

**RESOLUTION NO. 86-061**

**ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

**ON DATE OF**

October 7, 1986

RESOLUTION OF THE REDEVELOPMENT AGENCY  
OF THE CITY OF SACRAMENTO FINDING THAT A  
SUBSTANTIAL EFFORT TO MEET LOW AND MODERATE  
INCOME HOUSING NEEDS IN THE COMMUNITY IS  
BEING MADE WHICH IS EQUIVALENT IN IMPACT TO  
THE FUNDS OTHERWISE REQUIRED TO BE SET ASIDE  
PURSUANT TO SECTION 33334.2 OF THE  
HEALTH AND SAFETY CODE

WHEREAS, the Redevelopment Agency of the City of Sacramento (the "Agency") adopted a Redevelopment Plan (the "Redevelopment Plan") for the Merged Downtown Sacramento Redevelopment Project by Ordinance No. 86-066, adopted on June 17, 1986; and

WHEREAS, by Ordinance No. 86-066, adopted on June 17, 1986, the Agency found that the use of taxes allocated from the Project Area for the purpose of improving and increasing the community's supply of low and moderate income housing available at affordable housing cost outside the Project Area and within the City of Sacramento would be of benefit to the Project; and

WHEREAS, pursuant to Section 33334.2(i) of the California Community Redevelopment Law (Health and Safety Code Section 33000 et. seq.), the Agency elected to amend the Redevelopment Plan to require that not less than twenty percent (20%) of all taxes so allocated be used by the Agency for the purpose of improving and increasing the community supply of low and moderate income housing available at affordable housing cost unless one of three findings is made; and

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WHEREAS, Section 33334.2(a)(3) of the Health and Safety Code provides that the Agency may find that a substantial effort to meet low and moderate income housing needs in the community is being made and that this effort, including the obligation of funds currently available for the benefit of the community from state, local and federal sources for low and moderate income housing alone or in combination with the taxes allocated under Section 33334.2, is equivalent in impact to the funds otherwise required to be set aside pursuant to Section 33334.2; and

WHEREAS, the Agency has reviewed and considered the report of the Executive Director of the Agency on the substantial efforts being made in the community to improve and increase the low and moderate income housing needs in the community.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Agency has reviewed and considered the information contained in the report of the Executive Director which is attached hereto as Exhibit A and incorporated by reference herein. Based upon such report, the Agency makes the findings contained in this resolution.

Section 2. The Agency hereby finds that a substantial effort to meet low and moderate income housing needs in the community is being made, and this effort, including the obligation of funds currently available for the benefit of the community from state, local and federal sources for low and moderate income housing alone or in combination with the taxes allocated under Section 33334.2 is equivalent in impact to the funds otherwise required to be set aside pursuant to Section 33334.2.

Section 3. The Agency has considered the need which can reasonably be foreseen because of displacement of persons and families of low and moderate income or very low income households from within or adjacent to the Project Area, because of increased employment opportunities or because of any other direct or indirect implementation of the Redevelopment Plan.

Section 4. The Agency finds that, as described in the staff report for this resolution, an amount in excess of the statutorily-required 20 percent of collected tax increment revenue is being set aside during 1986 and 1987 in each of the following neighborhood project areas:

- Del Paso Heights Redevelopment Project Area  
(Project Area No. 5)

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- . Alkali Flat Redevelopment Project Area  
(Project Area No. 6)
- . Oak Park Redevelopment Project Area  
(Project Area No. 7).

Section 5. The Executive Director is hereby directed to establish, beginning with the Agency fiscal year 1987, a Low and Moderate Income Housing Fund for each of the four City of Sacramento project areas.

Section 6. The Executive Director is hereby authorized to make any necessary technical changes to the "Statement of Existing Obligations" adopted by Resolution No. RA 85-117 (December 10, 1985).

*Gene Ruder*  
CHAIR

ATTEST:

*William H. Sja*  
SECRETARY

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**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



September 10, 1986

Redevelopment Agency of the  
City of Sacramento  
Sacramento, CA 95814



Honorable Members in Session:

SUBJECT: Annual Tax Increment Revenue Support for Housing  
Development

SUMMARY

The Redevelopment Agency of the City of Sacramento (RACS) is requested to make formal findings relating to the annual amount of tax increment revenues set aside for housing developments in each of the redevelopment project areas. These findings are necessary in order to comply with a new state law which, with certain exceptions, requires that specific amounts of annual tax increment revenues be reserved for housing. The staff recommends approval of the attached resolution making such findings.

BACKGROUND

Effective January 1, 1986, state law requires that, with certain and specific exceptions, redevelopment project areas must reserve an amount equal to 20 percent of the total annual tax increment revenues collected for housing for low and moderate income households.<sup>1</sup> Specifically, funds for the development of housing must be deposited annually into a Low and Moderate Income Housing Fund which is to be established expressly for this purpose.

<sup>1</sup> A "low income household" is typically defined as having a gross annual income that does not exceed 80 percent of the area median income, currently estimated at \$23,000 for a Sacramento area family of four. A "moderate income household" is defined as having a gross annual income that does not exceed 120 percent of the area median income, currently estimated at \$34,600 for a Sacramento four-member household.

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If, in any fiscal year, less than 20 percent of the annual tax increment revenues collected by a redevelopment agency are deposited into the Low and Moderate Income Housing Fund, then the responsible agency must take formal action recognizing the reduced contribution and justifying its action based on statutory criteria (Sections 33334.2 and 33334.6 of the California Health and Safety Code).

Each of the current redevelopment plans for the RACS project areas includes a 20 percent housing set aside policy.<sup>1</sup> Consequently, the enactment of the 1985 legislation described above has no significant impact on the RACS project areas. So long as the Agency continues to observe its own housing set aside policy, it also remains in compliance with the newly enacted statutory requirement.

### "Substantial Effort" Findings Necessary

Under Section 33334.6(a) of the Health and Safety Code, an agency may deposit or set aside less than the 20 percent requirement if the agency, by resolution, finds

...That a substantial effort to meet low and moderate income housing needs in the community is being made, and that this effort, including the obligation of funds currently available for the benefit of the community from state, local and federal sources for low and moderate income housing alone or in combination with [tax increment revenues], is equivalent in impact to the funds otherwise required to be set aside pursuant to [Section 33334.2].

Consequently, if an agency determines that less than 20 percent of the annual tax increment revenues from a project area are reserved for housing, the agency may comply with the new statutory requirements by finding that a "substantial effort" is being made by the Agency to compensate for the reduced set aside amount. The "substantial effort" may be provided through the use of any non-tax increment funds from any local, state or federal source.

<sup>1</sup> See Section 331 of the Merged Downtown Sacramento Redevelopment Project Area Plan, Section 328 of the Del Paso Heights Plan, Section 331 of the Alkali Flat Plan, and Section 331 of the Oak Park Plan.

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Each of the current redevelopment plans for the RACS project areas includes a 20 percent housing set aside policy.<sup>1</sup> Consequently, the enactment of the 1985 legislation described above has no significant impact on the RACS project areas. So long as the Agency continues to observe its own housing set aside policy, it also remains in compliance with the newly enacted statutory requirement.

Annual Findings by RACS

In order to comply with the new legislation, redevelopment agencies must conduct an annual investigation into the amounts of tax increment revenues collected to determine if 20 percent of these revenues may be deposited into the Housing Fund without impairing any of the agency's existing obligations or prior commitments.

Exhibit 1 presents a summary for RACS fiscal year 1986 and 1987 of incoming tax increment revenues -- by project area -- and the amounts being committed for housing and housing-related activity. The table shows that during 1986, approximately \$7.9 million is expected from the newly merged downtown areas and \$1.7 million will be received from the collective neighborhood project areas. Of these amounts, \$1 million will be expended for housing by the agency as housing-related debt service payments and cash transfers out of downtown tax increment revenues. Column 6 ("20% Set Aside Quota") shows the amounts of tax increment revenues that are needed to achieve the 20 percent target for 1986. As illustrated, the 1986 housing set aside will be approximately \$524,000 less than the target figure. This "shortfall" is incurred because other non-housing existing obligations do not permit the full 20 percent target amount to be achieved during 1986. (Please see Exhibit 3 for a summary of Existing Obligations of the Merged Downtown Sacramento Project Area.)

Similarly, Exhibit 1 shows that in 1987, the housing set aside amount will be approximately \$653,000 less than the 20 percent quota of \$1.7 million.

"Substantial Effort" Finding Supported by Rehabilitation Loan Program Activity

In order to comply with statutory requirements, the Agency must make a formal finding that a "substantial effort" is being made from other Agency sources of funding to compensate for the housing set aside shortfall.

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This "substantial effort" is being provided through a variety of existing programs such as the Housing Rehabilitation Loan and Grant Program, the Rural California Housing Corporation Programs, SB 966 Rehab Loans, Federal Section 312 Rehab Loans, Housing Rehab Interest Subsidy Program, and the Homeless Family Revolving Fund. As shown in Exhibit 2, approximately \$6.1 million in loan/grant funds are available during 1986 to assist low and moderate income households. During 1987, approximately \$4.7 million will be available under the program to assist eligible households. These funds, obtained through the federal Community Development Block Grant Program (CDBG), thus evidence the alternative "substantial effort" needed to comply with the new statutory requirements.

Exhibit 1 also shows the amounts being committed to housing from tax increment revenues relating to the neighborhood project areas. The table indicates that the 20 percent target figure of \$343,000 for fiscal year 1986 is being achieved for all of the neighborhood areas. In the case of the neighborhood project areas, the 20 percent target figure is realized because over 65 percent of the proceeds from the December 1985 sale of tax allocation bonds are committed to housing or housing-related activities.

## FINANCIAL DATA

Adoption of the proposed resolution has no direct effect on the Agency's financial or budgetary condition. However, adoption of the resolution brings the Agency into statutory compliance and, thus, minimizes the possibility of litigation (and related costs) challenging the Agency's compliance with the new law.

In order to highlight more clearly (for accounting and auditing purposes) the RACS efforts to set aside certain annual tax increment revenues for housing, it is advisable that a fund center be established for each project area into which the RACS would annually deposit monies to achieve the 20 percent housing set aside targets. The resolution directs the Executive Director (or his designee) to take this action, beginning with the RACS fiscal year 1987.

## ENVIRONMENTAL REVIEW

Adoption of the proposed resolution has no environmental implications and requires no environmental impact reports.

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## POLICY IMPLICATIONS

The actions proposed in this staff report are consistent with previously approved policy as reflected in RACS resolutions and the approved Redevelopment Plans. Therefore, no policy changes are being recommended.

There may be a need to make some technical changes to the "Statement of Existing Obligations" adopted by Resolution RA 85-117 (December 10, 1985). These changes involve updating information included in that statement. The proposed resolution authorizes the Executive director (or his designee) to make the necessary technical changes to the Statement.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of September 15, 1986, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

## RECOMMENDATION

Staff recommends that the Redevelopment Agency of the City of Sacramento adopt the proposed resolution which formally:

1. Recognizes that, in accordance with Sections 33334.2, 33334.6, 33486, and 33487 of the California Health and Safety Code, an amount less than 20 percent of the tax increment revenues received for fiscal years 1986 and 1987 by RACS from the Merged Downtown Redevelopment Project Area will be set aside for low and moderate income housing; however, a "substantial effort" is being made through the Agency's Housing Rehabilitation Loan/Grant Program which "...is equivalent in impact to the funds otherwise required" to be set aside out of the Downtown project area tax increment revenues;
2. Recognizes that the statutorily-required 20 percent set aside for housing is being met with the 1986 and 1987 tax increment revenues being collected from the Agency's Neighborhood Redevelopment Project Areas;

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- 3. Directs the Executive Director to establish, beginning with RACS fiscal year 1987, a Low and Moderate Income Housing Fund for each redevelopment project area; and
- 4. Authorizes the Executive Director to make any necessary technical changes to the previously adopted "Statement of Existing Obligations".

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

WHE/HS:cmc

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe, Jr.*  
 for: WALTER J. SLIPE  
 City Manager

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TAX INCREMENT  
REVENUES  
--HOUSING  
SET-ASIDES

1986

Project Area	Revenues	CONTRIBUTIONS TO HOUSING FUND			20% Set-Aside Quota
		Debt Service Payments	Annual Tax Increment Cash	Total	
2A	1,212	0	0	0	242
3	1,451	0	0	0	290
4	1,289	0	0	0	258
8	3,910	337	711	1,048	782
All Downtown	7,862	337	711	1,048	1,572
5	473	144		144	95
6	443	164		164	89
7	797	442		442	159
All Neighbhds	1,713	750		750	343
TTL ALL AREAS	9,575	1,087	711	1,798	1,915

1987

Project Area	Revenues	CONTRIBUTIONS TO HOUSING FUND			20% Set-Aside Quota
		Debt Service Payments	Annual Tax Increment Cash	Total	
2A	1,271	0	0	0	254
3	1,627	0	0	0	325
4	1,481	0	0	0	296
8	4,318	375	711	1,086	864
All Downtown	8,697	375	711	1,086	1,739
5	494	203		203	99
6	465	290		290	93
7	834	568		568	167
All Neighbhds	1,793	1,061	0	1,061	359
TTL ALL AREAS	10,490	1,436	711	2,147	2,198

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CDBG/State/Federal Low and Moderate Income Housing Funds

Calendar Year 1986

City

Substantial Rehabilitation	\$ 99,140
Loans and Retrofit Grants	360,860
Rural California Housing Corp.	140,000
Revolving Loans Payback	57,928
Cash-on-Hand/Housing Rehab Loans	766,758
SB 966 (State Rehab Loans)	28,000
Section 312 Rehab Loans	400,000
Housing Rehab Interest Subsidy Funds (FIB)	263,135
Emergency Repair Program (ERP)	526,675
Rental Rehab Block Grant Carryover and Cash	361,000
Homeless Family Revolving Fund	6,961
	<hr/>
TOTAL	\$3,010,457

<u>County</u>	
Loans and Retrofit Grants	475,000
Revolving Funds 1/1/86	59,506
Carryover 1/1/86	1,276,491
Remaining SB 966	50,000
Section 312	400,000
FIB Leverage Fund	158,447
ERP Carryover	119,450
ERP	230,000
Rental Rehab Block Grant	285,000
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TOTAL	\$3,053,894
1986 Cumulative Total	\$6,064,351

Projected 1987

City

Loans and Retrofit Grants	350,000
Revolving Funds	250,000
Carryover from 1986	655,073
Section 312	400,000
SB 966	50,000
ERP Carryover	25,000
ERP	175,000
Rental Rehab Block Grant	300,000
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TOTAL	\$2,205,073

County

Loans and Retrofit Grants	325,000
Revolving Funds	250,000
Carryover from 1986	854,392
Section 312	400,000
SB 966	50,000
ERP Carryover	75,000
ERP	230,000
Rental Rehab Block Grant	280,000
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TOTAL	\$2,464,392

1987 Cumulative Total \$4,669,465

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MERGED DOWNTOWN  
REDEVELOPMENT AREA  
Existing Obligations  
---1986  
(000's Omitted)

	PROJECT AREAS				TOTAL
	2A	3	4	B	
TAX-INCREMENT REVENUE	1,212	1,451	1,289	3,910	7,862
EXISTING OBLIGATIONS					
Administration	400	216	204	316	1,136
Riverview Project (HoDAG)				711	711
Lease Revenue Bond Debt Service			200		200
Light Rail Project Repaymt Agmt.	850	750		1,300	2,900
Light Rail Project Reserve Pymt.				75	75
Tax Allocation Bond Debt Service			585	1,301	1,886
Note Payable to City of Sacto.				88	88
TOTAL ANNUAL EXISTING OBLIGATIONS	1,250	966	989	3,791	6,996
UNALLOCATED TAX-INCREMENT REVENUE	(38)	485	300	119	866