

# City of Sacramento

## Legislation Details (With Text)

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**Title:** (City Council / Housing Authority) Villa Jardin and Coral Gables Tax Equity and Fiscal Responsibility Act Hearing, and Approval of Tax-Exempt Bonds, Predevelopment Loan, Loan Commitment, Assignment and Assumption Commitments and Disposition and Development Agreement [Two-Thirds Vote Required] (Noticed on 07/28/2020)

**Sponsors:**

**Indexes:**

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**Attachments:**

Date	Ver.	Action By	Action	Result
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**Title:**

**(City Council / Housing Authority) Villa Jardin and Coral Gables Tax Equity and Fiscal Responsibility Act Hearing, and Approval of Tax-Exempt Bonds, Predevelopment Loan, Loan Commitment, Assignment and Assumption Commitments and Disposition and Development Agreement [Two-Thirds Vote Required] (Noticed on 07/28/2020)**

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**Location:** District 8

**Recommendation:**

1) Pass a Motion by two-thirds vote waiving Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandating that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than \$1,000,000 shall be made available to the public at least ten (10) days prior to council action; and 2) conduct a public hearing and upon conclusion, adopt: A) a City Council Resolution indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed construction and permanent financing of Villa Jardin and Coral Gables (Project); B) a City Council Resolution approving Sacramento Housing and Redevelopment Agency (SHRA) to i) enter into and execute a) a \$500,000 predevelopment loan agreement funded with City Housing Trust Funds for the Coral Gables site (Predevelopment Loan), b) a \$2.8 million loan commitment comprised of \$1.4 million in State Department Housing and Community Development (HCD) Local Housing Trust Fund Program (LHTF), or if not awarded HCD LHTF, \$1.4 million of Mixed Income Housing Funds, and \$1.4 million in City Housing Trust Funds for the Project (Loan Commitment), c) Commitments to assign the existing SHRA loans of the Villa Jardin and Coral Gables respective sites, and d) other documents as

approved to form by SHRA legal counsel, and perform other actions necessary and associated with this transaction; ii) release outdated recorded restrictions associated with the existing Villa Jardin loan; iii) amend the budget and iv) make related findings; C) a Housing Authority Resolution which i) indicates the intention of the Housing Authority of the City of Sacramento to issue up to \$26 million in tax-exempt mortgage revenue bonds to provide acquisition, construction and permanent financing for the Project, ii) authorizes an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue the bonds, and iii) authorizes the Executive Director, or designee, to execute the necessary documents associated with the transaction; and D) a Housing Authority Resolution which authorizes the Executive Director, or designee to enter into and execute the Disposition and Development Agreement and all other documents and agreements as approved to form by Housing Authority legal counsel, and perform other actions necessary and associated with this transaction.

**Contact:** Christine Weichert, Assistant Director, (916) 440-1353; Tyrone Roderick Williams, Director of Development, (916) 440-1316, Sacramento Housing and Redevelopment Agency

**Presenter:** Anne Nicholls, Management Analyst, (916) 440-1363, Sacramento Housing and Redevelopment Agency

**Attachments:**

01-Description/Analysis

02-Vicinity Map

03-Rendering of Coral Gables and Picture of Villa Jardin

04-Site Plan

05-Residential Project Summary

06-Cash Flow Proforma

07-Maximum Income and Rent Limits

08-Council Resolution - TEFRA

09-Housing Authority Resolution - Inducement

10-Housing Authority Resolution - Disposition and Development Agreement

11-Exhibit A - Disposition and Development Loan Documents

12-Council Resolution Predevelopment Loan Documents and Loan Commitment

13-Exhibit A - Predevelopment Loan Documents for Coral Gables

14-Exhibit B - Loan Commitment for Villa Jardin and Coral Gables

15-Exhibit C - Assignment and Assumption Commitment for Villa Jardin

16-Exhibit D - Assignment and Assumption Commitment for Coral Gables

**Description/Analysis**

**Issue Detail:** In 2016, the Housing Authority Board adopted a resolution approving a Vacant Lot Disposition Strategy which permitted the sale of three contiguous Housing Authority owned vacant

lots on Coral Gables Court located adjacent to the Villa Jardin affordable housing development. A vicinity map is included as Attachment 2. On January 17, 2018, the Housing Authority issued a Request for Proposals (RFP) for the Coral Gables sites. The John Stewart Company (Developer) responded to the RFP with a proposal to develop not only the Coral Gables Court parcels but also to rehabilitate the adjacent Villa Jardin Apartments. They were subsequently selected as the developer for both Coral Gables and Villa Jardin.

Coral Gables will be new infill development consisting of three three-story wood-frame residential buildings which include a total of 38 housing units. There will be 18 one-bedroom and 20 two-bedroom units. Amenities at Coral Gables will include a new community building, security system, playgrounds for school aged children, laundry facilities, barbeque area, management office, vehicle and bicycle parking, and open space for residents to use. All amenities will be shared and used by Villa Jardin residents. Further project details are included in the scope of development attached to the City Council Loan Commitment Resolution as Exhibit B.

The Housing Authority requests approval to enter into a Disposition and Development Agreement (DDA) with the Developer to build affordable multifamily rental units on the Coral Gables site. The property will transfer from the Housing Authority to the Developer, or related entity, for the total purchase price through a seller carryback loan of \$210,000.

Villa Jardin is an existing affordable housing project built in 1964 and consists of 44 units all of which are two-bedroom and one-bath, a management office, laundry facility and on-site parking. The property has fallen into serious disrepair and is in need of significant rehabilitation. Interior unit improvements will include new flooring, windows, kitchen and bathrooms. Units will also receive new entry doors and air conditioning units. Exterior building improvements will include dry rot repair, stair railing replacement, new electrical panel board, new exterior lighting, paint, asbestos abatement, new overlay asphalt paving, landscape, irrigation, and sewer line repairs. A new security system will be installed. Installation of new vehicular and pedestrian gates will be included along with a new entry access system. ADA accessibility modification will be completed to ensure that four (4) units include mobility features.

#### Villa Jardin and Coral Gables Development

The Developer has applied to the Sacramento Housing and Redevelopment Agency (SHRA) for the issuance of up to \$26 million in tax-exempt mortgage revenue bonds, a \$500,000 predevelopment loan for the Coral Gables site, and a gap financing loan of \$2.8 million for the construction and permanent financing of Villa Jardin and Coral Gables.

The proposed Villa Jardin and Coral Gables development (Project) will be a permanent supportive/homeless and workforce housing development proposed on a 2.32-acre site in the Meadowview area of the City of Sacramento. The proposed Project will consist of 81 affordable one- and two-bedroom units and one two-bedroom exempt management unit. There will be a combination of rehabilitation and new construction of fifteen (15) one-, two- and three-story wood-frame buildings.

A rendering and picture of the Project are provided as Attachments 3 and 4. Upon approval, applications will be submitted to the 1) California State Department of Housing and Community Development (HCD) for Local Housing Trust Funds in August 2020, 2) HCD for Multifamily Housing Program (MHP) funds in September 2020, 3) California Debt Limit Allocation Committee (CDLAC) for tax-exempt mortgage revenue bonds and 4) California Tax Credit Allocation Committee (CTCAC) for four percent Low Income Housing Tax Credits (LIHTC) in early 2021, subject to the award of MHP funding.

#### Project Based Vouchers

In May 2020, the Developer applied for and was awarded 38 Project Based Vouchers (PBV) for permanent supportive/homeless housing units for the Project from SHRA. There will be 18 one-bedroom and eleven two-bedroom units with PBV at the Coral Gables site and nine two-bedroom units with PBV at the Villa Jardin site.

Developer: The John Stewart Company (JSCo) is an experienced owner and manager of affordable rental housing projects. JSCo has more than 40 years of experience in affordable housing and has partnered with the SHRA on a number of other projects. JSCo has developed over 5,000 units of housing throughout California, the majority of which are affordable. The company has extensive experience in financing projects with tax credits, tax-exempt mortgage revenue bonds, and other public and private funding sources.

Property Management: Villa Jardin/Coral Gables will be managed by the John Stewart Company (JSCo). JSCo has over 40 years of property management experience; and there are over 420 properties in California consisting of more than 31,600 affordable and market rate residential units in their portfolio. JSCo currently manages 16 SHRA financed affordable housing properties in the Sacramento region. JSCo is qualified to manage this permanent supportive and workforce housing development given its experience with managing Hotel Berry, Shasta Hotel and Cannery Place Apartments. SHRA staff has reviewed the qualifications of JSCo and the property management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed property management agent and management plan meet SHRA requirements.

Supportive Services: LifeSTEPS, Inc. (LifeSTEPS) will be providing and coordinating mental health supportive services and other permanent supportive services to the residents of the Villa Jardin and Coral Gables Project. LifeSTEPS will dedicate 1.9 Full-Time Equivalent (FTE) case manager to provide services and programs tailored to serve the residents with special needs. The Case Manager will be on site to provide direct supportive services that will include, but are not limited to, individual service plans, mental health care, physical health care, substance use and benefits counseling.

Resident Services: Resident services will also be provided by LifeSTEPS (LifeSTEPS), which currently provides resident services to 250 affordable housing communities and more than 80,000 residents in California. LifeSTEPS will be required to provide 8 hours of after school programs and a total of at least 15 hours of services per week. Programs will be tailored to resident needs. Services

will be provided by an on-site services coordinator and will include social services and enrichment programs. SHRA staff has reviewed LifeSTEPS qualifications and the resident services plan and has found that the proposed resident services provider and resident services plan meet SHRA requirements.

Relocation Plan and Security Plan: SHRA has reviewed and approved the relocation plan for the Villa Jardin site. Staff has also reviewed and approved the security plan, which includes security patrol and installation of web-based security cameras and exterior lighting.

Project Financing: The Developer applied to SHRA for a \$500,000 City Housing Trust Fund predevelopment loan and a \$2.8 million construction and permanent gap financing loan comprised of \$1.4 million in State Department Housing and Community Development (HCD) Local Housing Trust Fund Program (LHTF), or if not awarded HCD LHTF, \$1.4 million of Mixed Income Housing Funds, and \$1.4 million in City Housing Trust Funds. The financing structure of the proposed Villa Jardin and Coral Gables development includes competitive new SHRA loan funds, HCD Multifamily Housing Program funds, tax-exempt mortgage revenue bonds, four percent Low Income Housing Tax Credits, Housing Authority Seller Carryback loan, an existing SHRA HOME Investment Partnerships Program (HOME) loan, conventional loan, deferred developer fee, general partnership capital contribution and fee waivers. A summary of the new Housing Authority and SHRA financing is provided in the chart below.

<b>Proposed SHRA Assistance and Funding Source</b>	<b>Amount</b>
<b>Coral Gables Seller Carryback Loan:</b> Housing Authority Land Loan	\$210,000
<b>SUB-TOTAL</b>	<b>\$210,000</b>
<b>Coral Gables Predevelopment Loan:</b> Housing Trust Funds (HTF) Loan	\$500,000
<b>SUB-TOTAL</b>	<b>\$500,000</b>
<b>Villa Jardin and Coral Gables Construction and Permanent Financing Loan</b>	
HCD Local Housing Trust Fund (LHTF) <sup>1</sup>	\$1,400,000
HTF Loan	\$1,400,000
<b>SUB-TOTAL</b>	<b>\$2,800,000</b>
<b>TOTAL HOUSING AUTHORITY AND SHRA LOANS</b>	<b>\$3,510,000</b>

<sup>1</sup>On April 30, 2020, HCD announced a Notice of Funding Availability for the LHTF Program. HCD awards LHTF funds to match the City of Sacramento’s Housing Trust Funds. On June 30, 2020, Council approved SHRA to submit a LHTF application to HCD.

In addition, SHRA has committed a total of 38 PBV to this Project. Project Based Vouchers are awarded in accordance with the SHRA’s administration of the Housing Choice Voucher Program as authorized by section 8(o)(13) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) and is based on the Public Housing Authority’s Annual Plan. The Plan is approved annually by the federal Department of Housing and Urban Development (HUD). Funding sources and uses and cash flow for Villa Jardin and Coral Gables are included in Attachments 5 and 6. If the Villa Jardin and Coral

Gables Project is successfully awarded tax credits in 2021, construction would be complete within two years after all financing is secured.

**Low-Income Set-Aside Requirements:** As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 60 percent of Area Median Income (AMI). SHRA further requires that 15 percent of the units be restricted to households with incomes no greater than 50 percent AMI and at least 5 percent of the units be restricted to households with incomes no greater than 30 percent AMI. The affordability restrictions will be specified in regulatory agreements with the Developer. A schedule of maximum income and rents are included as Attachment 7. The anticipated funding sources and their affordability requirements are summarized in the tables below for each phase of the development:

Unit Type	Units	% of Units	Affordability Restriction <sup>1</sup>
4% LIHTC, tax exempt bonds and MHP	38	47%	Extremely Low Income 25% of Area Median Income (AMI)
4% LIHTC, tax exempt bonds, MHP, HCD HTF (or MIHF) and HTF	20	24%	Very Low Income 30% of AMI
4% LIHTC, tax exempt bonds, City HTF and HOME	23	28%	Very Low Income 50% of AMI
Exempt	1	1%	Management Unit
<b>Total</b>	<b>82</b>	<b>100%</b>	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; the tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Policy Considerations:** The recommended actions are consistent with a) SHRA’s approved Multifamily Lending and Mortgage Revenue Bond Policies (Policies), Priority 2(i) - New Construction of Permanent Supportive Housing and Homeless Housing, Priority 2(iii) - Workforce Housing and Priority 3 - Rehabilitation of Existing Housing; and b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H- 1.2.9, in part, Workforce Housing; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, the City shall pursue and maximize the use of all appropriate state, federal, local and private funding for the development, preservation, and rehabilitation of housing affordable for extremely low-, very low-, low-, and moderate income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9 Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City’s Multifamily Lending and Mortgage Revenue Bond Policies (Resolution No. 2013-415).

**Economic Impacts:** This multifamily residential project is expected to create 187.82 total jobs

(105.44 direct jobs and 82.38 jobs through indirect and induced activities) and create \$16,475,325 in total economic output (\$10,125,043 of direct output and another \$6,350,282 of output through indirect and induced activities).

*The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

### **Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The Project has been reviewed pursuant to the California Environmental Quality Act (CEQA), and it has been determined that the project is exempt from CEQA pursuant CEQA Guidelines §15332, “infill development projects”.

**National Environmental Policy Act (NEPA):** An Environmental Assessment (EA) is being prepared pursuant to the National Environmental Policy Act (NEPA), and it is anticipated that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment. NEPA review will be completed prior to taking any choice-limiting action.

**Sustainability:** The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the Project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2035 General Plan: a) Housing Element - Strategies and Policies for Conserving Energy Resources - Climate Action Plan, subsection 7.2: improving the energy efficiency in new buildings; and b) Environmental Resources - Air Quality and Climate Change sub-section 6.1.7: reduce greenhouse gas emissions from new development, promoting water conservation and recycling, promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; and promoting energy-efficient building design and site planning.

**Commission/Committee Action:** At its July 15, 2020 meeting, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Boyd, Morgan, Nunley, Staajabu, Starks, Woo

NOES: None

ABSENT: Griffin, Osmany

**Rationale for Recommendation:** The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and are consistent with SHRA's approved Multifamily Lending and Mortgage Revenue Bond Policies and the City of Sacramento's 2013-2021 Housing Element.

**Financial Considerations:** SHRA will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and a \$25,000 annual payment for monitoring the regulatory restrictions and administration of the bonds and the affordable units for the 55-year term. The SHRA and Housing Authority loans will be used for the acquisition, construction, rehabilitation and permanent financing. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application. The mortgage revenue bonds do not represent a financial obligation of SHRA, Housing Authority, or City of Sacramento.

**Local Business Enterprise (LBE) - M/WBE and Section 3 requirements:** Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent feasible and as required by federal funding and in accordance with SHRA's Section 3 Economic Opportunity Plan. The Developer and general contractor will work with SHRA's Section 3 Administrator, the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar entities, to promote employment opportunities. Local Business Enterprise requirements do not apply to this report.