

# City of Sacramento

## Legislation Details (With Text)

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<b>On agenda:</b>	11/20/2018	<b>Final action:</b>			
<b>Title:</b>	(Housing Authority/City Council) Victory Townhomes, Dixieanne Apartments and Norwood Annex Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing and Approval of Tax-Exempt Bonds [Noticed on 11/05/2018]				
<b>Sponsors:</b>					
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Date	Ver.	Action By	Action	Result
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### Title:

**(Housing Authority/City Council) Victory Townhomes, Dixieanne Apartments and Norwood Annex Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing and Approval of Tax-Exempt Bonds [Noticed on 11/05/2018]**

File ID: 2018-01165

**Location:** 1048 Dixieanne Avenue, 1075 Dixieanne Avenue, and 3301 Norwood Avenue, District 2.

### 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 Victory Townhomes, Dixieanne, and Norwood Annex (the "Project"); and 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.

**Contact:** Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Presenter:** Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Attachments:**

- 1-Description/Analysis
- 2-Vicinity Map Victory Townhomes & Dixieanne
- 3-Victory Townhomes & Dixieanne Project Photos
- 4-Vicinity Map Norwood Annex
- 5-Norwood Annex Project Photo
- 6-Victory Townhomes, Dixieanne & Norwood Annex Project Summary
- 7-Maximum Income and Rent Limits
- 8-City Council TEFRA
- 9-Housing Authority Bond Inducement Authorization

**Description/Analysis**

**Issue Detail:** On June 26, 2018, the Housing Authority approved the intent to issue up to \$11,000,000 in tax-exempt bonds and City Council approved two Agency loans of \$2,430,000 and \$1,100,000 in HOME Investment Partnerships Program (HOME) funds for the Project.

Development costs have increased by over \$2,000,000 since the prior approval. Roughly half of the total cost increase is attributed to higher construction costs, including updated costs for ADA compliance, deck improvements, and dry rot allowance. The remaining cost increases are due to increased financing costs, relocation, and developer fee. Additional financing sources to cover the additional increases in costs include increasing the bond amount, increasing the amount of the deferred developer fee, adding a seller carryback loan, and increasing general partner equity.

Mutual Housing California (Developer) has requested that the Housing Authority issue up to \$14,000,000 in tax-exempt bonds for the acquisition and rehabilitation of Victory Townhomes, Dixieanne Apartments and the Norwood Annex due to an increase in total development costs.

**Victory Townhomes and Dixieanne Apartments**

Victory Townhomes is located at 1075 Dixieanne Avenue and Dixieanne Apartments (Dixieanne) is located at 1048 Dixieanne Avenue in North Sacramento. Victory Townhomes and Dixieanne are operated and managed together. Victory Townhomes was built in 2002 on a two-acre site and consists of 21 three-bedroom and four-bedroom units in 11 separate two-story buildings. Dixieanne, formerly known as Evergreen Estates, was built in 1963 on a two-acre site and has 55 studio, two-bedroom, three-bedroom, and four-bedroom units within 14 separate two-story buildings. Victory Townhomes and Dixieanne have combined amenities for residents, including a community room with a kitchen, computer room, and two playgrounds. A vicinity map is included as Attachment 2 and photos of the properties are included as Attachment 3.

The Developer has been previously approved for a gap financing loan commitment of \$2,430,000 in HOME funds for the rehabilitation of Victory Townhomes and Dixieanne. Additional project financing includes tax credit equity, deferred developer fee, existing operating and replacement reserves, a

seller carryback loan, Sacramento Municipal Utility District (SMUD) Energy Efficiency Funds and the restructuring of existing Housing Trust Fund (HTF), HOME and Community Development Block Grant (CDBG) loans. Upon completion, units will be regulated at 40, 50 and 60 percent of Area Median Income (AMI).

An extensive renovation of the 16-year old Victory Townhomes development is proposed. Interior unit improvements will include new counters, flooring, window coverings and screens, sinks, bathtubs, toilets, vanity mirrors, exhaust fans, LED lighting, water heaters, paint, and energy efficient appliances. Damaged interior doors will be replaced. Two of the units will be brought into compliance with the requirements of the Americans with Disabilities Act (ADA). The community building will receive new flooring, countertops, kitchen appliances and paint.

Exterior improvements will include new roofs, site lighting, and paint. Site improvements will include new landscaping, irrigation, drainage, parking lot striping, gates and fencing.

An extensive renovation of the 55-year old Dixieanne development is also proposed. Interior unit improvements will include new counters, flooring, window coverings and screens, sinks, bathtubs, toilets, vanity mirrors, hardware, exhaust fans, LED lighting, water heaters, paint, and energy efficient appliances. Damaged interior doors and hardware will be replaced. Six of the units in Dixieanne will be brought into compliance with ADA requirements.

Exterior improvements will include site lighting, paint, new plywood and waterproofing for decks, exterior stair risers, handrails, guard rails, exterior doors and site signage. Site improvements will include new landscaping, irrigation, drainage, parking lot v- gutter, and entry gate operator. All concrete walkways will be replaced and new ramps and handrails to units will be installed to meet ADA requirements. A new playground and picnic area will be installed.

### **Norwood Annex**

Norwood Annex is located at 3301 Norwood Avenue in Strawberry Manor. The property is managed and operated with neighboring properties, Norwood Estates and Norwood Avenue Apartments, which are owned by the Developer. Norwood Annex was built in 2001 on a 0.7 acre site and consists of 15 one-bedroom and three-bedroom units in four separate two-story buildings. Norwood Annex shares a laundry room, community room and child care facility with the neighboring Norwood properties. A vicinity map of the property is included as Attachment 4 and a photo is included as Attachment 5.

The Developer has been approved for a gap financing loan commitment of \$1,100,000 in HOME funds for the rehabilitation of Norwood Annex. Additional project financing includes tax credit equity, deferred developer fee, seller carryback loan and restructuring of an existing HOME loan. Units will be regulated at 40, 50 and 60 percent of AMI.

An extensive renovation of the 17-year old Norwood Annex is proposed. Interior unit improvements will include new counters, flooring, window coverings and screens, sinks, bathtubs, toilets, vanity

mirrors, hardware, exhaust fans, LED lighting, water heaters, paint, and energy efficient appliances. Damaged units doors and hardware will be replaced. Two units will be brought into compliance with ADA requirements.

Exterior improvements will include new roof, exterior doors, signage and paint. Site improvements will include new landscaping at side and back yards, irrigation, site lighting, fencing, gates and paint.

## **Project Details**

Developer: Mutual Housing California (MHC) is a nonprofit public benefit corporation dedicated to developing affordable housing. MHC has developed 18 affordable properties in California, including 12 properties in Sacramento County. For this Project, MHC created Victory Trio Mutual Housing Associated, L.P. to serve as the developer.

Temporary Relocation Plan: Laurin Associates, a Division of Raney Planning and Management, Inc., will provide temporary relocation services to the residents of Dixieanne, Victory Townhomes and Norwood Annex. 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: Mutual Housing Management (MHM) is the current property manager and will continue in this role for Dixieanne, Victory Townhomes and Norwood Annex. MHM manages 18 properties in California. Agency staff has reviewed MHM's qualifications and management plan, and has found that it meets Agency requirements.

Resident Services: MHM is the current resident service provider for all of the subject properties. MHM will be required to provide a minimum of 20 hours of on-site resident services per week at Dixieanne and Victory Townhomes. A minimum of 4 hours of on-site resident services per week will also be provided for residents at Norwood Annex in addition to the resident services currently being provided for all of the Norwood properties. The on-site services coordinator will provide services including after school programing, enrichment activities and education.

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

Project Financing: The Project anticipates receiving financing from four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, two Agency loans totaling \$3,530,000 in HOME funds, deferred developer fee, seller carryback loan, existing operating and replacement reserves, SMUD Energy Efficiency Funds, and a General Partner equity. 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 anticipated funding sources and their affordability requirements are summarized in the tables below for each development:

### Dixieanne Apartments

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	36%	40% AMI	20	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	53%	50% AMI	29	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	9%	60% AMI	5	55 years
Management Unit	2%	Unrestricted	1	
Total	100%		55	

### Victory Townhomes

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	47.6%	40% AMI	10	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	47.6%	50% AMI	10	55 years
Management Unit	4.8%	Unrestricted	1	
Total	100%		21	

### Norwood Annex

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
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Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	46.7%	40% AMI	7	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	46.7%	50% AMI	7	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds, HOME funds	6.6%	60% AMI	1	55 years
Total	100%		15	

A combined project summary for all three properties, including proposed sources and uses of funds, is included as Attachment 6. A schedule of maximum income and rents for the three properties are included as Attachment 7.

**Policy Considerations:** The recommended actions for the three developments are consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority level two, 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); and 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 Agency for a period of 55 years. Compliance with the regulatory agreement will be monitored by the Agency on an annual basis.

**Economic Impacts:** Victory Townhomes, Dixieanne Apartments and Norwood Annex are expected to create 83.45 total jobs (47.29 direct jobs and 36.16 jobs through indirect and induced activities) and create \$11,203,310 in total economic output (\$6,829,116 of direct output and another \$4,374,195 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 determined to be categorically exempt under CEQA pursuant to CEQA Guidelines at 14 California Code of

Regulations (CCR) §15301 “Existing Facilities”.

**National Environmental Policy Act (NEPA):** The project has been determined to be categorically excluded under NEPA per 24 Code of Federal Regulations (CFR) §58.35(a)(3)(i), and converts to exempt, per 24 CFR §58.34(a)(12), because there are no circumstances which require compliance with any of the federal laws and authorities cited at 24 CFR §58.5.

**Sustainability:** These projects have 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:** At its meeting of June 6, 2018, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Griffin, Johnson, Macedo, Morgan, Simas, Staajabu, Starks

NOES: None

ABSENT: Wedding (two vacancies)

ABSTAIN: Creswell

**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, and 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 \$35,000), 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 \$21,000).

**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.