



**Sacramento  
Housing &  
Redevelopment  
Agency**

Redevelopment Agency of  
the City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** WOODRUFF HOTEL CLOSURE, LOAN PAY-OFF; HOUSING  
REPLACEMENT PLAN ADOPTION AND RELOCATION OF TENANTS

**LOCATION & COUNCIL DISTRICT** - 3456 Third Avenue, District #5

**RECOMMENDATION**

Staff recommends adoption of the attached resolution, which authorizes the Executive Director or her designee to:

- amend the Agency budget to transfer \$669,620 from the Oak Park Developer's Assistance Account to the Woodruff Hotel Account for relocation and operation expenses and payment of the promissory note;
- adopt a Replacement Housing Plan for the Woodruff Hotel; and
- relocate Woodruff Hotel residents.

**CONTACT PERSONS**

John Dangberg, Director of Community Development, City, 440-1357  
Jim Hare, Program Manager, 440-1399 ext. 1442

**FOR COUNCIL MEETING OF** - February 29, 2000

**SUMMARY**

This report requests the authorization to close the Woodruff Hotel, relocate tenants, adopt a replacement housing plan and allocate \$669,620 for operation and relocation expenses and payment in full of the promissory note.

February 16, 2000

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### PAC/RAC/TAC ACTION

At its regular meeting of November 3, 1999, the Oak Park Project Area Committee (PAC) voted to adopt a motion recommending the actions related to the closure of the Hotel. The votes were as follows:

AYES: Brown, Burks, Chandler, Davis, Harris, Johnson, Lampe, McCalla,  
Madison, Miller, Parker, White, and Williams

NOES: None

ABSENT: Mitchell and Nash

At its regular meeting of February 2, the Oak Park PAC voted to adopt a motion recommending the actions related to the pay-off of the promissory note for the amount of \$555,000. Staff will return to the PAC to appraise them of figure agreed to by the Trust, \$589,612.60. The votes were as follows:

AYES: Aungst, Brown, Davis, Harris, Johnson, Lampe, McCalla,  
Madison, Mendoza, Miller, White, and Williams

NOES: None

ABSENT: Miles, Nash, and Parker

### COMMISSION ACTION

At its meeting February 16, 2000, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Burns, Castello, Cespedes, Dobbins, Harland, Newsome,  
Rotz, Simon, Holloway

NOES: None

ABSENT: None

### BACKGROUND

The Sacramento Housing and Redevelopment Agency (SHRA) received title to the Woodruff Hotel (Hotel) and Guild Theater Complex and two adjacent residential buildings in May 1998 as

630 I Street, Sacramento, California 95814

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a result of a loan foreclosure. The Hotel includes 34 single-room occupancy units and 6 studio apartments on the 2<sup>nd</sup> floor. The ground floor has approximately 9,000 square feet of retail space. On the adjacent parcel are a Victorian duplex and a two-story four-plex. Title to both properties is subject to a first deed of trust and note. The Fifth Article Trust of Andrew C. Bartalini holds the first Deed of Trust on the Woodruff Hotel securing a promissory note in the amount of \$532,500.

### Promissory Note

The John Stewart Company (JSC), acted as receiver during the foreclosure process. The Hotel's operating income during receivership provided for a partial payment of \$3,000 monthly against the payment due of \$4,437.50. Following completion of the foreclosure and termination of the receivership, staff retained JSC as property manager and directed JSC to continue partial payments to the Bartalini Trust. In December, 1998 the trustee furnished a letter on behalf of the beneficiaries, stating that they would accept the reduced monthly payment of \$3,000 through December 1999. The agreement to accept the reduced monthly payment has since been extended until June 2000.

The reduced monthly payment has resulted in an additional financial liability to the Agency of \$57,112.60. With the recent availability of Oak Park bond funds, staff recommends that the note secured by the first deed of trust and all associated arrearages, fees and penalties be paid off rather than continuing to incur additional arrearages. As of February 8, 2000, the total outstanding principal and accrued interest is \$589,612.60.

### Hotel Closure

The residential units in the Hotel and the four-plex located in the back of the Hotel have been associated with prostitution, drug use and sales. The community complained frequently about this situation. Upon Agency control of the property, building security improvements were made, nightly Police visits were instituted, problem tenants were evicted and a night security guard was hired. These measures did not eliminate the undesirable activity in and around the complex. In May of 1999, SHRA found it necessary to discontinue renting rooms as they were vacated. At this time, there are only two remaining tenants in the Hotel.

The Agency has stopped receiving complaints of illegal activity. As a result of lower occupancy the building currently operates at a deficit. Operation costs are for management, utilities, security, maintenance and repair. Due to the operating deficit, it is appropriate to close the Hotel and relocate the tenants at this time. It is estimated that tenant relocation will take a maximum of 90 days. Therefore, complete closure of the Hotel is anticipated to be May 31, 2000.

### Future Use

The Broadway & Stockton Urban Design Plan (Plan) identified the Woodruff Hotel and Guild Theater as a catalyst site for the Oak Park Historic District. The illegal activities associated with the current use do not contribute to Plan's goals and objectives. SHRA is proceeding with

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options for redevelopment/reuse of the property, following a Request for Proposal process begun in the fall of 1998. SHRA received a development proposal from Kynship Development Company on December 1, 1999. The proposal includes three retail businesses on the ground floor, 12 residential units (1 & 2 bedroom units) on the second floor and complete renovation of the adjacent Guild Theater. Staff is currently reviewing the proposal. If the proposal is determined to be feasible and consistent with the Plan, staff will proceed with requesting the necessary approvals from the governing boards. If the proposal were determined to be infeasible, a Request for Proposals would be released.

### Replacement Housing Plan

Under California Redevelopment Law the Agency is required to provide a replacement-housing plan for the loss of 44 units (determined by the number of bedrooms). The replacement plan options (Attachment I) identify opportunities to replace these units as part of the several development projects either under construction or under consideration in the Oak Park redevelopment area. These opportunities include rehabilitation of the Woodruff Hotel, the Oak Park Youthbuild project, and a proposed new senior housing development.

### FINANCIAL CONSIDERATIONS

The report recommends the transfer of \$669,620 in tax increment from Oak Park Developer's Assistance to the Woodruff Hotel account. Of the amount, \$65,000 is needed for the following ongoing expenses: management, utilities, security, maintenance and repair, board-up of building, and estimated relocation expenses. Specific relocation costs are determined by factors (income and price of comparable replacement housing) which are unknown at this time. Consequently, an estimated cost of \$15,000 has been identified for relocation. The amount of \$589,620 is recommend for allocation for full payment of the promissory note. This includes \$532,500 for the principal and \$57,120 for the arrearages.

### POLICY CONSIDERATIONS

The recommendations proposed in the staff report are consistent with Oak Park policy and planning documents.

### ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b)(3), nor a federal undertaking under NEPA.

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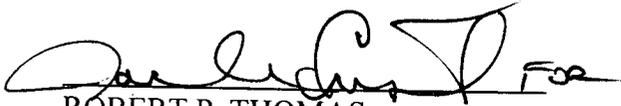
**M/WBE CONSIDERATIONS**

M/WBE considerations are not applicable to the actions recommended in this report.

Respectfully submitted,

*Cassandra H. B. Jennings*  
for ANNE M. MOORE  
Executive Director

Transmittal approved,

  
ROBERT P. THOMAS  
City Manager

**ATTACHMENT I**

**REPLACEMENT HOUSING PLAN FOR THE WOODRUFF HOTEL**

**Description of Property: Woodruff Hotel**

Woodruff Hotel and Four-Plex  
3456 Third Avenue  
Sacramento, CA 95817

Oak Park Redevelopment Area  
APN 010-377-006

Hotel:           34 - Single Room Occupancy Units  
                  6 - studios w/ kitchenettes  
Four-Plex:      4 - 1 bedroom units  
Total 44 units/bedroom

**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 part of 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 persons 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.”

There is sufficient Article 34 authority and approval of the replacement housing plan by voters is not required.

### **Woodruff Hotel: History of Involvement**

The Sacramento Housing and Redevelopment Agency (SHRA) received title to the Woodruff Hotel (Hotel) and Guild Theater in May 1998 as a result of a loan foreclosure. The Hotel portion has 40 units, 34 single room occupancy units and 6 studios. Additionally, there is a four-plex located in the back of the parcel. During and subsequent to the foreclosure the John Stewart Company (JSC) has managed the Hotel. Before and after the Agency's ownership, the illegal activities were associated with the property including prostitution and drug use and sales. The community complained frequently about this situation. To resolve the problems, the Agency made security improvements to the building, the Police visited almost nightly, problem tenants were evicted, and a night security guard was hired. These measures did not eliminate the illegal activity and in May of 1999, SHRA discontinued renting as rooms became available.

The Agency has stopped receiving complaints of illegal activity. As a result of lower occupancy the building currently operates at a deficit that includes a first mortgage, management, utilities, security and maintenance and repair. Due to the operating deficit, it is appropriate to close the Hotel and relocate the tenants. It is estimated that tenant relocation would take a maximum of 90 days. Therefore, complete closure of the Hotel is anticipated to be April 30, 2000.

#### **Future Use**

The Broadway & Stockton Urban Design Plan (Plan) identified the Woodruff Hotel and Guild Theater as a catalyst site for the Oak Park Historic District. The illegal activities associated with the use, as a single room occupancy hotel do not contribute to Plan's goals and objectives. SHRA is proceeding with options for redevelopment/reuse of the property, following an informal Request for Proposal process begun in the fall of 1998. SHRA received a development proposal from Kynship Development Company on December 1, 1999. The proposal includes three retail businesses on the ground floor, 12 residential units (1 & 2 bedroom units) and complete renovation of the Guild Theater. Staff is currently reviewing the proposal. If the proposal is determined to be feasible and consistent with Plan, the next step to be considered would be an exclusive right to negotiate. If the proposal is not determined to be feasible, a formal Request for Proposals would be released.

### **Replacement Housing Options**

The total potential number of Woodruff Hotel and four-plex units to be removed is 44. The total number of bedrooms in these units is 44 assuming that the single room occupancy units and the studios are deemed to have one bedroom. According to 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. (double check your unit numbers.)

The Agency's priority is to replace the units within the Oak Park Redevelopment Project Area. Examples of different types of new housing to be constructed are illustrated below:

- Rehabilitation of new rental housing on-site

Apartments: 1- and 2-bedroom units  
Example: 20 if 4 1-bedroom and 8 2-bedroom units

- Construction of new rental housing off-site

Senior housing: 1- and 2-bedroom units  
Example: 45 units if 33 1-bedroom and 6 2-bedroom units (isn't this 60 bedrooms)

- Construction of new owner-occupied housing off-site

Youthbuild Program of includes the construction of 4 new single-family homes for home ownership to be completed by summer 2001.

Family housing: 2- and 3-bedroom units  
Example: 15 units if 1-3-bedroom and 3-4bedroom units

### **Affordability Considerations**

For the purposes of determining the affordability restrictions for the replacement housing, we will assume that all of the tenants are very low income. The tenants earned less than 50 percent of the area median income (very low income). Therefore, 33 replacement housing units/bedrooms will be available for very low-income persons and 11 units/bedrooms will be available for low-income persons.

Rental and cooperative housing. The following rent calculations are based on the State Department of Housing and Community Development's published 1999 income and rent affordability levels for the Sacramento area. Rents for replacement housing units will not exceed these allowances. HUD Fair Market Rents for 1999 are shown for comparison.

<u>Maximum Rents</u>	<u>1 bedroom</u>	<u>2 bedroom</u>	<u>3 bedroom</u>
	(Utility allowance deduction in parentheses)		
Very low-income rents:	\$486 (\$449)	\$583 (\$530)	\$675 (\$603)
Low income rents	\$583 (\$546)	\$700 (\$647)	\$810 (\$738)
HUD Fair Market Rents	\$496	\$621	\$861

(HUD Fair Market Rents for existing housing are based on the 40<sup>th</sup> income percentile)

“Affordable housing cost” for members of housing cooperatives and limited equity cooperatives is the same as the rent calculations listed above.

Ownership housing (other than cooperatives and limited equity cooperatives). Affordable housing cost for other forms of ownership housing are based on the amounts a household can afford to pay for principal, interest, taxes, insurance, and home owner association fees (if any). For very low-income households, the maximum housing cost is based on 30 percent of 50 percent of the area median income, adjusted for household size; the maximum housing cost for low-income households (earning 51 percent to 80 percent of median income) is based on 30 percent of 70 percent of the area median income. These standards are included in Sections 33413 and 50052.5 of the Health and Safety Code.

Using these calculations, a four-person very low-income household could afford a three-bedroom home selling for \$60,000. (Assumptions include an 8 percent interest rate, 5 percent down-payment, and \$250 monthly in taxes and insurance.) The affordable housing cost will vary with changes in interest rates and the type of ownership housing. Should ownership housing be built or acquired to satisfy the replacement housing for Woodruff Hotel, subsidies would be needed to pay the difference between reasonable development costs and the affordable housing cost standards described above. SHRA has adopted such financing policies for ownership housing in redevelopment areas.

Replacement housing for owner-occupants will also carry equity sharing arrangements in the event of sale which allow the seller to retain a portion of the excess proceeds of sale. SHRA has adopted an equity sharing program which allows for a distribution of excess proceeds based on the proportion of agency debt to the initial sales price. This existing policy would be applied to replacement housing units for owner-occupants.

Term of affordability restrictions

The term of affordability restrictions shall be for not less than the land use controls established in Oak Park Redevelopment Plan, or the greater of the term requirements of the financing sources used as subsidies.

Financing Plans

Production of the replacement housing will depend on a number of subsidies and/or equity investments, including but not limited to the following:

- Land write down or reduced cost, from Sacramento Housing and Redevelopment Agency funds used to purchase the property
- Below market financing through the sale of tax-exempt mortgage revenue bonds
- Project-based investment (equity) from the sale of low-income housing tax credits
- Section 8 home ownership certificates (upon the program's becoming operational)
- Down-payment assistance or mortgage credit certificates issued by SHRA for owner-occupants, including shareholders in cooperatives.

Sources of SHRA funding include local Housing Trust Fund revenues, Home Investment Partnership Program (HOME) funds, and Oak Park redevelopment tax increment funds (housing set-aside funds). All are available to house low and very low-income households.

The funding available for these various sources is as follows:

City of Sacramento Housing Trust Fund	\$800,000 – city-wide availability (annual)
HOME (federal entitlement)	\$3,000,000 – city-wide (dependent on appropriation)
Oak Park Redevelopment funds	\$2,500,000 – 1999 bond sale for redevelopment area uses; housing funds may be used outside the redevelopment area if finding of benefit made

Funding not in control of the City or redevelopment agency are Low Income Housing Tax Credits, awarded by the California Tax Credit Allocation Committee, and private activity bond allocations awarded by the California Debt Limit Allocation Committee necessary for the issuance of tax-exempt mortgage revenue bonds.

The most financially feasible alternative is a development using tax credits to generate equity investment and subordinate financing with flexible terms using local public funds. Costs are based on 39 attached 2- and 3-bedroom units with a community space of 1,200 square feet.

Occupancy could be rental, limited equity cooperative, or lease-to-own. A preliminary proforma financing plan, based on costs of comparable developments, is as follows:

Acquisition and demolition	0	
Construction cost @ \$70/sf	2,772,000	(Residential units 39,600 sf)
Off-site costs @ \$2,000/unit	78,000	
Financing, fees, other soft costs @ \$20,000/unit	780,000	
<u>Profit, overhead, and contingencies</u>	<u>363,000</u>	
Total preliminary estimate	3,993,000	

Projected sources of permanent financing are as follows:

First mortgage (private)	900,000
Equity investment	2,440,000
Deferred development fees	200,000
<u>Public subordinate debt</u>	<u>453,000</u>
	3,993,000

### **Performance Schedule**

Review and analysis of the re-use proposal for the Woodruff Hotel and Guild Theater will be presented to the Oak Park Project Area Committee. Replacement housing will be completed 4 years after the units are demolished.

RESOLUTION NO. 2000-010

*as amended*

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

**APPROVED**  
FEB 29 2000  
OFFICE OF THE  
CITY CLERK

**AUTHORIZATION TO CLOSE THE WOODRUFF HOTEL; RELOCATE TENANTS, ADOPT A REPLACEMENT HOUSING PLAN AND AMEND AGENCY BUDGET TO TRANSFER \$669,620 FROM THE OAK PARK DEVELOPERS ASSISTANCE FUND TO THE WOODRUFF HOTEL PROJECT FOR RELOCATION EXPENSES, OPERATION AND MAINTENCE EXPENSES AND PAYMENT IN FULL OF PROMISSORY NOTE WITH ARRERAGES.**

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. The Executive Director is authorized to amend the Agency budget to transfer \$669,620 from the Oak Park Developers Assistance Fund to the Woodruff Hotel Project.

Section 2. The Executive Director is authorized close the Woodruff Hotel and to take such actions to relocate the tenants in the Woodruff Hotel, located at 3456 Third Avenue. Such action including: relocation expenses, operation and maintenance expenses shall not exceed \$80,000.00.

Section 3. The Executive Director is authorized to pay in full the promissory note secured by the property located at 3456 Third Avenue. Such amount shall not exceed \$589,620, an amount representing the promissory note and arrearages of the Woodruff Hotel.

Section 3. The Executive Director is authorized to adopt and implement the Replacement Housing Plan for the Woodruff Hotel

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.:

DATE ADOPTED: