

City of Sacramento

Legislation Text

File #: 2019-00498, **Version:** 1

Title:

Twin Rivers Transit Oriented Development and Light Rail Station - Project Update Report, Application for Multifamily Housing Program Loan for Blocks A and B, and Commitment of Choice Neighborhoods Funds to Twin Rivers Block B

File ID: 2019-00498

Location: 321 Eliza Street, District 3

Recommendation:

Adopt as the Choice Neighborhood Implementation (CNI) co-grantee: 1) a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (SHRA) and McCormack Baron Salazar (Developer) for the Twin Rivers Transit Oriented Development and Light Rail Station project (Project), to apply to the California Department of Housing and Community Development (HCD) for a Multifamily Housing Program (MHP) loan of up to \$8,500,000 for Block A of the Project; 2) a City Council Resolution authorizing SHRA and the Developer to apply to HCD for a MHP loan of up to \$7,500,000 for Block B of the Project; and 3) a City Council Resolution authorizing SHRA to issue a loan commitment to the Developer for up to \$5,500,000 of CNI funds for Block B of the Project.

Contact: Victoria Johnson, Program Manager, (916) 440-1388, Sacramento Housing and Redevelopment Agency

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Conceptual Site Plan
- 3-Vicinity Map Blocks A and B
- 4-TCC Project Area Map
- 5-Project Summary - Block B
- 6-Resolution - MHP Application Block A
- 7-Resolution - MHP Application Block B
- 8-Resolution - CNI Loan Commitment
- 9-Draft Loan Commitment Letter

Description/Analysis

Issue Detail: In 2015, the Housing Authority of the County of Sacramento (HACOS) and the City of Sacramento (City) were, as co-grantees, awarded a \$30 million Choice Neighborhoods Implementation (CNI) Grant from the US Department of Housing and Urban Development (HUD) for the Twin Rivers Transit Oriented Development and Light Rail Station project (the “Project”). The Sacramento Housing and Redevelopment Agency (SHRA) is managing the Project and McCormack Baron Salazar is the designated developer and Housing Lead (the “Developer”) under the CNI grant.

The CNI grant supports the redevelopment of the Twin Rivers public housing project and the transformation of the River District/Railyards neighborhood. The CNI grant requires replacement of 218 Twin Rivers public housing units within a mixed-income development which will include at least 487 new housing units, common area and community gathering spaces, and other amenities. A new light rail station will be constructed along 12th Street as part of the Project. The total Project area includes six residential blocks and encompasses approximately 26 acres. A Conceptual Site Plan map and vicinity map of the Project are shown in Attachment 2 and Attachment 3. This report requests approval to for SHRA and the Developer to apply to the California Department of Housing and Community Development (HCD) for MHP loan funds specifically for Blocks A and B of the Project, and for SHRA to commit CNI funds as a loan to the Developer for Block B for housing development.

Project Schedule: The CNI Grant Agreement with HUD was finalized and executed in December 2015. The seven-year grant period ends in 2022. In December 2017, a Master Development Agreement was finalized and executed with McCormack Baron Salazar (MBS). Project milestones that have been achieved since grant inception include:

- October 2016 - Acquired ‘Triangle site’ along 12th Street for new Light Rail station and Block F mixed-use development
- July 2017 - Tentative Map approved; Blocks A & B site plan approved
- August 2017 - Mitigated Negative Declaration (CEQA) adopted by governing bodies
- September 2017 - Began relocation of Twin Rivers residents
- July 2018 - Began demolition of Twin River units
- November 2018 - HUD approved a \$16.4 million loan through Section 108 program to construct Twin Rivers new infrastructure
- December 2018 - Awarded \$23 million Transformative Climate Communities (TCC) Implementation Grant to construct light rail station, add solar photovoltaic, tree canopy and community garden; includes \$1million for Block A residential building
- February 2019 - 100% of Twin Rivers residents successfully relocated
- March 2019 - HUD approved a revised Housing Plan to: include all replacement housing units in Blocks A - E, extend building construction start date to 2020, and revise income restrictions

to conform to tax reform legislation

- April 2019 - Building permits for Blocks A and B approved and ready to issue
- (Scheduled) May 2019 - Complete demolition of Twin Rivers units; begin site demolition
- (Scheduled) Fall 2019 - Begin construction of new infrastructure system

The HUD approved schedule is to commence construction of the first two blocks of housing in 2020, the remaining blocks in 2021, and to complete the residential project in 2022. The TCC Grant Agreement with the State Strategic Growth Council will be executed in 2019 and the light rail station is scheduled to be completed in 2023. The other TCC projects (solar, trees and garden) will be installed together with the residential project. The TCC project area is shown as Attachment 4.

Project Financing: The CNI grant funds provide approximately 10 percent of the total amount needed to develop the Project. The TCC grant will provide the majority of funds required to develop the light rail station. The City and HACOS have previously committed Community Development Block Grant (CDBG), Housing Trust Fund and Housing Successor funds to support the Project. As housing lead, MBS is responsible for securing the remaining funding necessary to develop the affordable housing units. To date, MBS has submitted four applications for state funding including three in 2017 and 2018 that were unsuccessful (TCC, Affordable Housing and Sustainable Communities [AHSC] and National Housing Trust Fund) and a second TCC application in late 2018 that was successful. A second application for AHSC was submitted in February 2019 on behalf of Block B and Block E (combined), and the awards will be announced in June of 2019. The AHSC application includes a request for \$13 million to be used for housing development and \$7 million for area-wide transportation improvements and amenities.

All of the applicable state funding programs are over-subscribed and competitive. In order to ensure that CNI Project deadlines are met, MBS will continue to submit funding applications in 2019 and 2020 until all phases of the Project are fully funded. After the necessary gap funds are secured, applications for tax-exempt bonds and non-competitive tax credits will be submitted. In 2020, MBS will also apply for competitive tax-credits on behalf of those blocks that can meet the competitive criteria.

The CNI grant funds have been allocated as shown below:

CHOICE NEIGHBORHOODS IMPLEMENTATION GR	
Category	Funding Allocation
Administration and Fees and Costs	1,769,368
Demolition	1,308,000
Relocation	654,000
Supportive Services	4,468,632

Community Improvements	3,262,000
Infrastructure	500,000
Housing Units	18,038,000
TOTAL	\$30,000,000

Critical Community Improvements: Staff is actively engaged and working to support the Critical Community Improvement (CCI) component of the CNI grant. Eight projects have received preliminary HUD approval as follows:

- North 12th Street Community Engagement Art Project
- Salvation Army Center for Hope Improvements
- North 12th and 16th Streets Placemaking Gateway Element
- Robert T. Matsui Waterfront Park Improvements
- Basketball Court Park
- Wayfinding Signage along pedestrian and bike paths
- Interpretive Signage along American River
- North A St. frontage improvements

The Community Engagement Art Project and Salvation Army Center for Hope will be the first two projects to be undertaken and they will be completed in 2019.

Twin Rivers Resident Services: Relocation assistance and supportive resident services for all former Twin Rivers residents are required as a condition of CNI grant funding. About 60 percent of the Twin Rivers households opted to be relocated to other properties owned by SHRA, and 40 percent opted to participate in the Housing Choice Voucher (HCV) Program to rent a unit in the private market. When the replacement housing is constructed, all eligible residents will have the option to return to Twin Rivers. The resident services are provided for the duration of the grant period and for one additional year. These services are being provided by Urban Strategies, Inc. (USI). Approximately 75 percent of Twin Rivers households meet regularly with a case manager. Through various community partnerships, USI also provides educational and job training, job opening referrals, access to programs for children and youth, and health and wellness support. Resident meetings are held regularly in locations throughout the county to allow Twin Rivers residents to remain engaged and informed about the redevelopment project.

Current Request: This report requests City Council approval to allow SHRA and MBS to apply to the California Department of Housing and Community Development (HCD) for MHP loan funds on behalf of Blocks A and B of the Project. MBS will prepare the grant application which is subject to SHRA's approval. The Notice of Funding Availability for MHP has not yet been published as of the preparation of this report, but is scheduled to be issued in late May 2019. Applications will be due in late July 2019 and the awards will be announced in October 2019. The loan request will be up to \$8,500,000

for Block A and up to \$7,500,000 for Block B. For Block B, the MHP application is a funding 'back-up plan' in case the pending AHSC application is not successful. The MHP application for Block A may include some units that will be set aside for special needs households, in order to meet community need and to make the application more competitive. If awarded, the MHP funds will provide the remaining gap funds needed, and construction will begin in the 1st quarter of 2020.

The City and HACOS have previously approved the commitment of \$7,000,000 of CNI funds for Block A housing development. This report also requests the approval to use up to \$5,500,000 of CNI funds to support Block B housing development. Following approvals from the City and HACOS, the SHRA will issue a loan commitment letter to MBS be used as evidence of funding commitments required for the MHP application. Block B will include 66 total housing units restricted to income levels between 30 percent and 80% percent of area median income. The community center and management office for the Project will be located in Block A. Block B will include additional amenities such as a play area, picnic area and electric car share. Block B will be adjacent to the new one-acre community park. A Block B project summary is included as Attachment 5.

Policy Considerations: The recommended actions are consistent with a) SHRA's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1. Preservation (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (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); d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282); e) the 2007 Asset Repositioning Strategy of the City and County Housing Authorities; f) the 2013-2019 Consolidated Plan; and g) the River District Specific Plan adopted February 15, 2011.

Economic Impacts: The construction of new multifamily housing in Twin Rivers Blocks A and B is expected to create approximately 570 total jobs (approximately 320 direct jobs and 250 indirect jobs) and create \$79,016,950 in total economic output (\$48,200,339 of direct output and another \$30,816,610 of economic output through indirect 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) and the National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers Transit-Oriented Development and Light Rail Station Project pursuant to CEQA requirements under 14 California Code of Regulations (CCR) §15070, and NEPA requirements under 24 Code of Federal Regulations (CFR) §58.36. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017, and subsequently issued a Notice of Determination (NOD) pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA. On August 22, 2017, the County Board of Supervisors adopted the MND and associated MMRP and approved the Project. On August 24, 2017, SHRA issued the NOD for the Project pursuant to CEQA. All activities for the Twin Rivers Transit-Oriented Development and Light Rail Station Project are covered by this environmental review. No further environmental review is required for the proposed actions.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the Project will directly or indirectly conserve energy resources and reduce greenhouse gas emissions and advance the following goals, policies, and targets of the 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: It is anticipated that, at its meeting on May 15, 2019, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Council in the event this does not occur.

Rationale for Recommendation: The actions recommended in this report support SHRA's and City's mission to provide a range of affordable housing opportunities throughout the City. In addition, the recommended actions support the City of Sacramento's 2013-2021 Housing Element, Promise Zone plans and goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan. The commitment letter for CNI funds will provide evidence of committed funds required to support the MHP application. If awarded, the MHP loan will provide the balance of funds needed to obtain tax credits and complete Block B of the project.

Financial Considerations: The proposed financing structure for Twin Rivers Block B includes CNI funds, MHP funds, tax-exempt bond financing, noncompetitive four- percent tax credits, Project-

based Section 8 vouchers and a below-market ground lease from HACOS. If the MHP funds are awarded, staff will return to the Council with a detailed financial projections and a request to approve the issuance of tax-exempt mortgage revenue bonds.

LBE - M/WBE and Section 3 requirements: LBE considerations do not apply to this report. Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable. MBS will work with the Sacramento Employment and Training Agency and the Greater Sacramento Urban League or similar programs to promote employment opportunities.