

**RESOLUTION NO. 2003-780**

**ADOPTED BY THE SACRAMENTO CITY COUNCIL**

**ON DATE OF NOV 04 2003**

**AMENDED REPLACEMENT HOUSING PLAN  
FOR DEL PASO NUEVO, PHASES III, IV AND V**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF  
SACRAMENTO:**

Section 1: After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2: Pursuant to and consistent with the requirements of the Federal Housing and Community Development Act of 1974 and the California Health & Safety Code Section 33413, the attached amended replacement housing plan is adopted for the project known as Del Paso Nuevo, Phases III, IV and V.

  
MAYOR

ATTEST:

  
CITY CLERK

---

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2003-780  
DATE ADOPTED: NOV 04 2003

**AMENDED REPLACEMENT HOUSING PLAN**  
**Del Paso Nuevo, Phase III, IV, and V**  
November 4, 2003

**Description of Property**

Del Paso Nuevo is a 154-acre master planned neighborhood in the Del Paso Heights Redevelopment Area of the City of Sacramento. Del Paso Nuevo is one of six homeownership development projects nationwide to receive a major funding award by the US Department of Housing and Urban Development in 1997. The Sacramento Housing and Redevelopment Agency ("Agency") received an Economic Development Initiative (EDI) grant award, and has received approval for \$5,445,000 in Section 108 loan guarantees for development of the Del Paso Nuevo Homeownership Project. Upon full buildout the project will accommodate 300 new housing units. The EDI funds combined with section 108 guaranteed loan funds will be used to invest \$10.5 million in Del Paso Nuevo for land acquisition, infrastructure and residential lot development.

The purpose of the Del Paso Nuevo project is to create homeownership opportunities by using New Urbanist planning principles to create a sustainable community with a variety of lifestyle options and a mixture of land uses and public facilities. The project presents a significant opportunity to improve the redevelopment area by significantly altering the composition of housing stock.

**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 a part of a 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 person 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. When dwelling units are destroyed or removed after January 1, 2002, 100 percent of the replacement dwelling units shall be available at affordable housing cost to, and occupied

by, persons in the same or a lower income category (low, very low, or moderate), as persons displaced from those destroyed or removed units ”

### **History and Description of Project since the Replacement Housing Plan Adoption**

The Agency has assembled more than half of the properties needed to complete the build-out of the project. Major infrastructure improvements have been completed in the plan area. Two new parks have been opened and the first development of 54 new single family homes has been sold out and is nearing completion. The next round of new home construction began in 2003 with the development of 23 new homes immediately adjacent to the first subdivision.

Additionally, the Agency has completed preliminary lotting studies for Phases IV and V and anticipated beginning the land development process in 2003.

When the original plan was adopted, the Agency estimated that 27 units containing 70 bedrooms would be lost in these phases. Since this time, one additional market rate three bedroom unit has been identified for demolition in these phases. However, as the project progresses, it appears as if all 27 units originally identified will not be demolished, and that excess replacement units identified in this plan will be available for future phases of Del Paso Nuevo. Although it is likely that the original estimate of 27 units and 70 bedrooms will be sufficient to replace this additional unit, the Agency is choosing to add this unit to the replacement requirement for Phases III, IV and V. Any unused replacement units from Phases III, IV and V may be used as replacement units in future phases of Del Paso Nuevo.

### **Replacement Housing Needs**

#### **Federal Guidelines**

Del Paso Nuevo is subject to both federal and state replacement housing law by virtue of use of Community Development Block Grant (“CDBG”) and tax increment financing. Section 104(d) of the Housing and Community Development Act of 1974 requires that any units occupied or occupiable as “lower income dwelling units” (a unit with a market rent that does not exceed the Fair Market Rent (FMR) for the area) be replaced if they are demolished, converted to a housing unit that no longer meets the definition of a lower income dwelling unit, or converted to a non-residential use.

Per the federal guidelines, Del Paso Nuevo, Phases III, IV, and V would be responsible for the replacement of only 63 of the lost bedrooms; the market rate bedrooms lost in this phase would not be eligible for replacement. These 63 replacement bedrooms could be on or off-site, and at least the same size as the lost bedrooms, would have to be regulated for a minimum of ten years and would need to be created within three years of the destruction of the original units. Under federal regulations, smaller units may be used to replace larger units (i.e. two one bedroom units to replace one two bedroom unit) if this need can be demonstrated in the HUD approved Consolidated Plan.

State Guidelines

However, because the project includes the use of local redevelopment tax increment funds, Del Paso Nuevo is also subject to state replacement housing law, California Health and Safety Code 33413. When a project is subject to both federal and state replacement housing law, the more onerous law prevails. In most instances, it is the state law, which requires replacement not only of those units demolished, converted to a market rate residential unit, or converted to a non-residential use, but also replacement by affordability. Under state law, if a unit was occupied by a very low income family (regardless of actual housing costs), and taken off line through demolition or other actions, that unit must be replaced at the same income level, and must be regulated at that affordability level for the longest feasible time as determined by the Agency but for not less than the period of the land use controls established in the Redevelopment Plan. State law requires that replacement units be created within four years of removal or destruction.

To fully comply with state law, the income level of the original occupants must be determined. Of the 29 units and 74 bedrooms expected to be demolished in this phase, 21 units and 54 bedrooms were occupied by very low income households, four units and nine bedrooms by low income families, and three units and ten bedrooms by market rate households. Only the very low and low income units lost are required to be replaced under federal and state guidelines, however, the Agency has chosen to replace all lost units, regardless of affordability level of the household.

Using these more restrictive state guidelines, the affordability level, type and number of units/bedrooms required to be replaced in Del Paso Nuevo, Phases III, IV and V are outlined below:

<b>Number of Units</b>	<b>Unit Type</b>	<b>Affordability</b>	<b># Bedrooms</b>
2	1 Bedroom	Very Low Income	2
7	2 Bedroom	Very Low Income	14
10	3 Bedroom	Very Low Income	30
2	4 Bedroom	Very Low Income	8
3	2 Bedroom	Low Income	6
1	3 Bedroom	Low Income	3
2	3 Bedroom	Market	6
1	4 Bedroom	Market	4
<b>28 (total)</b>			<b>73 (total)</b>

According to California 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. The units used to replace the bedrooms must be at least the same size as those lost. Since seven percent (2) of the units in Del Paso Nuevo were one bedrooms, 36 percent (10) were two bedrooms, 46 percent (13) were three bedrooms and 11 percent (3) were four bedrooms, seven percent of the replacement units must be at least one bedrooms in size or larger, 36 percent of the replacement units must be at least two bedrooms in size or larger, 46 percent of the replacement units must be at least three bedrooms in size or larger and 11 percent of the replacement units must be at least four

bedrooms in size or larger. This option of replacement by bedrooms will be used for the calculation of replacement housing needs for Del Paso Nuevo, Phases III, IV, and V.

#### Timing of Replacement

The Agency's priority is to replace these bedrooms within the project area, however, if the Agency is unable to do so, according to Health and Safety Code Section 33334.5, "the Agency shall, within four years of such 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 at affordable housing costs, as defined by Section 50052.5, within the project area or within the territorial jurisdiction of the agency." As the project is subject to both federal and state guidelines, the Agency must follow the more onerous timeline for replacement. Per federal guidelines, all lost units must be replaced within three years from the date of commencement of demolition (April, 2002). Therefore, under the federal statute, all replacement units would have to be created by April, 2005. Per state guidelines, replacement units must be created within four years from the date of removal of the units from the housing stock or demolition of the units (funding for the demolition of the project was also secured in April 2002). Under the state statute, all replacement units would need to be created by April 2006. Since the federal guidelines for the timing of the replacement are more onerous, it must be followed. Therefore, all units counted as replacement units for Del Paso Nuevo, Phases III, IV and V must be created by April, 2005; creation of the units can be considered complete when the financing for the replacement units is awarded.

Thus, by April 2005, the Agency must replace the following bedrooms in relation to Del Paso Nuevo, Phases III, IV and V:

<b>Number of Units</b>	<b>Unit Type</b>	<b>Affordability</b>	<b># Bedrooms</b>
2	1 Bedroom	Very Low Income	2
7	2 Bedroom	Very Low Income	14
10	3 Bedroom	Very Low Income	30
2	4 Bedroom	Very Low Income	8
3	2 Bedroom	Low Income	6
1	3 Bedroom	Low Income	3
2	3 Bedroom	Market	6
1	4 Bedroom	Market	4
<b>28 (total)</b>			<b>73 (total)</b>

#### Regulatory Requirements

Under federal statute, the replacement housing must remain affordable for a minimum of ten years. However, per the state guidelines in effect at the time of the replacement housing plan for Del Paso Nuevo Phase III, IV and V, the replacement housing units are to remain available at affordable housing cost to persons of very low, low, and moderate income for a minimum of 45 years for ownership units and 55 years for rental units. (Health and Safety Code Section 33413(c)). This more onerous option will apply to the replacement units for Del Paso Nuevo, Phases III, IV and V. All units used as replacement units will have restrictive covenants

regulating their rent and occupancy for a minimum of 55 years with either the Agency or another public entity.

### **Replacement Housing Options**

The Agency has identified the following projects that satisfy the replacement housing needs for Del Paso Nuevo, Phases III, IV, and V:

<b>Project Name</b>	<b># of Bedrooms</b>	<b>Affordability Level</b>	<b>Financing Date</b>
Terracina Gold (2 BR units)	16	Very Low Income	06/06/2000
Terracina Gold (2 BR units)	6	Low Income	06/06/2000
Terracina Gold (3 BR units)	30	Very Low Income	06/06/2000
Terracina Gold (3 BR units)	9	Low Income	06/06/2000
Northpointe Park (4 BR units)	8	Very Low Income	06/17/2003
Northpointe Park (4 BR units)	4	Low Income	06/17/2003
	<b>73 (total)</b>		

Terracina Gold (Villages 1 & 3) and Northpointe Park Apartments will provide replacement housing off-site for Del Paso Nuevo, Phases III, IV and V. Both of the projects have been fully funded using either Low Income Housing Tax Credits or Mortgage Revenue Bonds and Agency loan funds. Both projects are located in the North Natomas area of the City of Sacramento. Terracina Gold was completed construction in early 2003, and the Northpointe Park apartments was financed in the summer of 2003, with an expected construction start date of Spring, 2004.

### **Article XXXIV**

The City of Sacramento is currently in compliance with its requirements under the California Constitution, Article XXXIV. All projects being used as replacement housing for Del Paso Nuevo, Phases III, IV and V are within the current allocation and do not require a vote of the public.

### **Performance Schedule**

The required Replacement Housing for this project will be created within three years of the removal or demolition of the existing units, approximately April, 2005 to comply with both federal and state guidelines.

**The report referenced in**  
**City Council Resolution 2003-780**  
**is from the 11/4/2003 City Council Meeting**  
**Item 6.1**