

# City of Sacramento

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**Title:** (Housing Authority) Approval of Option Agreement and Loan Commitment for Rental Assistance Demonstration (RAD) Phase 1 Project [Published for 10-Day Review 07/11/2019]  
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**Title:**  
**(Housing Authority) Approval of Option Agreement and Loan Commitment for Rental Assistance Demonstration (RAD) Phase 1 Project [Published for 10-Day Review 07/11/2019]**

File ID: 2019-00934

**Location:** Citywide

### Recommendation:

Adopt a Housing Authority Resolution: 1) approving an amendment to the Sacramento Housing and Redevelopment Agency (Agency) budget, 2) authorizing execution of an Option Agreement for the Ground Lease and the Purchase and Sale of Improvements (Option Agreement) for RAD Phase 1, 3) authorizing execution of a Loan Commitment which includes a \$860,000 Seller Carryback Loan and \$1,641,219 Capital Fund loan for the acquisition and rehabilitation of RAD Phase 1 properties in the Oak Park Asset Management Property (AMP) (4921 Folsom Blvd.) and the Meadow Commons AMP (1043 43<sup>rd</sup> Avenue) under the RAD Phase 1 Project (Loan Commitment), 4) authorizing for the Executive Director, or designee, to execute the Option Agreement, Loan Commitment and related documents, 5) authorizing for the Executive Director, or designee, to perform other actions related to the Project; and 6) approving environmental and other findings.

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

## **Attachments:**

- 01-Description/Analysis and Background
- 02-Vicinity Map of Oak Park (4921 Folsom Boulevard)
- 03-Vicinity Map of Meadow Commons (1043 43rd Avenue)
- 04-Vicinity Map of RAD Phase 1 (all six sites)
- 05-Pictures of RAD Phase 1
- 06-Project Summary of RAD Phase 1
- 07-Cash Flow Proforma of RAD Phase 1
- 08-Maximum Income and Rent Limits of RAD Phase 1
- 09-Housing Authority Resolution - Option Agreement and Loan Commitment
- 10-Housing Authority Resolution - Exhibit A - Option Agreement for the Ground Lease and the Purchase and Sale of Improvements for Oak Park and Meadow Commons (Option Agreement)
- 11-Housing Authority Resolution - Exhibit B - Loan Commitment for Oak Park and Meadow Commons (Loan Commitment)
- 12-Scope of Development Oak Park
- 13-Scope of Development Meadow Commons

## **Description/Analysis**

**Issue Detail:** On October 30, 2018, the Board of the Housing Authority of the City of Sacramento (City Housing Authority) adopted Resolution No. 2018-0019, which approved updates to the Housing Authority Asset Repositioning Plan allowing for conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit an application to United States Department of Housing and Urban Development (HUD) to reposition and convert City Housing Authority Public Housing Properties under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition Programs. Also, 86 units of County Public Housing were submitted for approval for RAD conversion in the same application to HUD.

On November 30, 2018, HUD approved the City Housing Authority's application to convert 124 public housing units to RAD and also allocated 124 RAD Program specific Project Based Vouchers (PBVs). These vouchers are new to Sacramento and will increase the total number of vouchers administered by the County Housing Authority. 38 PBV's were identified for the proposed Oak Park and Meadow Commons RAD Phase 1 units and 86 PBVs were identified for the County RAD Phase 1 units.

As part of the updated Asset Repositioning Plan, Guiding Principles were adopted as the policy direction for each reposition activity. The general parameters of those principles were to prevent loss of units for extremely low income households, facilitate a decrease in reliance on federal funds, incorporate smart growth principles into development opportunities, reinvest any sale proceeds into City Housing Authority replacement units, foster partnerships with entities to position development

efforts for success, and to pursue actions that would generate fees and other revenue for the Housing Authority. Conversion to RAD is a critical component of the Asset Repositioning plan as RAD allows public housing agencies (PHAs) to convert public housing units to long-term, Project-Based Voucher rental assistance developments. Converting the properties under RAD facilitates access to private debt and equity to address immediate and long-term capital needs.

The City Housing Authority desires to partner with the Sacramento Housing Authority Repositioning Program, Inc., (SHARP) to implement the RAD Phase 1 project at the 4921 Folsom Blvd. and 1043 43<sup>rd</sup> Avenue sites in the City of Sacramento. SHARP is a nonprofit public benefit corporation created by the Housing Authority in 2009 to implement the Housing Authority's Asset Repositioning Plan. Since 2009, activities undertaken by SHARP include acquiring, developing, financing, rehabilitating, owning and operating affordable housing, to enable aging Housing Authority assets to maintain and preserve their affordable units. SHARP partnered with BRIDGE Housing developers to rehabilitate a total of three Housing Authority properties, including Sutterview, Washington Plaza and Sierra Vista Apartments. SHARP also partnered with the John Stewart Company to rehabilitate Shasta Hotel. Staff is requesting approval to enter into an Option Agreement with SHARP for a Ground Lease and the Purchase and Sale of Improvements (Option Agreement) in an amount to be justified by a fair market value appraisal. A report is being submitted to the County Housing Authority for approval to partner with SHARP on the 86 County public housing properties.

This report is also recommending approval to allocate funding to SHARP for acquisition, rehabilitation and permanent financing for the two City RAD Phase 1 properties. This funding is proposed to be in the form of an \$860,000 seller carryback loan, and a \$1,641,219 Capital Funds loan. SHARP will be requesting similar funding from the Housing Authority of the County of Sacramento for the County properties. In addition, SHARP will be applying to the County of Sacramento for Mortgage Revenue Tax Exempt Bond financing for RAD Phase 1 for a total of six sites. Two of the sites (4921 Folsom Blvd and 1043 43<sup>rd</sup> Avenue) are located in the City of Sacramento, three sites are located in the unincorporated County of Sacramento and one site in the City of Elk Grove. Vicinity maps for Oak Park and Meadow Commons are included as Attachments 2 through 4, and pictures of all proposed RAD Phase 1 are included as Attachment 5.

### **Oak Park Site**

The Oak Park site is located at 4921 Folsom Boulevard. There are three buildings on approximately 0.73 acres that provide 10 three-bedroom units and 12 on-site parking spaces. The scope of development is included in Attachment 12.

### **Meadow Commons Site**

Meadow Commons is located at 1043 43<sup>rd</sup> Avenue. There are eight buildings on approximately 1.54 acres that provide 28 one-bedroom units, community room, barbecue area and 13 on-site parking spaces. The scope of development is included in Attachment 13.

**Developer:** The Sacramento Housing Authority Repositioning Program, Inc., (SHARP) is a nonprofit

public benefit corporation created by the Housing Authority in 2009 to implement the Housing Authority's Asset Repositioning Plan. Activities undertaken by SHARP include acquiring, developing, financing, rehabilitating, owning and operating affordable housing to maintain and preserve these affordable units. SHARP partnered with BRIDGE Housing to rehabilitate a total of three Housing Authority properties, including Sutterview, Washington Plaza and Sierra Vista Apartments and has also partnered with the John Stewart Company to rehabilitate the Shasta Hotel.

Property Management: Housing Authority staff currently manages the Sutterview, Washington Plaza and Sierra Vista Apartments, along with over 3,000 other housing units throughout the City and County of Sacramento which includes the Oak Park and Meadow Commons properties. It is proposed that Housing Authority staff continue to manage the units after conversion to RAD.

Resident Services: Housing Authority staff will provide resident services. The preliminary resident services plan indicates that staff will first identify the needs of residents and offer services based on their input. Examples of services currently offered include the Family-Self Sufficiency Program for residents transitioning to work, and the Service Coordination Program for those who do not have a high school diploma, or who have health or financial literacy needs. Elderly and disabled residents will receive services from Life Skills Training and Educational Programs (LifeSTEPS). In addition, the Housing Authority plans to expand the Jobs Plus Program by partnering with the Section 3 Program to develop training and job opportunities for residents.

Security Plan: The security plan includes installation of upgraded exterior lighting.

Project Financing: The proposed financing of RAD Phase 1 includes four percent Low Income Housing Tax Credits (LIHTC), tax exempt bonds, a conventional loan, a Housing Authority seller carryback loan, a Capitol Fund loan, a deferred developer fee and RAD Program specific Project Based Vouchers (PBV).

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). 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 are included as Attachments 6 and 7. A schedule of maximum income and rents are included as Attachment 8.

The anticipated funding sources and their affordability requirements are summarized in the table below for the development:

### **RAD Phase 1**

<b>Unit Type</b>	<b>Units</b>	<b>% of Units</b>	<b>Affordability Restriction (55 years)</b>
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LIHTC, Tax-exempt Bonds, Housing Authority Funds and RAD Program PBV	25	20%	Very Low Income 50% of Area Median Income (AMI)
LIHTC, Tax-exempt Bonds, Housing Authority Funds and RAD Program PBV	99	80%	Low Income 60% of AMI
<b>Total</b>	124	100%	

**Policy Considerations:** The recommended actions for the Project are consistent with:

a) United States Department of Housing and Urban Development (HUD) guidelines to reposition and convert County Public Housing Properties under the Rental Assistance Demonstration (RAD) Program; b) Housing Authority Asset Repositioning Plan; and c) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; 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); and is generally consistent with the approved Agency's Multifamily Lending and Mortgage Revenue Bond Policies (Policies).

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 of the Project 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.

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:** The RAD Phase 1 multifamily residential project is expected to create 73.36 total jobs (41.57 direct jobs and 31.79 jobs through indirect and induced activities) and create \$6,113,073 in total economic output (\$3,726,299 of direct output and another \$2,386,774 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 disposition and rehabilitation of the above properties under the RAD program have been found to be Categorically Exempt under CEQA pursuant to CEQA Guidelines Section 15301, "Existing Facilities". **National Environmental Policy Act (NEPA):** The disposition and rehabilitation of the above properties, with the exception of the 4921 Folsom Blvd Site, under the RAD program have been found to be Categorically Excluded under NEPA pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12). The 4921 Folsom Blvd site requires additional environmental assessment and NEPA review for the 4921 Folsom Blvd site must be completed prior to making a commitment of funds or choice limiting action.

**Sustainability:** The proposed Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2035 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 and providing long-term affordable and reliable energy.

**Commission/Committee Action:** At its meeting of July 17, 2019, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Housing Authority Board in the event this does not occur.

**Rationale for Recommendation:** The recommended actions enable the Agency to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with United States Department of Housing and Urban Development (HUD) guidelines related to the repositioning and conversion of City Public Housing Properties under the Rental Assistance Demonstration (RAD) Program, Housing Authority Asset Repositioning Plan, 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, and is generally consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies.

**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 Housing Authority of the City of Sacramento \$860,000 seller carryback loan and \$1,641,219 Capital Funds loan will each have an interest rate of three percent and a term of 32 years after closing escrow.

**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.