

# City of Sacramento

## Legislation Text

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**File #:** 2019-00870, **Version:** 1

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**Title:**

**(City Council / Housing Authority) Whispering Pines Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, Approval of Tax-Exempt Bonds and Approval of Loan Commitment (Noticed 07/11/2019) [Published for 10-Day Review 07/11/2019]**

**File ID:** 2019-00870

**Location:** 7610 Amherst Street, District 8

**Recommendation:**

Conduct a Tax Equity and Fiscal Responsibility Act public hearing and upon conclusion, adopt a: 1) a City Council Resolution indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing related to the proposed acquisition and rehabilitation of Whispering Pines (Project); 2) a Housing Authority Resolution which: a) indicates the intention of the Housing Authority of the City of Sacramento to issue up to \$14,000,000 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; and 3) a City Council Resolution: a) approving a loan commitment of \$1,700,000 in Home Investment Partnership Program (HOME) funds to the Project (Loan Commitment), b) approving the execution of a Loan Commitment and all necessary documents associated with this transaction with Visionary Home Builders of California, Inc. or related entity, and c) amending the Agency budget.

**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, Sacramento Housing and Redevelopment Agency

**Attachments:**

01-Description/Analysis and Background

02-Vicinity Map

03-Project Photo

04-January 2019 Pre-Application Results

05-Project Summary

06-Cash Flow Proforma

- 07-Maximum Income and Rent Limits
- 08-City Council TEFRA Resolution
- 09-Housing Authority Bond Inducement Authorization Resolution
- 10-City Council Loan Commitment Resolution
- 11-Exhibit A - Loan Commitment and Scope of Development

## Description/Analysis

**Issue Detail:** Visionary Home Builders of California, Inc. (Developer) has applied to the Sacramento Housing and Redevelopment Agency (Agency) for a \$1,700,000 loan to finance the acquisition and rehabilitation of Whispering Pines (Project). Whispering Pines is an existing affordable housing development located at 7610 Amherst Drive which was built in 1971 and consists of 96 units including 24 one-bedroom, 65 two-bedroom and 7 three-bedroom units in 12 separate two-story buildings. Two of the units are provided for on-site management staff. The project is on approximately 4.1 acres and includes a community room with kitchen, computer room, laundry room and three playgrounds. A vicinity map is included as Attachment 2 and a photo of the project is included as Attachment 3.

All 96 residential rental units are regulated by an existing United States Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payment (HAP) contract. Residents pay 30 percent of their income toward their monthly rent under the HAP contract.

An extensive renovation of the Whispering Pines development is proposed. Two buildings were rehabilitated in 2011 due to severe fire damage. With the exception of the 16 units in the fire-damaged buildings, interior unit improvements will include new baths tubs/shower enclosures, new electrical panels and new HVAC units. All units, including the fire-damaged units, will receive new cabinets, solid surface countertops, flooring, sinks, toilets, LED lighting, paint, energy efficient appliances and removal of textured ceilings. Damaged interior doors will be replaced. Ten of the units will be brought into compliance with the requirements of the Americans with Disabilities Act (ADA).

Common area improvements will include ADA and path-of-travel upgrades. The community building will be substantially repaired to include new concrete slab on the first floor. The second floor will be repaired to correct the warped existing floors. Additionally, drainage problems at the back of the community building will be corrected. The laundry room will be upgraded with new flooring and paint. There will be a new manager's office.

Building envelope improvements will include siding repairs, and exterior paint. With the exception of the two buildings rehabilitated in 2011, all buildings will receive new roofing. Site improvements will

include fence replacement and repainting, irrigation and landscape upgrade to water-wise standards, removal of approximately 30 trees, parking lot upgrades and replacement of all playgrounds. Further details of the Project are in the Scope of Development which is included with the Loan Commitment in Attachment 11.

## **Project Details**

Developer: Visionary Home Builders of California, Inc. (VHB) is a nonprofit public benefit corporation with 33 years of experience in acquisition, rehabilitation and preservation of affordable housing. VHB's portfolio includes 24 communities and approximately 1,200 apartments in California. VHB is the Managing General Partner of the current ownership entity, Sacramento Whispering Pines Associates, and will continue in that role with the new ownership entity following the rehabilitation.

Temporary Relocation Plan: Laurin Associates, a Division of Raney Planning and Management, Inc., will provide temporary relocation services to the residents of Whispering Pines. Staff have reviewed Laurin Associates' qualifications and temporary relocation plan and have found that the proposed consultant and relocation plan meet Agency requirements.

Property Management: Visionary Property Management Group (VPMG) is the current property manager and will continue in this role for Whispering Pines. VPMG manages 27 properties in California. Agency staff has reviewed VPMG's qualifications and management plan and has found that it meets Agency requirements.

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 service coordinator and will include enrichment programs, case management, mediation services and after-school activities.

Security Plan: Agency staff has reviewed and approved the security plan which includes security cameras, exterior lighting, and security patrols.

Project Financing: VHB applied to the Agency for gap financing during the first funding round of 2019. The result of that funding round is included as Attachment 4.

The Developer has applied for a gap financing loan of \$1,700,000 for the rehabilitation of Whispering Pines. Additional project financing includes tax-exempt bonds, tax credit equity, deferred developer fee, net operating income during construction, a seller carryback loan, an existing HCD loan and the restructuring of existing Agency loan. 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. Income restrictions from LIHTC financing require that no households have income above 60 percent AMI. The Agency further requires that 20 percent of the units be restricted to households with incomes no greater than 50 percent AMI. The affordability restrictions will be specified in regulatory agreements between the Agency and the Developer. The Project Summary and Proforma for the development are included as Attachments 5 and 6. A schedule of maximum incomes and rents is included as Attachment 7.

The anticipated funding sources and their affordability requirements are summarized in the tables below for the Project:

| Unit Type                                                    | % of Units | Affordability Restrictions<br>(55 years) | Units |
|--------------------------------------------------------------|------------|------------------------------------------|-------|
| Low Income Housing Tax Credits, Tax-exempt Bonds             | 16%        | 35% AMI                                  | 15    |
| Low Income Housing Tax Credits, Tax-exempt Bonds             | 34%        | 45% AMI                                  | 33    |
| Low Income Housing Tax Credits, Tax-exempt Bonds             | 39%        | 50% AMI                                  | 37    |
| Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds | 9%         | 50% AMI                                  | 9     |
| Management Unit                                              | 2%         | Unrestricted                             | 2     |
| Total                                                        | 100%       |                                          | 96    |

**Policy Considerations:** The recommended actions are consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority four, New Production (Resolution No. 2009-148); and b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.3.2 Economic integration of new multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; and H-5.1 to 5.4 Promote, preserve and create accessible residential development (Resolution No. 2013-415).

All affordable housing units will be regulated for a period of 55 years by the California Tax Credit Allocation Committee as a LIHTC funding requirement. Regulatory restrictions on each of the properties will be specified in regulatory agreements between the Developer and the Agency for a period of 15 years on the nine HOME-assisted units. Regulatory restrictions on the property will be specified in the bond regulatory agreement between the Developer and the Agency for a period of 55

years. Compliance with the regulatory agreement will be monitored by the Agency on an annual basis.

The Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandate 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. This item was published for 10-day review on July 11, 2019 as required.

**Economic Impacts:** Whispering Pines is expected to create 112.04 total jobs (63.49 direct jobs and 48.55 jobs through indirect and induced activities) and create \$9,336,285 in total economic output (\$5,691,047 of direct output and another \$3,645,238 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):** This project is exempt from environmental review pursuant to CEQA Guidelines Section 15301.

**National Environmental Policy Act (NEPA):** This project is Categorically Excluded from environmental review pursuant to NEPA regulations at 24 CFR Section 58.35(a) subsection (a) (3)(ii) and converts to Exempt pursuant to 24 CFR Section 58.34 (a)(12).

**Sustainability Considerations:** This project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, these projects 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:** It is anticipated that, at its meeting of July 17, 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 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 and the City of Sacramento's 2013-2021 Housing Element as part of Sacramento's 2035 General Plan.

**Financial Considerations:** The Agency will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.15 percent of the bond amount for the term of 55 years. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds do not represent a financial obligation of the Agency, Housing Authority, or City of Sacramento. The \$1,700,000 Agency loan for Whispering Pines is comprised of HOME funds with an interest rate of four percent and a term of 42 years.

**LBE - M/WBE and Section 3 requirements:** 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 applicable. Local Business Enterprise requirements do not apply to this report.