

City of Sacramento

Legislation Text

File #: 2019-00869, **Version:** 1

Title:

(City Council / Housing Authority) Arden Way Phase II Tax Equity and Fiscal Responsibility Act Hearing, Approval of Tax-Exempt Bonds and Approval of Loan Commitment (Noticed on 07/11/2019) [Published for 10-Day Review 07/11/2019]

File ID: 2019-00869

Location: 880, 924 and 936 Arden Way, District 2

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) public hearing related to the proposed acquisition and construction of Arden Way Phase II (Project); 2) a Housing Authority Resolution which a) indicates the intention of the Housing Authority of the City of Sacramento to issue up to \$30,000,000 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 authorizing the Sacramento Housing and Redevelopment Agency (Agency) to: a) amend the Agency budget, b) approve a loan commitment of \$4,000,000 comprised of \$2,400,000 in Home Investment Partnerships Program (HOME) funds, \$1,300,000 in Housing Trust Funds and \$300,000 in Mixed Income Housing funds to the Project (Loan Commitment), c) execute a Loan Commitment and all necessary documents associated with this transaction with Community HousingWorks or related entity, and d) make related findings.

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Presenter: Susan Veazey, Program Manager, (916) 440-1311, Sacramento Housing and Redevelopment Agency

Attachments:

01-Description/Analysis and Background

02-Vicinity Map

03-Site Plan

- 04-Building Renderings
- 05- January 2019 Pre-Application Results
- 06-Project Summary - Arden Way Phase I
- 07-Project Summary - Arden Way Phase II
- 08-Cash Flow Proforma - Arden Way Phase I
- 09-Cash Flow Proforma - Arden Way Phase II
- 10-Maximum Income and Rent Limits
- 11-City Council TEFRA Resolution
- 12-Housing Authority Bond Inducement Authorization Resolution
- 13-City Council Loan Commitment Resolution
- 14-Exhibit A to Resolution: Loan Commitment and Scope of Development

Description/Analysis

Issue Detail: Community HousingWorks (Developer) has applied to the Sacramento Housing and Redevelopment Agency (Agency) for a \$4,000,000 loan to finance the acquisition and construction of new workforce housing development known as Arden Way Phase II (Project). The proposed Project is part of a two-phase project designed to take advantage of new Low Income Housing Tax Credit rules allowing the combination of both non-competitive and competitive programs for a single development. As currently proposed, Arden Way Phase I (Phase I) workforce housing development does not have a financing gap; therefore, no Agency financing has been requested from the Developer for that phase. Information on Phase I is being included in this report as the projects will be constructed together and the Agency financing proposed for Phase II is leveraging funding proposed for Phase I. The proposed developments are located at 880, 924 and 936 Arden Way on 2.69 acres. A vicinity map is included as Attachment 2, a site plan is included as Attachment 3, and building renderings are included as Attachment 4.

Arden Way Phase I will be new construction of a four-story wood frame, slab-on-grade building on 0.72 of the 2.69 acre site, which will provide 53 units consisting of 52 workforce affordable housing units and one unrestricted management unit. There will be four studio, 37 one-bedroom and 12 two-bedroom units. Inclusive of the 52 affordable workforce housing units, there will be five units with Americans with Disability Act (ADA) accessibility and two units with communication features (e.g., wiring for audio and visual devices). The common areas and amenities include a laundry facility, bicycle parking, vehicle parking, exercise path, fencing and security cameras. All residents in Phases I and II have access to all of the common areas on the property.

Arden Way Phase II will be new construction of a four-story wood frame, slab-on-grade building on 1.97 of the 2.69 acre site, which will provide 67 units consisting of 66 affordable workforce housing units and one unrestricted management unit. There will be four studio, six one-bedroom, 24 two-

bedroom and 33 three-bedroom units. There will be seven units with ADA accessibility and three units with communication features. The common areas and amenities include a community room with full kitchen, computer lab, two conference rooms, mail, laundry facility, bicycle parking, vehicle parking, courtyard, barbeques, play area, swimming pool, exercise path, resident organic garden, fencing and security cameras. Further details of the Project are included in the Scope of Development attached to the City Council Loan Commitment Resolution as Attachment 14 - Exhibit A.

Developer: Community HousingWorks (CHW) is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income persons in California. CHW has developed 40 rental communities with over 3,300 affordable homes in Contra Costa, Santa Clara, Fresno, Los Angeles and San Diego Counties. Arden Way Phases I and II will be their first affordable housing development in Sacramento.

Property Management: Arden Way Phases I and II will be managed by ConAM Management Corporation (ConAM). ConAM manages 365 properties nationally, comprised of more than 52,786 affordable and market rate housing units. In California, ConAM manages 273 affordable housing developments, comprised of more than 31,400 units. In Northern California region, ConAM manages nine affordable housing developments, comprised of more than 1,207 units including Willow Glenn Apartments in the City of Sacramento and two sites in the unincorporated County of Sacramento. Agency staff has reviewed ConAM's qualifications and its management plan, and has found that the proposed management company meets Agency requirements.

Resident Services: Resident services will be provided by Community HousingWorks Achieve Resident Services. A minimum of 17 hours per week of on-site resident services will be provided at the Project. Additional resident services hours will be provided for Phase I with a cumulative total number of resident services hours at or above 20 hours per week for both phases. Resident services will include after school, education and enrichment programs. An on-site coordinator will be assigned to the property.

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

Project Financing: CHW applied to the Agency for gap financing in the first competitive funding round of 2019. The results of that Agency funding round are included as Attachments 5.

The financing structure of Arden Way Phases I and II is part of a four percent and nine percent Low Income Housing Tax Credit (LIHTC) hybrid structure that allows affordable housing developers with the flexibility to leverage funding to build new or rehabilitate affordable housing developments. The proposed Arden Way Phase I includes nine percent LIHTC, conventional loan, general partnership equity and development impact fee waivers. Arden Way Phase II includes four percent LIHTC, tax-

exempt bonds, conventional loan, Agency loan comprised of HOME, Housing Trust Funds (HTF) and Mixed Income Housing Funds (MIHF), California Department of Housing and Community Development Multifamily Housing Program (MHP) loan, general partnership equity, accrued interest on soft debt, deferred developer fee and development impact fee waivers. 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 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 for each phase of the development are included as Attachments 6 through 9. A schedule of maximum income and rents are included as Attachment 10.

The anticipated funding sources and their affordability requirements are summarized in the tables below for each phase of the development:

Arden Way Phase I

Unit Type	Units	% of Units	Affordability Restriction (55 years)
9% LIHTC	11	21%	Extremely Low Income 30% of Area Median Income (AMI)
9% LIHTC	21	40%	Very Low Income 50% of AMI
9% LIHTC	20	38%	Low Income 60% of AMI
Not applicable	1	1%	Exempt Management Unit
Total	53	100%	

Arden Way Phase II

Unit Type	Units	% of Units	Affordability Restriction (55 years)
4% LIHTC, Tax-exempt Bonds, MHP, HOME, HTF & MIHF	14	21%	Extremely Low Income 30% of Area Median Income (AMI)
4% LIHTC, Tax-exempt Bonds, MHP, HOME, HTF & MIHF	27	40%	Very Low Income 50% of AMI

4% LIHTC, Tax-exempt Bonds, MHP, HOME, HTF & MIHF	25	37%	Low Income 60% of AMI
Not applicable	1	2%	Exempt Management Unit
Total	67	100%	

Policy Considerations: The recommended actions for both phases of the development 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).

In addition, the recommended actions for both phases of the development are: a) consistent with 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); and b) located in an Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).

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 20 years on the eleven HOME-assisted units, 30 years on the two Mixed Income Housing Fund-assisted units and the seven Housing Trust Fund-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: The Arden Way Phase I multifamily residential project is expected to create 126.11 total jobs (70.8 direct jobs and 55.31 jobs through indirect and induced activities)

and create \$11,061,995 in total economic output (\$6,798,238 of direct output and another \$4,263,757 of output through indirect and induced activities).

The Arden Way Phase II multifamily residential project is expected to create 253.54 total jobs (142.34 direct jobs and 111.20 jobs through indirect and induced activities) and create \$22,240,445 in total economic output (\$13,668,044 of direct output and another \$8,572,401 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 reviewed pursuant to the California Environmental Quality Act (CEQA), and it has been determined that the project is exempt from CEQA review pursuant to two statutory provisions: Government Code section 65457 (project consistent with a specific plan) and Public Resources Code section 21155.4 (specific plan, transit priority area, consistency with regional planning).

National Environmental Policy Act (NEPA): An Environmental Assessment (EA) was completed pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

Sustainability Considerations: 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 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 Council and the Housing Authority Board 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, the City of Sacramento's 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, Promise Zone Plans and Goals, and the Opportunity Zone Program.

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 \$4,000,000 Agency loan for Arden Way Phase II is comprised of \$2,400,000 in HOME, \$1,300,000 in Housing Trust Funds and \$300,000 in Mixed Income Housing Funds, with an interest rate of three percent and a term of 57 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.