RESOLUTION NO. 2003-776

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF **NOV 04 2003**

AMENDED REPLACEMENT HOUSING PLAN FOR THE LEXINGTON APARTMENTS

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 1074 and the California Health & Safety Code Section 33413, the attached amended replacement housing plan is adopted for the project known as the Lexington Apartments.

Heather Fargo
MAYOR

ATTEST:

Virginia K. Henry
CITY CLERK

FOR CITY CLERK USE ONLY

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(30)

AMENDED REPLACEMENT HOUSING PLAN
Lexington Apartments
November 4, 2003

Description of Property

In 1997, the Sacramento Housing and Redevelopment Agency (SHRA) awarded funding to the Sacramento Valley Organizing Community (SVOC), a community-based nonprofit corporation, to investigate the feasibility of acquiring and rehabilitating deteriorated multifamily properties in the City and County of Sacramento. The funding source for the Agency's assistance was the federal Community Development Block Grant program. SVOC actively pursued the acquisition of Chateau Lang, the highest ranked problem property in the County's Nuisance Response Joint Operations program, and Lexington Apartments, one of the most frequently cited problem properties in the City of Sacramento.

In 1997, the City of Sacramento filed a permanent injunction against Coast Federal Bank, which came into ownership of the Lexington Apartments through foreclosure action taken in 1995, for failure to take the remedial actions required by the City over the previous five years. Coast Federal was subsequently purchased by Home Savings Bank, which in turn was purchased by Washington mutual Savings Bank. During this time, the property, which was vacant, deteriorated further.

In its due diligence prior to property acquisition, SVOC determined that rehabilitation of the property was not economically feasible due to its functional obsolescence and noncompliance with various provisions of the City's building codes. They proposed demolition and reconstruction, with alternatives on future use to be recommended by the Dixieanne area Neighborhood Association (DANA). The neighborhood organization supported high quality housing with a community or childcare center, and overall supported an increase in owner-occupied housing in the area. DANA further emphasized their support of a replacement-housing plan that would minimize the creation of additional multifamily housing in the neighborhood, which has had numerous problem rental properties.

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 on or after January 1, 2002, 100 percent of the replacement dwelling units shall be available at affordable housing cost to persons in the same or a lower income category (low, very low, or moderate), as the persons displaced from those destroyed or removed units."

History and Description of Project since the Replacement Housing Plan Adoption

In 2001, SHRA and SVOC partnered with the Sacramento Mutual Housing Association (SMHA) to develop the now vacant site where the Lexington Apartments once stood. SMHA worked with the surrounding neighborhood to develop a plan for the construction of the Victory Townhomes on the former Lexington site. The project was financed in 2001 using 9% Federal Low Income Housing Tax Credits, and construction was just completed in early 2003. The Victory Townhomes is a 100% affordable rental project consisting of a mixture of three and four bedroom family units, and shares community space and management with the SMHA owned Evergreen Apartments across the street.

Replacement Housing Needs

Federal Guidelines

The Lexington Apartments are subject to both federal and state replacement housing law by virtue of use of HOME 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, the Lexington Apartments would be responsible for the replacement of 102 bedrooms. These 102 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, the Lexington Apartments 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 term of the land use controls for the redevelopment. 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. Since the Lexington Apartments were vacant at time of removal, it was estimated that half of the occupants were very low income (50% area median income) and half were low income (80% area median income).

Using these more restrictive state guidelines, the affordability level, type and number of units/bedrooms required to be replaced in the Lexington Apartments are outlined below.

Number of Units	**Unit Type**	**Affordability**	**# Bedrooms**
16	1 Bedroom	Very Low Income	16
16	1 Bedroom	Low Income	16
17	2 Bedroom	Very Low Income	34
18	2 Bedroom	Low Income	36
67 (total)			**102 (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 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 48 percent (32) of the units in the Lexington Apartments were one bedrooms and 52 percent (35) were two bedrooms, 48 percent of the replacement units must be at least one bedrooms in size or larger and 52 percent of the replacement units must be at least two bedrooms in size or larger. This option of replacement by bedrooms will be used for the calculation of replacement housing needs for the Lexington Apartments.

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 (February, 2000). Therefore, under the federal statute, all replacement units would have to be created by February, 2003. 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 awarded in 1997). Under the state statute, all replacement units would need to be created by 2001, which is more onerous and must be followed. Therefore, all units counted as replacement units for the Lexington Apartments must be created by 2001; creation of the units can be considered complete when the financing for the replacement units is awarded.

Thus, by 2001 the Agency must replace the following bedrooms in relation to the former Lexington Apartments project:

Number of Units	**Unit Type**	**Affordability**	**# Bedrooms**
16	1 Bedroom	Very Low Income	16
16	1 Bedroom	Low Income	16
17	2 Bedroom	Very Low Income	34
18	2 Bedroom	Low Income	36
67 (total)			**102 (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 the Lexington Apartments, the replacement housing units are to remain available at affordable housing cost to persons of very low, low, and moderate income as determined by the Agency but for not less than the land use controls established in the North Sacramento Redevelopment Plan, or the greater of the term requirements of the financing sources used as subsidies. (Health and Safety Code Section 33413(c)). This more onerous option will apply to the replacement units for the Lexington Apartments. All units used as replacement units will have restrictive covenants regulating their rent and occupancy for a minimum of 30 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 the Lexington Apartments:

Project Name	**# of Bedrooms**	**Affordability Level**	**Financing Date**
Victory Townhomes (3 BR units)	48	Very Low Income	05/16/2001
Victory Townhomes (4 BR units)	16	Very Low Income	05/16/2001
Terracina Gold (1 BR units)	15	Very Low Income	06/06/2000
Terracina Gold (1 BR units)	16	Low Income	06/06/2000
Terracina Gold (2 BR units)	8	Very Low Income	06/06/2000
	103 (total)		

The Victory Townhomes will provide replacement housing units on-site and Terracina Gold (Villages 1 & 3) will provide replacement housing off-site for the Lexington Apartments. Both of the projects have been fully funded using either Low Income Housing Tax Credits or Mortgage Revenue Bonds and Agency loan funds. The Victory Townhomes are located on the site of the former Lexington Apartments, and the Terracina Gold project is located in North Natomas. Both projects completed construction in early 2003.

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 the Lexington Apartments 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 four years of the removal or demolition of the existing units, approximately 2001 to comply with both federal and state guidelines.

The report referenced in

City Council Resolution 2003-776

is from the 11/4/2003 City Council Meeting

Item 6.1