Expansion Project. Part of the scope of the SEIR is to study alternative replacement housing sites, including the 17th and K Streets location.

On March 20, 1990, staff presented a report on the feasibility of relocating the Merrium Apartment building within the expansion project site to the joint Budget and Finance and Transportation and Community Development Committees. This report found the relocation of the Merrium Apartment building to be programmatically and financially infeasible and that the Merrium Apartment building must be razed in order for the expansion to proceed. The Committees directed staff to report back on replacement housing for the Merrium.

ANALYSIS

The City may not select a replacement housing site for the Merrium apartments until the SEIR has been completed and certified. The Council may, however, specify a preferred alternative to be considered in the SEIR. This report describes a preferred replacement housing alternative.

The Merrium is a 41 unit building consisting of 21 sub-standard studios and 20 sub-standard one-bedroom units. The rents ranged from \$260 - \$295 for a studio and \$300 - \$395 for a one-bedroom. Since May 1989, the Sacramento Housing and Redevelopment Agency (SHRA), acting on behalf of the City, has relocated 36 persons. Of these persons, 19% were very low income (under 50% of the median household income for Sacramento County), and 9% were lower income (under 80% of the median household income) households. The Community/Convention Center Expansion Project Program EIR proposed replacement housing for the loss of the Merrium units as a mitigation measure.

As a condition of developing an office project at 17th and K Streets, RJB Development Company deeded to SHRA a parcel on the block for the development of housing. SHRA then acquired several other contiguous parcels, assembling a half block for a housing project. The owner participation agreement between SHRA and RJB gave the developer the first right to develop the housing component of the project subject to meeting terms and conditions set forth by SHRA. After an impasse was reached over the level of subsidy needed to make the project economically feasible and over the number of low income units to be made available, SHRA exercised its right to end negotiations and to issue a request for proposals (RFP) for the site.

The developer was proposing a mixed-use project of one and two bedroom units. Although primarily a market rate project, it needed a subsidy to be economically feasible. According to SHRA, market rate housing is not feasible in the downtown area without a subsidy. SHRA cites the work of the R Street Advisory Committee, the R Street Housing Study prepared by an outside consultant, and recent CADA and SHRA experience with housing projects proposed for the downtown. SHRA expects the level of subsidy for market rate housing downtown to be between \$12,000 - \$40,000 per unit, depending on the cost of land and the type of construction (because no new market rate units have been built downtown in several years, the actual subsidy required is not known).

The 17th and K Streets site provides an excellent replacement site for the Merrium. It is near the current Merrium site and can accommodate a sufficient number of units to easily replace the Merrium. Given the size of the site (32,000 square feet), staff would propose an 80-100 unit project at 17th and K Streets. This density is recommended because the replacement units are proposed to be studio and one bedroom units, comparable to the Merrium's. This type of unit should allow for higher density than the

original project proposed by RJB. SHRA believes that higher density housing is necessary to make projects economically feasible in the downtown area. San Diego and other larger cities have successfully developed high density, attractive housing in their downtown areas.

The concept involved with this site would require the City to acquire the 17th and K Streets site for approximately \$1.2 million from SHRA and instruct SHRA to issue a RFP for a developer. SHRA would sell the land to the City for their cost of originally acquiring the land. SHRA would then be able to use the proceeds from the sale to accomplish other housing development projects in the downtown area (assuming the 17th and K Streets site does not require additional subsidy). Upon acquisition, SHRA, on behalf of the City, would develop and release a RFP for a developer of the site. The RFP would require the developer to build 80-100 units of housing with a minimum of 21 units of studios and 20 units of one bedrooms. The developer would be required to replicate the significant architectural features and style of the Merrium, particularly the two-story entrance and the cornice. The rents on the project would be market rate, although the actual level of affordability will be established at the time the proposals are received and analyzed, so that the City can assess the level of subsidy needed to make the project feasible.

As a goal, 20% of the units would be affordable for the very low income and 10% for the lower income. Affordable rents for very low income are \$304 per month for a studio and \$343 per month for a one bedroom. Affordable rents for lower income are \$370 for a studio and \$478 for a one bedroom unit. It is likely that some additional City subsidy beyond the \$1.2 million acquisition cost will be required. Staff will probably propose that the City retain ownership of the land and enter into a 55 year land lease with the developer. The subsidy to the project can be adjusted through the land lease. It is premature to determine if a land write down will be sufficient subsidy.

FINANCIAL

The cost for this replacement housing alternative would be \$1.2 million to acquire the 17th and K Streets site from SHRA. Additional costs to complete the project will be addressed in subsequent staff reports. There are sufficient funds in the Community/Convention Center Expansion Project budget for this alternative.

POLICY CONSIDERATIONS

The City Council has previously adopted a policy of providing replacement housing in the event that the relocation of the Merrium Apartment building were found to be infeasible. To the extent economically feasible, staff is recommending that the units be replaced at least one for one with as comparable a unit as possible, in design, affordability, size and amenities.

MBE\WBE

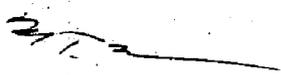
This report does not recommend the purchase of any goods or services. If an RFP is issued for the alternative replacement housing project described in this report, qualified MBE/WBE firms will be invited to participate.

RECOMMENDATION

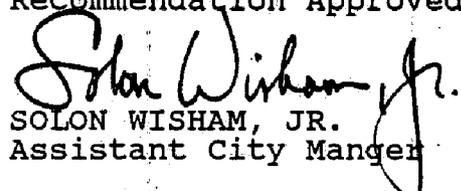
It is recommended that the City Council, approve by resolution:

1. The 17th and K Streets site as the preferred replacement housing alternative to be studied in the SEIR;
2. Direct City staff to meet with SHRA to determine if they are interested in selling the site to the City;
3. Authorize the Sacramento Housing and Redevelopment Agency to act as Agent for the City; and
4. Direct that the design of the replacement housing incorporate the significant architectural features of the Merrium.

Sincerely,


KEITH T. KRAMER
Senior Management Analyst

Recommendation Approved:


SOLON WISHAM, JR.
Assistant City Manager

Contact Persons:

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449-5704

Keith T. Kramer
Senior Management Analyst
Finance Department
449-5845

April 11, 1990
District 1

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**A RESOLUTION IDENTIFYING THE 17TH AND K STREETS SITE AS THE
PREFERRED REPLACEMENT HOUSING ALTERNATIVE FOR
THE MERRIUM APARTMENTS**

WHEREAS, on October 25, 1988, the City Council certified the Program EIR and approved the East Alternative for the Community/Convention Center Expansion Project, and

WHEREAS, the City Council directed that if the relocation of the Merrium Apartment building were found to be infeasible that the City would cause replacement housing to be built, and

WHEREAS, on March 14, 1989, the City Council found, in Resolution 89-208, that the relocation of the Merrium to an on- or off-site location was an infeasible mitigation measure for the reasons set forth therein, and

WHEREAS, on January 23, 1990, the City Council requested that consideration again be given to relocating the Merrium Apartment building on the Community/Convention Center Expansion project site, and that a feasibility study be prepared, and

WHEREAS, on March 20, 1990, staff presented a feasibility study which concluded that relocation of the Merrium on the project site would be impractical and infeasible for the reasons set forth therein, and

WHEREAS, on March 20, 1990, the City Council requested that a report be prepared addressing replacement housing as a mitigation measure for the Merrium Apartment building, and

WHEREAS, the staff report on the replacement housing alternative for the Merrium Apartment building identifies the 17th and K Streets site as a preferred alternative for the reasons set forth therein,

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Sacramento does hereby approve and direct:

1. The 17th and K Streets site is the preferred replacement housing alternative to be studied in the SEIR for the Community/Convention Center Expansion project.

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

2. Staff is to meet with the Sacramento Housing and Redevelopment Agency to determine if the Agency is interested in selling the 17th and K Streets site to the City.
3. The Sacramento Housing and Redevelopment Agency is authorized to act as Agent for the City.
4. The design of the replacement housing will incorporate the significant architectural features of the Merrium.

MAYOR

ATTEST:

CITY CLERK