

# City of Sacramento

## Legislation Text

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**File #:** 2019-00669, **Version:** 1

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**Title:**

**Approval of Loan Agreements for the Capitol Park Hotel Project (Two-Thirds Vote Required)**

File ID: 2018-00669

**Location:** 1117, 1121, 1125, 1127, 1129 and 1131 9th Street, District 4

**Recommendation:**

1) Pass a Motion by two-thirds waiving Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandating that unless waived by a two-thirds vote of the City Council, all labor agreements and all agreements greater than \$1million shall be made available to the public at least ten (10) days prior to council action; and 2) adopt a Resolution authorizing and approving: a) the City Manager or City Manager's designee to execute a \$13.37 million loan agreement with SHRA for the Capitol Park Hotel Project; b) an amendment to the SHRA budget, c) SHRA to enter into the \$13.37 million loan agreement with the City; d) SHRA to enter into a \$13.37 million loan agreement with Mercy Housing California or a related entity (Mercy Housing), for the purposes of financing the acquisition of 1117, 1121, 1125, 1127, 1129 and 1131 9th Street in Sacramento (Property) and relocation costs associated with the Capitol Park Hotel Project.

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

**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Capitol Park Hotel Vicinity Map
- 3-Capitol Park Hotel Photo
- 4-Resolution
- 5-Exhibit A (City and SHRA Loan Agreement)
- 6-Exhibit B (SHRA and Mercy Housing Loan Agreement)

## Description/Analysis

**Issue Detail:** Capitol Park Hotel was built in 1912 and is currently operating as a 180-unit single room occupancy residential hotel located in downtown Sacramento at 1125 9th Street (corner of 9th and L Streets). The property currently has a vacancy rate of approximately 50 percent. The current owner is in contract to sell the Property to Mercy Housing.

On April 23, 2019, Council approved and delegated the City Manager authority to enter into a lease agreement with Mercy Housing at a cost of \$112,500 for an 18-month term for the purpose of operating a temporary homeless shelter at Capitol Park Hotel. Additionally, Council approved a transfer of \$13.37 million from the Innovation and Growth Fund (Fund 2031) available fund balance to the Homeless Housing Initiative Program fund for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel.

This report recommends approval of two loan agreements related to the Property - one agreement is between the City and SHRA, and one is between SHRA and Mercy Housing for the purpose of providing financing for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel. The details of these expenses are reflected in Table A. In accordance with past practice, in the event that Mercy Housing does not obtain financing for the proposed affordable housing development, the Property will be transferred to SHRA who will solicit another developer.

It is anticipated that Mercy Housing will relocate the existing residents within three months. In the event that it takes longer than three months to rehouse all the residents, the temporary shelter may begin operating with the remaining current residents staying in place until new housing is obtained.

**Table A - Capitol Park Hotel Acquisition and Relocation Expenses**

Description	Amount
Acquisition of the Property	\$ 10,000,000
Closing Costs	\$ 70,000
Relocation of Existing Residents at Capitol Park Hotel	\$ 3,300,000
<b>Total Acquisition and Relocation Expenses</b>	<b>\$ 13,370,000</b>

Upon subsequent Council approval of the temporary shelter agreements, up to 180 individuals will be provided housing at Capitol Park Hotel for an 18-month term. The shelter operation will include a community room, offices and storage space. Currently there are 140 units that include a private bathroom. Those that occupy the remaining 40 units will have access to a common bathroom. This

building does not have individual kitchens or a community kitchen however there is a designated area to microwave food in the lobby/common area.

SHRA will return to Council for approval of an administrative services agreement between the City and SHRA to fund the cost of repairs to the property, a plan for management of the property until the existing tenants are relocated, a temporary shelter operator, and SHRA staffing to oversee the temporary shelter and management of the Property.

**Policy Considerations:** The actions recommended in this report are consistent with the Homeless Sheltering Policies.

**Economic Impacts:** None.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** Entering into a loan agreement, acquisition of the property, and relocation of current residents are administrative and fiscal activities that do not have the potential to result in direct or indirect physical changes in the environment and therefore do not constitute a project under the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations (CCR) §Section 15378(b) (4) and (5). National Environmental Policy Act (NEPA): There is no federal action and therefore NEPA review is not required.

**Sustainability Considerations:** Not applicable.

**Commission Action:** On May 1, 2019, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify Council in the event this does not occur.

**Rationale for Recommendation:** The number of people living and dying unsheltered in Sacramento is on the rise, and there are not sufficient available shelter beds to meet the need. The United States Interagency Council on Homelessness recommends that “shelters must be low barrier, focus on assessment and triage, and intentionally link to permanent housing resources so that people move through to housing quickly”. The Council made a significant commitment through the FY2018/19 Midyear Budget to address these critical needs, and staff has worked to prioritize those projects which can be expedited. Given SHRA’s significant experience in providing housing and services to people in need throughout Sacramento County, the City desires to partner with SHRA to help the City in meeting its commitments to providing shelter and re-housing for people experiencing homelessness in Sacramento.

**Financial Considerations:** The \$13.37 million in the Homeless Housing Initiative Program

(I02000200) will provide the resources needed for SHRA to provide a loan to Mercy Housing to finance the acquisition and closing costs of the Property and relocation costs at Capitol Park Hotel (collectively, "Loans") as provided in the table above. The City-SHRA loan is set to be repaid within 18 months. However it may take longer to secure financing for the planned housing project, so delegation to extend this loan term is included in the resolution. The SHRA-Mercy loan will mature thirty-six months after the effective date in order to allow for the maximum time period needed to secure financing. The loan will be repaid as soon as financing is secured for the planned project and both loans have a 0% interest rate.

**LBE - M/WBE and Section 3 requirements:** Not applicable.