

City of Sacramento

Legislation Text

File #: 2018-01619, **Version:** 1

Title:

(City Council / Housing Authority) Cascade Village Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing and Approval of Tax Exempt Bonds (Noticed on 12/21/2018)

File ID: 2018-01619

Location: 7600 Fruitridge Road, District 6

Recommendation:

Conduct a public hearing and upon conclusion adopt: 1) a City Council Resolution indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition and rehabilitation of Cascade Village (Project); 2) a Housing Authority Resolution which a) indicates the intent of the Housing Authority of the City of Sacramento (Housing Authority) to issue up to \$25,000,000 in tax-exempt mortgage revenue bonds to provide acquisition and construction financing for the project, b) authorizes an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue the bonds, and c) authorizes the Executive Director, or designee, to execute the necessary documents associated with the transaction.

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

Presenter: Louise Eller, Housing Finance Analyst, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Attachments:

- 1-Description/Analysis
- 2-Vicinity Map
- 3-Project Photo
- 4-Project Summary
- 5-Cash Flow Proforma
- 6-Maximum Income and Rent Limits
- 7-Narrative Scope of Development
- 8-City Council TEFRA Resolution
- 9-Housing Authority Bond Inducement Authorization Resolution

Description/Analysis

Issue Detail: Cascade Village is an existing affordable housing development with 74 units, including one manager's unit. The Project was built in 1964 and consists of 52 one-bedroom units and 22 two-bedroom units within four two-story and two one-story residential buildings. The property is located at 7600 Fruitridge Road in Sacramento on approximately 2.6 acres and includes a community room with kitchen, computer room and a laundry facility. A vicinity map is included as Attachment 2 and a photo of the project is included as Attachment 3.

Cascade Village Apartments II, LP (Developer) has applied to the Housing Authority for the issuance of up to \$25,000,000 in tax exempt mortgage revenue bonds. Additional project financing will include tax credit equity, a seller note and a deferred developer fee. All 73 residential rental units are regulated by an existing United States Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) contract. Residents pay 30 percent of their income toward their monthly rent under the HAP contract. With the proposed tax credit and bond financing, units will be regulated at 50 and 60 percent of Area Median Income (AMI) for 55 years.

The proposed rehabilitation project will include substantial improvements as follows: ADA accessibility modifications at 8 units; complete replacement of HVAC systems; electrical upgrade and repair; new bathrooms, kitchens and appliances; new flooring and paint including removal of popcorn ceilings. Common area improvements will include ADA and path of travel upgrades; updated community room kitchen and bath with new cabinets and appliances; interior paint and floors; laundry room new finishes and appliances. Building envelope improvements will include a new roof, siding repairs, and caulk and paint. Site improvements will include fence repair and repaint; irrigation and landscape upgrade to water-wise standards; parking lot seal and stripe. A project Scope of Work is included as Attachment 7.

Developer: Bayside Communities (Bayside) is a for-profit company with 8 years of experience in acquisition, rehabilitation and preservation of affordable housing. Bayside's portfolio includes 23 communities and approximately 2,100 apartments on the West Coast, including two in Sacramento. Bayside has created the partnership Cascade Village Apartments II, LP for this project. Bayside currently owns the property and will continue to own it following the rehabilitation.

Temporary Relocation Plan: Relocation assistance will be provided to residents. All costs related to relocation expenses are the sole responsibility of the Developer. The final relocation plan will be approved in conjunction with the final bond resolution.

Property Management: The current property management company, FPI Management, Inc. (FPI) will continue to manage Cascade Village. FPI is an experienced property management company with over 40,000 low-income units managed nationwide. Sacramento Housing and Redevelopment

Agency (Agency) staff has reviewed and approved the management plan.

Resident Services: Resident services will be provided by LifeSTEPS, Inc. (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 at least 15 hours of services per week. Services will be provided by an on-site services coordinator and will include social services, enrichment programs, case management, mediation services and after-school activities.

Project Financing: The Developer anticipates receiving financing from four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, a seller note and a deferred developer fee. The law firm Orrick, Herrington and Sutcliffe LLP, will serve as Bond Counsel for the Housing Authority.

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. The affordability restrictions will be specified in the regulatory agreement between the Housing Authority and the Developer. Anticipated funding sources and their affordability requirements are summarized in the following table:

| Unit Type | % of Units | Affordability Restrictions | Units | Regulatory Requirements |
|---|-------------|----------------------------|-----------|-------------------------|
| Low Income Housing Tax Credits, Tax-exempt Bonds & HAP Contract | 45% | Very Low Income 45% AMI | 33 | 55 years |
| Low Income Housing Tax Credits, Tax-exempt Bonds & HAP Contract | 50% | Very Low Income 50% AMI | 37 | 55 years |
| Low Income Housing Tax Credits, Tax-exempt Bonds & HAP Contract | 4% | Low Income 60% AMI | 3 | 55 years |
| Management unit | 1% | Unrestricted | 1 | |
| Total | 100% | | 74 | |

A project summary, including proposed sources and uses of funds, is included as Attachment 4. A

project cash flow proforma and a schedule of maximum income and rents are included as Attachments 5 and 6.

Policy Considerations: The recommended actions are consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263).

Regulatory restrictions on the property will be specified in the bond regulatory agreement between the Developer and the Housing Authority for a period of 55 years. Compliance with the regulatory agreement will be monitored by the Agency on an annual basis. All units will be regulated for a period of 55 years by the CTCAC as a LIHTC funding requirement.

Economic Impacts: The Cascade Village residential project is expected to create 73.50 total jobs (41.65 direct jobs and 31.85 jobs through indirect and induced activities) and create \$6,124,991 in total economic output (\$3,733,564 of direct output and another \$2,391,427 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 is exempt pursuant to CEQA Guidelines Section 15301 and 15302.

National Environmental Policy Act (NEPA): This project involves no federal action and therefore NEPA review is not required.

Sustainability: The project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2035 General Plan. If approved, the project will advance the following goal, policy and target of goal number one - Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy.

Commission Action: At its meeting of December 5, 2018, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Nunley, Staajabu, Starks

NOES: None

ABSTAIN: None

ABSENT: Wedding

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

Financial Considerations: The proposed bond issuance will not be an obligation of the City, the Housing Authority or the Agency. The bonds will be the obligation solely of the owner, who will bear all costs associated with the issuance of the bonds. The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) of the bond amount (maximum of \$87,500), which is payable at bond closing. The Agency will collect an annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.15 percent (15 basis points) of the bond amount (maximum of \$52,500).

LBE - M/WBE and Section 3 requirements: Minority and Women's Business Enterprise requirements, Section 3 requirements and Local Business Enterprise requirements do not apply to this report.