

# City of Sacramento

## Legislation Details (With Text)

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**Title:** (City Council / Housing Authority) Riverview Plaza Project Tax Equity and Fiscal Responsibility Act Hearing, and Approval of Tax-Exempt Bonds, Option Agreement and Loan Commitment (Noticed 04/06/2021) [Published for 10-Day Review 04/08/2021]

**Sponsors:**

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Date	Ver.	Action By	Action	Result
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**Title:**  
**(City Council / Housing Authority) Riverview Plaza Project Tax Equity and Fiscal Responsibility Act Hearing, and Approval of Tax-Exempt Bonds, Option Agreement and Loan Commitment (Noticed 04/06/2021) [Published for 10-Day Review 04/08/2021]**

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**Location:** 600 I Street, Sacramento, District 4

**Recommendation:**

Conduct a public hearing and upon conclusion, adopt: 1) a City Council Resolution indicating the Housing Authority has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, rehabilitation and development of the Riverview Plaza Project (Project); 2) a Housing Authority Resolution authorizing: a) the intention of the Housing Authority to issue up to \$31,000,000 in tax exempt mortgage revenue bonds to finance the acquisition, rehabilitation and development of the Project, b) the Housing Authority to submit an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue bonds; and 3) a Housing Authority Resolution authorizing the Housing Authority of the City of Sacramento to: a) amend the Housing Authority budget, b) approve an Option Agreement for the Ground Lease and the Purchase and Sale of Improvements (Option Agreement) for the Project, c) approve the Conditional Funding Commitment comprised of a seller carryback loan and a ground lease loan, d) execute any related documents with Sacramento Housing Authority Repositioning Program, Inc., (SHARP), or related entity, and e) make related findings.

**Contact:** Christine Weichert, Director, (916) 440-1353; Tyrone Roderick Williams, Deputy Executive Director, (916) 440-1316, Sacramento Housing and Redevelopment Agency

**Presenter:** Cylus Scarbrough, Housing Finance Analyst, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Attachments:**

- 01-Description/Analysis and Background
- 02-City Council Resolution - TEFRA
- 03-Housing Authority Resolution - Inducement
- 04-Housing Authority Resolution - Option Agreement and Loan Commitment
- 05-Exhibit A - Option Agreement for the Ground Lease and the Purchase and Sale of Improvements for Riverview Plaza
- 06-Exhibit B - Loan Commitment for Riverview Plaza
- 07-Vicinity Map of Riverview Plaza (600 I Street)
- 08-Picture of Riverview Plaza
- 09-Project Summary
- 10-Cash Flow Proforma
- 11-Maximum Income and Rent Limits

## Description/Analysis

**Issue Detail:** Riverview Plaza is a 16-story residential and commercial mixed-use building located at 600 I Street. The residential portion consists of 123 one-bedroom apartments for low- and very-low income seniors and one manager's unit. Riverview Plaza was constructed in 1989. The owner of the residential portion is Riverview Plaza Associates, a California Limited Partnership that is comprised of the Housing Authority of the City of Sacramento (with a 99% interest), and a non-profit general partner, Sacramento Housing Development Corporation (SHDC) (with a 1% interest). Members of the County Board of Supervisors sit as the Board of SHDC. The commercial portion of the building (first two floors) is owned by the Housing Authority of the City of Sacramento.

Riverview Plaza includes a courtyard and outdoor terraces, swimming pool, fitness room, library, commercial kitchen, craft room, television lounge, computer room, seating areas, an exercise room and 12 laundry rooms. The public access common area occupies two floors that includes the rental office, meeting rooms, a hair salon, daycare, market/deli and office spaces on the 2nd floor. There is also a large indoor courtyard common area, the residential lobby and restrooms.

Staff is requesting approval to enter into an Option Agreement with SHARP for a Ground Lease and the Purchase and Sale of Improvements in an amount to be justified by a fair market value appraisal. This report is also recommending approval to allocate funding to SHARP for acquisition, rehabilitation and permanent financing for the Riverview Plaza property. This funding is proposed to be in the form of a seller carryback loan, and a ground lease loan. In addition, the report also recommends approving the applicant's request for Mortgage Revenue Tax Exempt Bond financing for the Project.

Renovations to Riverview Plaza will include installing new refrigerators, ranges, cabinets and new countertops in the kitchens and bathrooms of every unit, and new bathtub enclosures and toilets in every unit as well. New vinyl flooring will be installed throughout the building and in each unit. Hallways will have new lighting and paint, the laundry facilities will be updated, and a new security camera surveillance system will be installed. Other improvements will be made to address roofing, windows, doors, carpentry, plumbing, HVAC, electrical and painting needs. A vicinity map and picture of Riverview Plaza are included as Attachments 7 and 8.

Developer: 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.

Property Management: Housing Authority staff currently manages over 3,000 housing units throughout the City and County of Sacramento, which includes other downtown senior properties such as Capitol Terrace and Edge Water properties. It is proposed that Housing Authority staff continue to manage the units after conversion to Project Based Voucher (PBV) units.

Resident Services: LifeSTEPS will provide resident services, with 20 hours per week at the Project site.

Security Plan: The security plan includes installation of upgraded exterior lighting and surveillance camera equipment.

Project Financing: The proposed financing of Riverview Plaza includes Low Income Housing Tax Credit financing (LIHTC), tax exempt bonds, a conventional loan, a Housing Authority seller carryback loan and a Housing Authority ground lease loan for the purchase of the improvements, a deferred developer fee and Project Based Vouchers.

Low-Income Set-Aside Requirements: As a condition of receiving LIHTC and the benefits of tax-exempt bond financing, federal law requires some units to be set aside for targeted income groups. Income restrictions from LIHTC financing require that 20 percent of the units have rents that are affordable to households with income up to 50 percent of Area Median Income. The affordability restrictions will be specified in regulatory agreements between the Agency and the Developer.

The Project Summary and Proforma are included as Attachments 9 and 10. A schedule of maximum income and rents is included as Attachment 11. The anticipated affordability requirements are summarized in the table below for the development:

#### **Riverview Plaza**

<b>Affordability Restrictions (55 years) <sup>1</sup></b>	<b>Units</b>	<b>% of Units</b>
Very Low Income - 50% of Area Median Income	26	21%

Low Income - 60% of Area Median Income	95	77%
Low Income - 80% of Area Median Income	2	2%
Management Unit (Exempt)	1	1%
<b>Total</b>	<b>124</b>	<b>100%</b>

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

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

a) 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 consistent with the approved Agency's Multifamily Lending and Mortgage Revenue Bond 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 contract was published for 10-day review on April 8, 2021 as required.

**Economic Impacts:** The Riverview Plaza multifamily residential project is expected to create 251 total jobs (142 direct jobs and 109 jobs through indirect and induced activities) and create \$20,925,272 in total economic output (\$12,722,257 of direct output and another \$8,170,015 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 property has 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 identified property has been found to be Categorically Excluded under NEPA pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and converts to exempt pursuant to 24 CFR 58.34(a)(12).

**Sustainability:** The proposed 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 and providing long-term affordable and reliable energy.

**Commission/Committee Action:** Sacramento Housing and Redevelopment Commission: At its meeting on April 7, 2021, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

**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 the 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, and is 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 0.125 percent of the bond amount not to exceed \$25,000 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 seller carryback loan and the ground lease loan will each have an interest rate of three percent and a term of 32 years after closing escrow.

**Local Business Enterprise (LBE)/Minority and Women's Business Enterprise (MBE/WBE):** 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

