



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO CITY COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Public Hearing
September 15, 2009

Honorable Mayor and Members of the City Council

Title: Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

Location/Council District: 1208 J Street; Citywide

Recommendation: Adopt: **1) a City Resolution** a) approving the Conversion Certificate; and b) approving the Replacement Housing Plan for the Wendell Hotel; and **2) a City Resolution** approving the Residential Hotel Conversion Guidelines in accordance with Municipal Code 18.20.

Contact: Lisa Bates, Deputy Executive Director, 440-1316; Christine Weichert, Assistant Director of Housing and Community Development, 440-1353

Presenters: N/A

Department: Sacramento Housing and Redevelopment Agency (Agency)

Description/Analysis

Issue: In 2006, the City Council adopted an Ordinance encouraging the rehabilitation and preservation of Single Room Occupancy (SRO) units in ten downtown residential hotels. This No Net Loss Policy requires SRO owners to notify Sacramento Housing and Redevelopment Agency (Agency) if they plan to withdraw, convert or demolish units, and to submit a relocation assistance plan. The City Council has the authority to approve and issue a Conversion Certificate if they deem the applicant has complied with the requirements of the ordinance. Additional background is included as Attachment 1.

The Wendell Hotel, located at 1208 J Street, is the first of the downtown SROs subject to the City ordinance to request the withdrawal of units and a Conversion Certificate. The hotel is located over a florist shop and has 19 180-square-foot

Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

rooms with a common bathroom on each floor. A vicinity map is included as Attachment 2. The owner plans to reconfigure the SRO units into four larger market-rate apartments.

In January 2009, the owner submitted an application for a Conversion Certificate to the Agency which included the request to withdraw units. In addition to the withdraw request, the ordinance requires the following materials to be submitted prior to the issuance of a Conversion Certificate: information about the tenants residing in the building, notification to tenants of withdrawal, and a relocation plan. These materials were not submitted as part of the Wendell Hotel application because the building had been vacant for over a year. To verify the building's vacancy, the owner provided certified income tax returns indicating that units had been occupied in 2007 but vacant in 2008. The owner also provided a certification indicating no evictions had occurred; instead, tenants left on their own accord and efforts were made to market the units, but no interested renters were found. While a relocation plan and the other information described above is required by the ordinance, because the project has been vacant for over a year, Agency staff recommends approval of the Conversion Certificate and corresponding Replacement Housing Plan which are provided as Attachments 3 and 4, respectively.

There are 10 projects currently subject to the ordinance including: the Hotel Berry, Capital Park, the Congress, the Golden, the Marshall, the Ridgeway, the Sequoia, the Shasta, the Wendell, and the YWCA. The YWCA (32 units) and the Hotel Berry (104 units) will remain as SRO units. With the recommendation to approve the conversion of the Wendell in this staff report, there are seven remaining SRO projects covered by the ordinance that have the potential to request Conversion Certificates. Although each conversion application will have different circumstances, staff is recommending the adoption of Residential Hotel Conversion Guidelines (Guidelines) to ensure consistent application and compliance procedures in the future. Attachment 5 outlines these guidelines for future Conversion Certificate applications from residential hotel owners planning to withdraw, convert or demolish units from the SRO housing stock governed by the City ordinance. Specifically, the guidelines outline the requirement to obtain a Conversion Certificate, guidance for SRO owners on relocation, and an annual Agency review.

Policy Considerations: This report recommends the approval of a Conversion Certificate for the withdrawal of 19 SRO units. The ordinance requires replacement units be identified at the time the Conversion Certificate is issued and replacement units be constructed within three years of the approval. The 7th and H property that will result in the creation of approximately 150 studio and one bedroom units will serve as replacement housing for the Wendell Hotel.

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The adoption of the Guidelines will further the Agency's effort to enforce the SRO ordinance in a consistent manner. The proposed Guidelines are consistent with Municipal Code 18.20.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action is exempt from environmental review per CEQA Guidelines 15301, which exempts projects that involve no expansion of existing uses.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

Other: N/A

Committee/Commission Action: At its meeting on August 19, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Morton, Otto, Rosa, Shah

NOES: None

ABSENT: Stivers

Rationale for Recommendation: This report requests the approval of a Conversion Certificate and Replacement Housing Plan for the Wendell Hotel and Residential Hotel Conversion Guidelines. These documents are consistent with Municipal Code 18.20 as amended by City Resolution 2006-056.

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Financial Considerations: There are no financial considerations associated with this staff report.

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by: 
LA SHELLE DOZIER
Executive Director

Recommendation Approved:

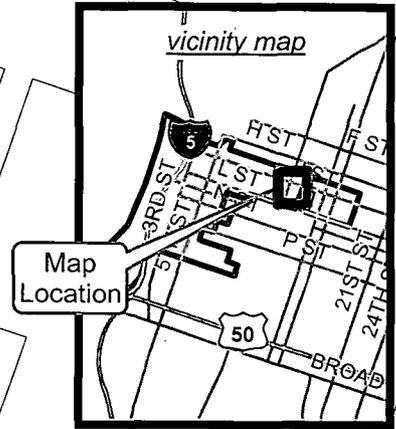
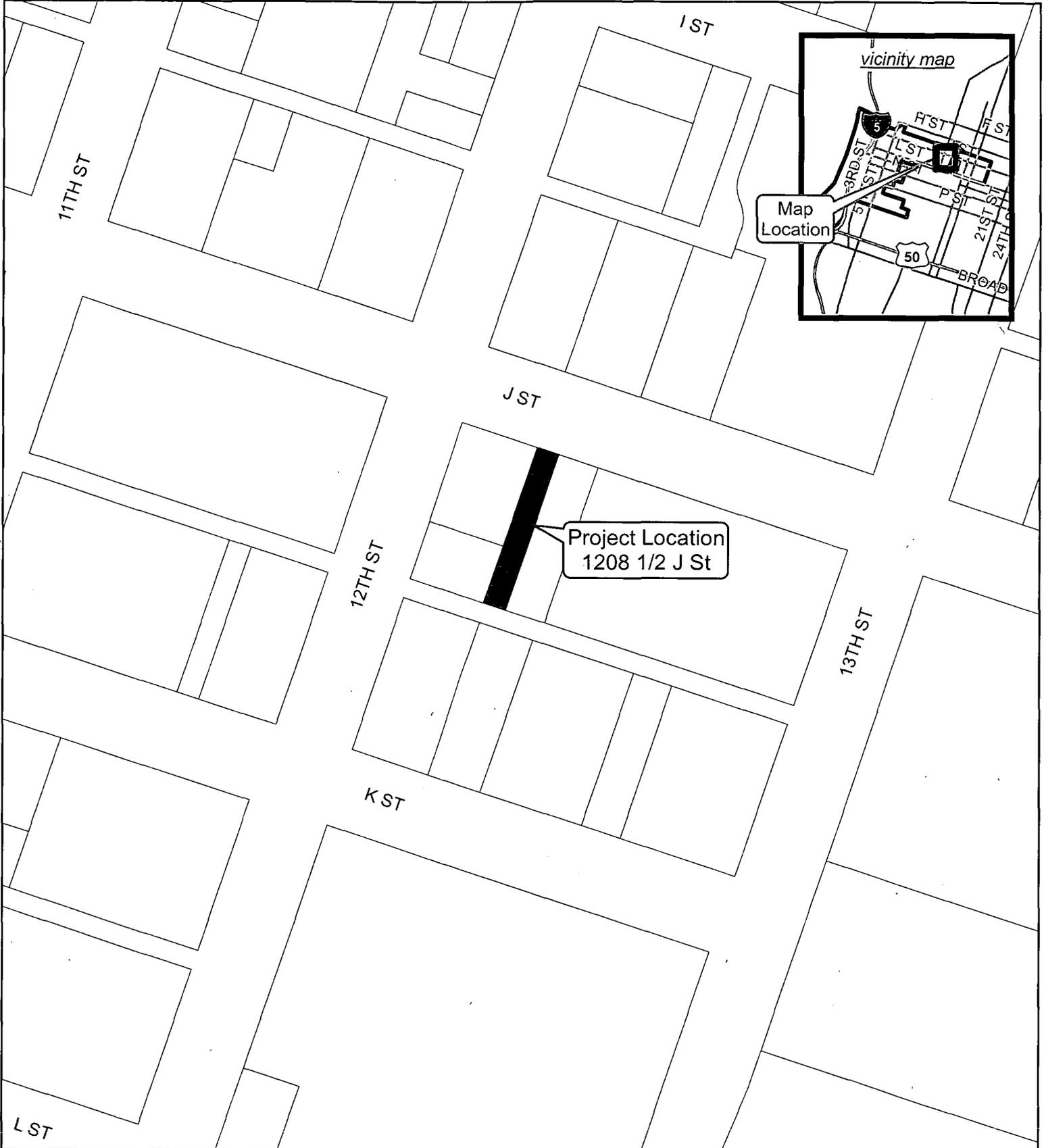

RAY KERRIDGE
City Manager

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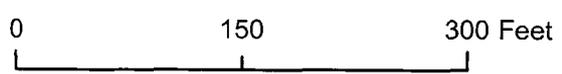
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Wendell Hotel



-  1208 J St Parcel
-  Downtown Redevelopment Area



SHRA GIS
July 20, 2009

Background

Wendell Hotel Conversion

The Wendell Hotel is a residential hotel located at 1208 J Street in downtown Sacramento. The building is a mixed-use property with a florist shop on the ground floor and 19 single room occupancy (SRO) units located above. The Wendell Hotel does not carry a regulatory agreement requiring that the units remain affordable over a specified period of time.

The owners of the Wendell Hotel, the Procida Family, were not able to rent their units as currently configured. They feel reconfiguration of the space into a smaller number of larger units with private baths will create more marketable units. The Agency's role in the conversion process is to ensure that the ordinance is adhered to and to provide a replacement housing plan if units are lost, but the Agency has no authority to stop a conversion from taking place. Despite the lack of a relocation plan and tenant information, staff is recommending approval of the Conversion Certificate because tenants have not occupied the building in over a year.

In January 2009, the owner of the Wendell Hotel notified Agency staff of the intention to rehabilitate the property and convert the SRO units to a market rate residential use. The existing code requires:

- The owner provide a notice of conversion application to eligible tenants
- The owner post this notice in a public area at least 60 days before submitting an application
- The City adopt a replacement housing plan within 90 days of approval of the Conversion Certificate
- A relocation plan
- A replacement housing plan

The Agency determined that the property is not subject to the relocation benefits required outlined in the municipal code because the residential hotel has been vacant over a year. The owner reported that the vacancies were due to the lack of interest. The owner did not provide 60 day notice to "eligible tenants" of the hotel since all eligible tenants voluntarily left over a year ago. This report requests such exemption and approval of the Wendell Hotel Conversion Certificate. The Wendell Hotel Conversion Certificate and Replacement Housing Plan are included as Attachments 3 and 4, respectively.

History of the Residential Hotel Ordinance

Over 25 years ago the City adopted an ordinance providing relocation benefits to tenants of residential hotels or SROs displaced by the conversion or demolition of an SRO (City Code 18.20). The ordinance requires noticing, relocation payments, and a Conversion Certificate acknowledging that the requirements have been met. Since 1987

Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

the central city area has lost over 300 SRO units. This fact, in addition to the renewed awareness over the importance of residential hotels to low-income residents, prompted the City Council to take additional actions to secure this type of housing. In May 2005 the City Council approved a resolution calling for rehabilitation of existing residential hotels in the downtown, a strategy for creation of new units for very low income tenants. In March 2006 the City Council adopted a resolution to create a SRO preservation Ordinance by modifying Municipal Code Section 18.20.

Residential Hotel Conversion Procedure

Although the City Council approved resolutions and amendments to the existing ordinance, there has since been no procedure in place to address residential hotel owners' requests to convert or demolish existing SROs. While state law currently requires replacement housing plans for projects financed by the Agency, it does not cover projects undertaken without redevelopment involvement. Of all 712 SRO units in the downtown housing inventory, almost 40% do not have regulatory agreements that protect the affordability of these units and require replacement housing plans under state law. This report recommends guidelines to accompany the ordinance, including an annual certification process and procedures for application and approval of withdrawal or conversion of units. Proposed guidelines are outlined in Attachment 5.



**Sacramento
Housing &
Redevelopment
Agency**

Attachment 3

Darren Procida
Wendell Hotel
1208 J Street
Sacramento, CA 95814

RE: Wendell Hotel Conversion Certificate

Date:

Dear Mr. Procida,

On Tuesday, September 8, 2009, the City Council approved a Conversion Certificate for all 19 single room occupancy units of the Wendell Hotel. You may withdraw these units on November 7, 2009. All current tenants have a right to occupancy until that date.

Sincerely,


LaShelle Dozier
Executive Director

**REPLACEMENT HOUSING PLAN FOR
SRO DWELLING UNITS**

**WENDELL HOTEL
1208 J STREET**

Description of Property

The subject property is located at 1208 J Street in the Merged Downtown Redevelopment Project Area, City Council District 1 on the south side J Street between 12th Street and 13th Street. This property consists of residential hotel single room occupancy (SRO) units located above ground floor retail space. The owner of the Wendell Hotel proposes to rehabilitate the units and convert them to a market rate residential use. Please refer to Attachment 1 for a map of the project site.

Based on an analysis of replacement housing requirements as outlined in Municipal Code 18.20.160, discussed more fully below, the Sacramento Housing and Redevelopment Agency (Agency) is required to replace housing units that are used as long term housing. The Agency is currently working on development and financing of the 7th and H property, which will serve as the replacement housing for the Wendell Hotel units which will be lost due to conversion.

Project Status

The Wendell Hotel is currently vacant and units are not being leased. The owner has requested a conversion certificate which will allow the property to be used for purposes other than residential hotel SRO units.

Replacement Housing Needs

The Wendell Hotel is subject to Municipal Code 18.20 governing downtown residential hotels, which requires a replacement housing plan under section 18.20.160. According to the code, residential hotel SRO units may be replaced within three (3) years of the date of the approval of the conversion certificate by the construction of new housing, rehabilitation of non-regulated property, or acquisition or purchase of covenants of existing non-regulated housing. Replacement units must have rents not to exceed an average of forty percent (40%) of the Sacramento metropolitan area median income (AMI). Furthermore, the replacement units must be located in close proximity to transportation and services and have an affordability covenant of no less than fifty-five (55) years.

Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan
and Residential Hotel Conversion Guidelines

The Sacramento Housing and Redevelopment Agency has identified the following units at the subject properties that must be replaced within the required three-year time period: nineteen (19) units will be restricted to not to exceed 40% AMI on average.

Replacement Dwelling Units

The Agency will replace the required units at the 7th and H property.

The property will include approximately 150 mixed one-bedroom and studio units with one-third to one-half of the units for special needs households that will require case management. These Permanent Supportive Housing units will serve a range of formerly homeless and at-risk populations. The project will be developed in accordance with the City's Single Room Occupancy (SRO) Strategy, and thus targeting a mixed population of single individuals working in low wage jobs (up to 50% AMI) in the central city, and people living on social security and disability income.

The building will feature a variety of amenities, including community gathering rooms on each floor, two separate third floor roof gardens, retail space on the ground floor, a clinic on the second floor, and structured parking on the first and second floors.

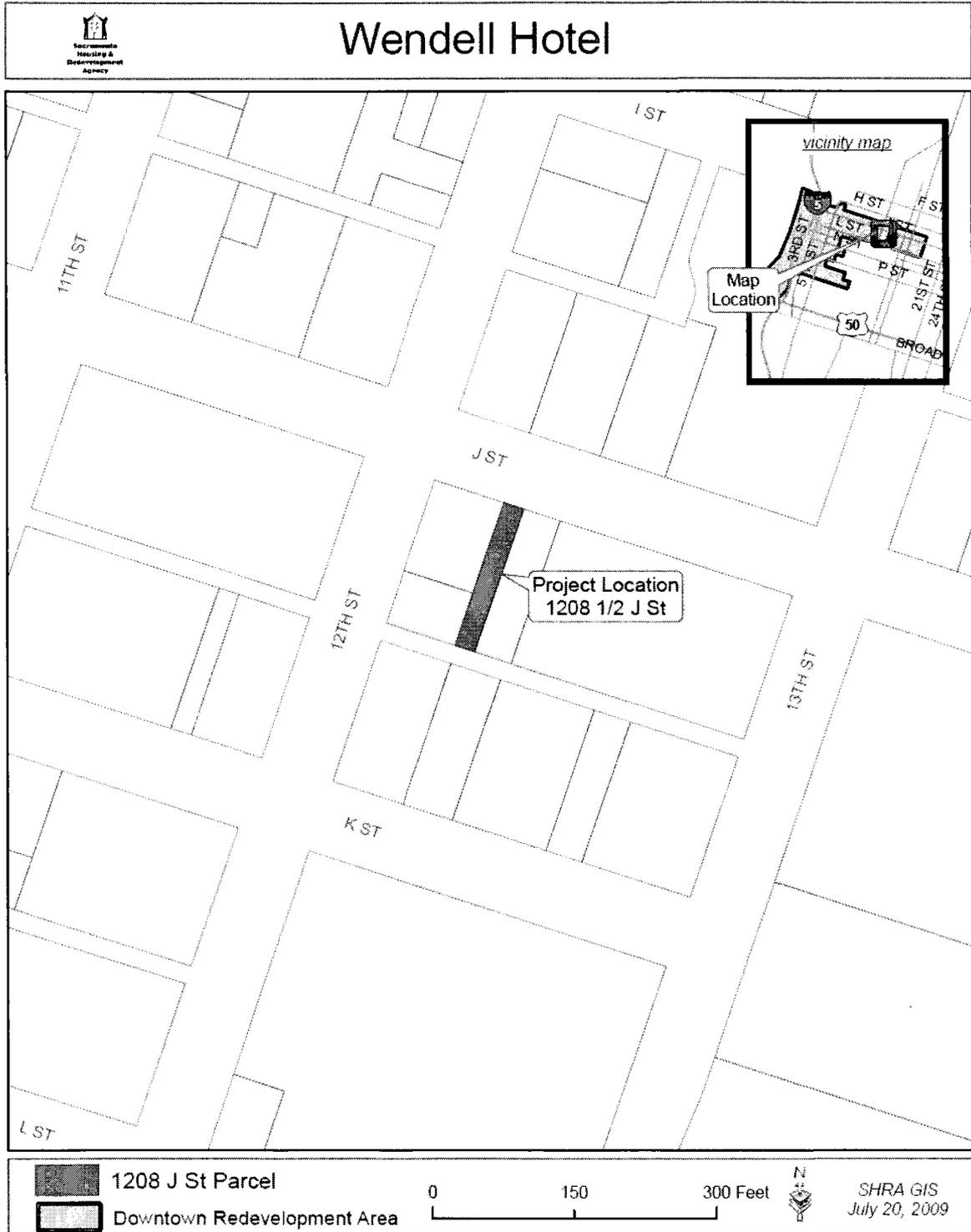
The Agency will replace the 19 SRO units lost at 1208 J Street with units at the 7th and H property with nineteen (19) studio and one-bedroom units at an average affordability level of 40% AMI (extremely low income).

Article XXXIV

The City of Sacramento is currently in compliance with its requirements under the California Constitution, Article XXXIV. The project being used as replacement housing for the units located at 1208 J Street in Sacramento, CA is within the current allocation and does not require a vote of the public.

Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

ATTACHMENT 1



Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

Attachment 5

Residential Hotel Conversion Guidelines

Withdrawal /Conversion Procedures

| Action | Timeline |
|---|--|
| <p>Owner sends planned withdrawal or conversion notice to SHRA prior to any withdrawal or conversion of use.</p> <p>Withdrawal of a unit includes changing the use of any residential unit whether occupied or vacant to a use which is not a residential hotel unit including the following circumstances:</p> <ol style="list-style-type: none"> 1. demolition or destruction of a unit/s 2. Failure to offer publicly a residential hotel unit/s for rent | <p>9 months before any planned withdrawal</p> |
| <p>Owner sends planned withdrawal or conversion application to SHRA which includes: application cover letter, list of units to be withdrawn or converted, names of current or last eligible tenant in the units to be withdrawn or converted, current rent roll, preliminary relocation plan, and copy of notice to be sent to tenants.</p> <p>The application cover letter should include the owner's formal request for withdrawal or conversion, site name, site address, and the number and identification of units to be withdrawn or converted. The preliminary relocation plan should include the process for identifying comparable units for eligible tenants, estimated relocation benefits for each tenant, and tentative schedule for relocation.</p> | <p>60 days prior to posting notice of withdrawal</p> |
| <p>Owner posts notice of withdrawal or conversion approved by SHRA in a prominent location and sends each current tenant a copy of the notice.</p> | <p>After notice is approved by SHRA</p> |
| <p>Owner submits required application for a conversion certificate to SHRA which includes current tenant information, evidence of notice of withdrawal or conversion sent to tenants, a final relocation plan, and relocation benefits as defined below.</p> | <p>60 days after posting notice of withdrawal</p> |

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| <p>The relocation plan will include a current list of tenants, a list of comparable units which will be offered to tenants, and a corresponding budget for relocation benefits. Relocation benefits must be consistent with Municipal Code 18.20.060, specifically:</p> <ol style="list-style-type: none"> 1. The owner shall set aside a cash amount for relocation benefits to each eligible tenant in the amount of \$2,400 per person or \$4,000 for two or more people in the same room, which will be divided equally among the occupants. The owner will pay relocation costs accordingly: 80% of the relocation benefits will go directly to the new landlord for the total of first and last month's rent and a security deposit on a comparable unit, and the remaining 20% of the relocation benefits will go directly to the tenant for moving and miscellaneous expenses. Current tenants must be paid at least their 20% of the relocation benefits at least 30 days before they are required to vacate. 2. In the absence of a current tenant, the 20% payment will be made to an eligible past tenant who occupied the unit within one year prior to the withdrawal and but no more than 30 days after the issuance of the conversion certificate. 3. In the absence of a current tenant or an eligible past tenant, the 80% relocation payment must be made to SHRA for future claim by an eligible tenant. If that relocation benefit is not claimed within one year, those funds will be deposited by SHRA into the City Housing Trust Fund. | |
| <p>SHRA determines that the application is acceptable and all requirements have been met and begins process for approval of a conversion certificate.</p> | <p>After all notice of withdrawal requirements have been met</p> |

Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

Withdrawal and Conversion Certificate Approval

| Action | Timeline |
|---|--|
| SHRA prepares replacement housing plan which must be available for general public review. | 30 days prior to City Council approval |
| Notice of public hearing must be posted at SRO at least 15 days prior to meeting | 15 days prior to Commission meeting |
| City Council approves or denies issuance of conversion certificate and replacement housing plan | |
| Owner may withdraw vacant units as soon as conversion certificate has been approved. Owner must allow tenants to remain in occupied units for at least 60 days from approval of the conversion certificate. | Up to 60 days after Council approval |

Annual Review/Certification: SHRA to conduct

| Action | Timeline |
|---|---|
| SHRA will send correspondence to owners of all SROs identified in Municipal Code 18.20.040. This correspondence will include a summary of the owner's obligation under the City Ordinance 2006-56 and a request for information. | Annually |
| SRO owner required to submit requested information to SHRA. This information will include the following: property name, property owner name and contact information, property manager name and contact information, total number of units, vacancy and occupancy information for both residential and commercial space, resident services (if any), and any planned use changes that may prompt a withdrawal or conversion certificate request in the future. | Annually, and within 60 days of receipt of correspondence from SHRA |

September 15, 2009

Approval of Wendell Hotel Conversion Certificate, Replacement Housing Plan and Residential Hotel Conversion Guidelines

RESOLUTION NO. 2009 -

Adopted by the Sacramento City Council

on date of

APPROVAL OF WENDELL HOTEL CONVERSION CERTIFICATE AND REPLACEMENT HOUSING PLAN

BACKGROUND

- A. The owners of the Wendell Hotel have submitted an application for residential hotel conversion to Agency staff and have sufficiently demonstrated that relocation payments do not apply to this property due to long-term vacancy.
- B. The conversion of the Wendell Hotel will result in the loss of nineteen (19) SRO units from the downtown housing stock.

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

- Section 1. The City Council approves of the Conversion Certificate for the Wendell Hotel, located at 1208 J Street.
- Section 2. The City Council approves of the Replacement Housing Plan which will create replacement housing at the 7th and H project for the units lost as a result of the conversion of the Wendell Hotel.

RESOLUTION NO. 2009 -

Adopted by the Sacramento City Council

on date of

APPROVAL OF RESIDENTIAL HOTEL CONVERSION GUIDELINES

BACKGROUND

- A. The City of Sacramento has adopted Municipal Code Chapter 18.20, which provides relocation benefits to tenants displaced by the conversion or demolition of a residential hotel, also described as a Single Room Occupancy (SRO) hotel, in the Downtown area. The ordinance requires noticing, relocation payments and a conversion certificate acknowledging that the requirements have been met.

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

- Section 1. The City Council approves of the Residential Hotel Conversion Guidelines and authorizes the Agency to utilize these procedures for all forthcoming residential hotel conversion applications.