

RESOLUTION NO. 2005-034

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

MAY 17 2005

**REPLACEMENT HOUSING PLAN
FOR DEL PASO NUEVO PHASE VI AND VII PROJECTS**

**BE IT RESOLVED BY THE REDEVELOPMENT AGENCY 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 Replacement Housing Plan (Attachment 1) is adopted for the projects commonly known as Del Paso Nuevo Phase VI and VII Project.

HEATHER FARGO

CHAIR

ATTEST:

SHIRLEY CONCOLINO

SECRETARY

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DATE ADOPTED: MAY 17 2005

REPLACEMENT HOUSING PLAN Del Paso Nuevo, Phase VI and VII

April 7, 2005

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 completion the project will accommodate over 300 new housing units. The EDI funds combined with section 108 guaranteed loan funds have been 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 Urbanism 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

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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 60 percent 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 development of 77 new single family homes have been completed and sold. Disposition and Development Agreements have been awarded for Phases IV and V which are planned to produce an additional 178 new homes. The developers shall be pursuing entitlements for these homes in 2005 and construction should begin in 2006.

To date the Agency has adopted Replacement Housing Plans for Phases I through V with a total of 49 units being replaced and 126 bedrooms at levels of low to very low income. To date not all of the units slated for demolition have been demolished and 5 units with 12 low income bedrooms remain that may be rehabilitated and brought back into use. Any unused replacement units from Phases I through 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 VI and VII would be responsible for the replacement of only 23 of the lost bedrooms; the market rate bedrooms lost in this phase would not be eligible for replacement. These 23 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. The following is a summary of the housing stock in Phases VI and VII being considered for demolition and or removal (please see Exhibit “A” for a map of the units subject to demolition):

	APN	Address	Redevelopment Area	Bedroom Count	Unit Type	Affordability Level
1	250-0150-011	704 South Ave.	DPH RA	4	SF	Very Low Income
2	250-0150-024	3531 Altos Ave.	DPH RA	3	SF	Very Low Income
3	250-0150-034	713 Hayes Ave.	DPH RA	2	SF	Very Low Income
4	250-0150-034	713 A Hayes Ave.	DPH RA	2	SF	Very Low Income

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5	250-0150-034	713 B Hayes Ave.	DPH RA	2	SF	Very Low Income
6	250-0150-034	713 C Hayes Ave.	DPH RA	2	SF	Very Low Income
7	250-0150-038	655 Hayes Ave.	DPH RA	3	SF	Market
8	250-0210-013	732 Hayes Ave.	DPH RA	1	SF	Low
9	250-0210-013	734 Hayes Ave.	DPH RA	3	SF	Very Low Income
10	250-0210-013	736 Hayes Ave.	DPH RA	1	SF	Very Low Income
11	250-0210-034	665 Ford Rd.	DPH RA	3	SF	Market
12	250-0210-037	3450 Taylor St.	DPH RA	3	SF	Very Low Income

State Guidelines

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 12 units and 29 bedrooms expected to be demolished in this phase, 9 units and 22 bedrooms were occupied by very low income households, one unit and one bedroom by a low income family, and two units and six 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 VI and VII are outlined below:

Number of Units	Unit Type	Affordability	# Bedrooms
1	1 Bedroom	Very Low Income	1
4	2 Bedroom	Very Low Income	8
3	3 Bedroom	Very Low Income	9
1	4 Bedroom	Very Low Income	4
1	1 Bedroom	Low Income	1
2	3 Bedroom	Market	6
12 (total)			29 (total)

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

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same income level of households as the units removed. The Agency has elected to replace the same number of units with the same number of bedrooms at or below the same level of affordability. Due to the lack of one bedroom replacement units the Agency has elected to replace the 2, one bedroom units with 2, two bedroom units.

Timing of Replacement

The Agency's priority is to replace all of 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 (August, 2005). Therefore, under the federal statute, all replacement units would have to be created by August, 2008. 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. Under the state statute, all replacement units would need to be created by August 2009. 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 VI and VII must be created within three years which is estimated to be by August, 2008; creation of the units can be considered complete when the financing for the replacement units is awarded. The adopted level of replacement is as follows:

Number of Units	Unit Type	Affordability	# Bedrooms
1	1 Bedroom	Very Low Income	1
4	2 Bedroom	Very Low Income	8
3	3 Bedroom	Very Low Income	9
1	4 Bedroom	Very Low Income	4
1	1 Bedroom	Low Income	1
2	3 Bedroom	Low Income	6
12 (total)			29 (total)

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 VI and VII, 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 VI and VII. 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

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The Agency has identified the following projects that satisfy the replacement housing needs for Del Paso Nuevo, Phases VI and VII (please see Exhibit "B" for a map of the off-site units):

Project Name	# of Bedrooms	Affordability Level	Financing Date
North Ave. Apts.(2 BR units)**	2	Low Income	12/01/2004
North Ave. Apts. (2 BR units)**	2	Very Low Income	12/01/2004
North Ave. Apts. (2 BR units)	8	Very Low Income	12/01/2004
North Ave. Apts. (3 BR units)	6	Low Income	12/01/2004
North Ave. Apts. (3 BR units)	9	Very Low Income	12/01/2004
North Pointe Park (4 BR units)	4	Very Low Income	06/17/2003
	31 (total)		

*(Two bedroom units are being utilized to satisfy one bedroom obligations.)

North Pointe Park and North Avenue Apartments will provide replacement housing units off-site for Phases VI and VII of Del Paso Nuevo. North Point Park was selected for the four-bedroom unit it is located out of the project area adjacent to Elkhorn Blvd. in North Natomas. North Avenue Apartments will provide the remainder of the replacement housing units and is located in the Del Paso Heights Planning Area. Both of the projects have been fully funded using either Low Income Housing Tax Credits or Mortgage Revenue Bonds and Agency loan funds. North Avenue Apartments is located on North Avenue, west of Norwood Avenue and is scheduled to start construction in the spring of 2005, North Pointe park is currently under construction.

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 VI and VII are within the current allocation and do not require a vote of the public.

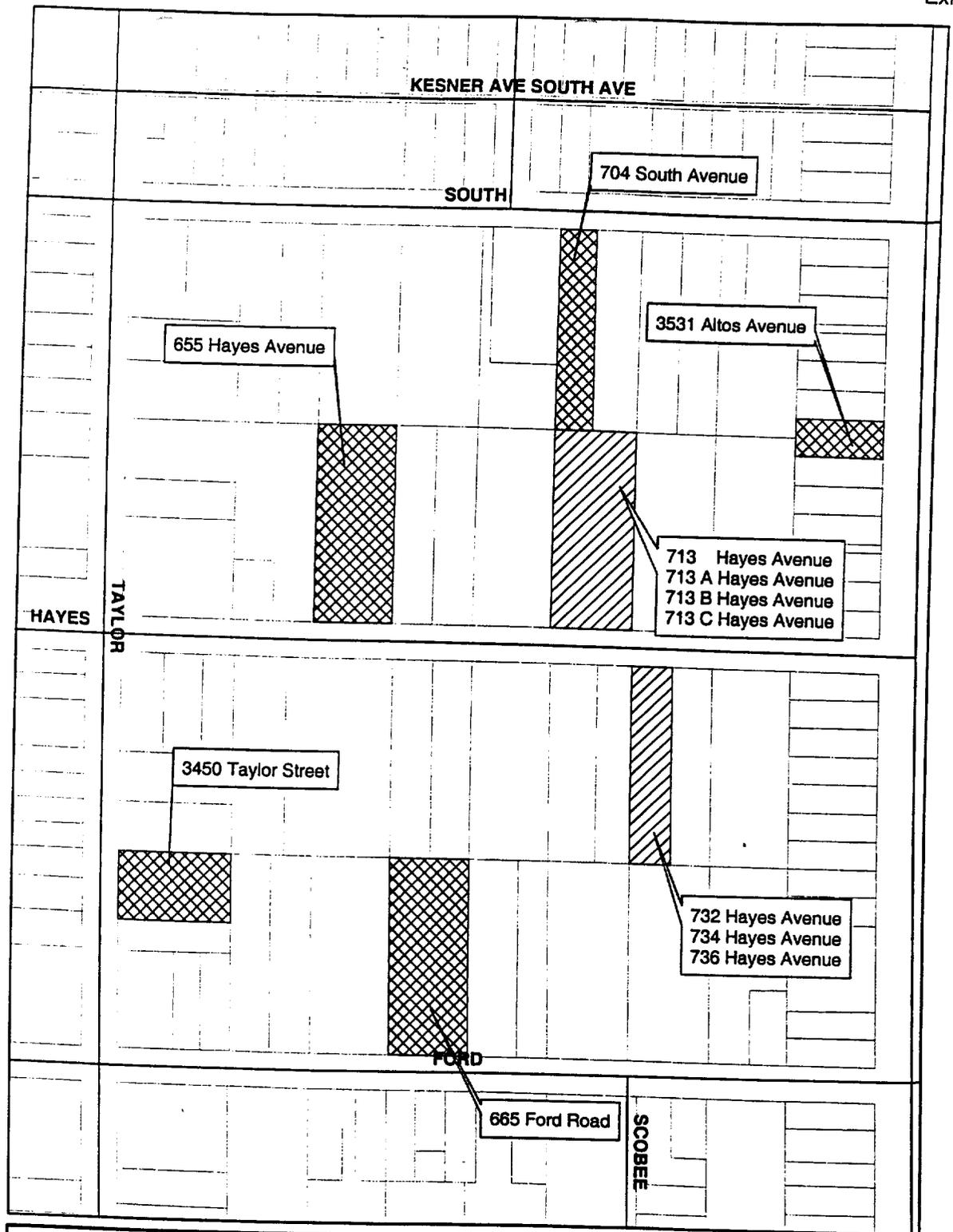
Performance Schedule

The required Replacement Housing for this project will be created within three years of the removal or demolition of the existing units, approximately August, 2008 to comply with both federal and state guidelines.

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**Del Paso Nuevo -
Parcels to Be Demolished**

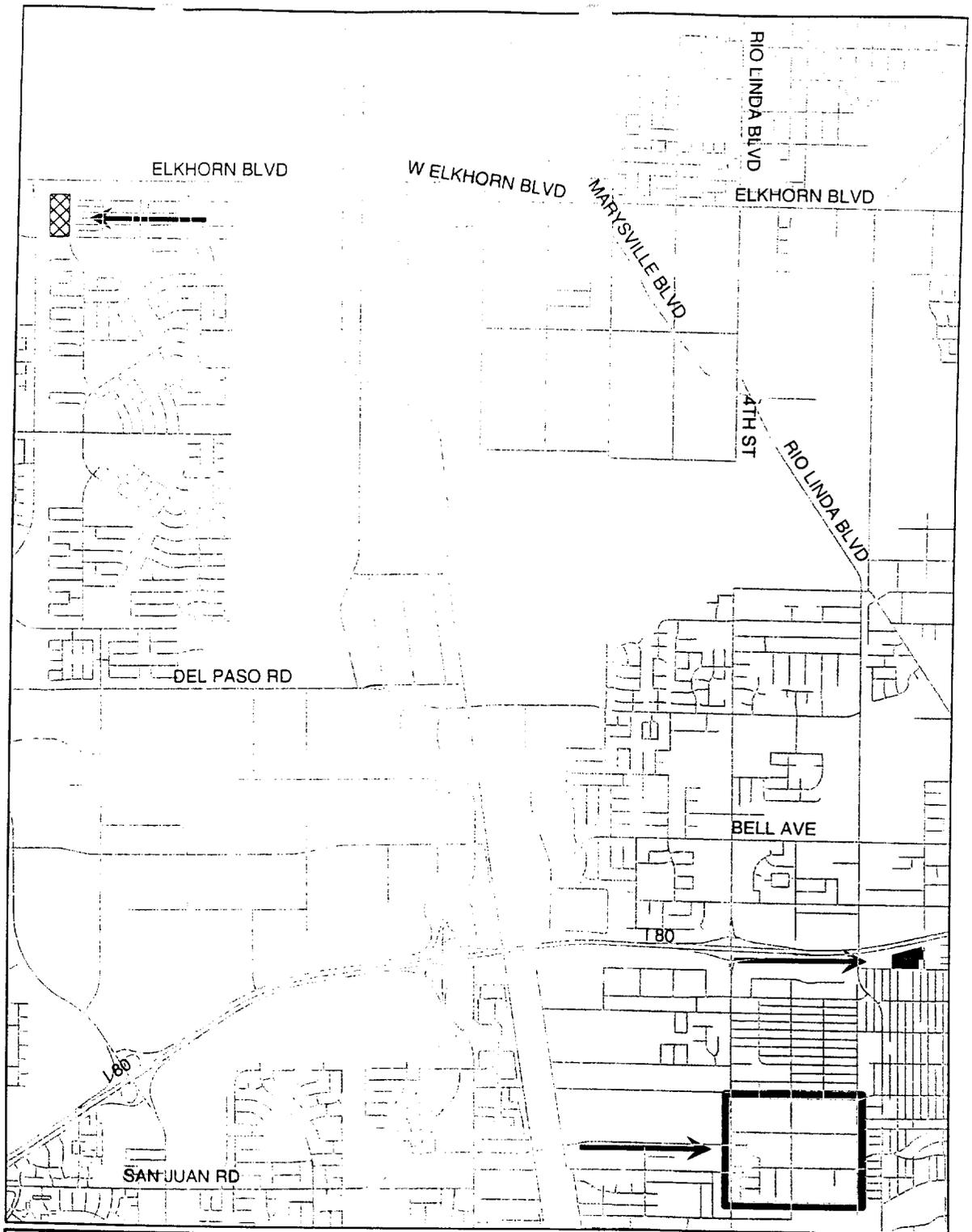


Legend
 Multiple Unit Parcels (14)

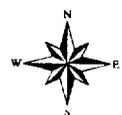
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**Del Paso Nuevo
Phases VI & VII
Replacement Housing Map**



Legend

- Del Paso Nuevo
- North Avenue Apartments
- Northpointe Park Apartments

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The report referenced in
Redevelopment Resolution 2005-034
is from the 5/17/2005 City Council Meeting
Item 4.4