



July 17, 2002

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: APPROVAL AND FUNDING OF THE NEW SINGLE-FAMILY LOT
DEVELOPMENT PROGRAM FOR THE NORTH SACRAMENTO AND OAK
PARK REDEVELOPMENT AREAS**

LOCATION & COUNCIL DISTRICT

North Sacramento Redevelopment Area in Council Districts 2 and 3
Oak Park Redevelopment Area in Council District 5

RECOMMENDATIONS

Staff recommends adoption of the attached resolution that authorizes the Executive Director to:

Establish a new program to encourage the development of new owner-occupied single-family homes on scattered vacant lots;

- ◆ Execute all necessary agreements and contracts to carry out individual projects under this program;
- ◆ Issue a Request for Qualifications to select developers that meet the qualifications for this program;
- ◆ Execute Owner Participation Agreements with approved developers for individual projects;
- ◆ Approve subordination requests from lenders providing mortgage or down payment assistance to homebuyers;
- ◆ Transfer \$200,000 of low and moderate tax increment from the North Sacramento Housing Development Assistance to the North Sacramento Vacant Lot Development Program; and
- ◆ Transfer \$200,000 of low and moderate tax increment from the Oak Park Housing Development Assistance to the Oak Vacant Lot Development Program.

The attached resolutions further authorize the Sacramento Housing and Redevelopment Commission to review and approve program changes for the Vacant Lot Development Program.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
July 30, 2002
Page 2

CONTACT PERSONS

Lisa Bates, Director, Community Development-City, (916) 440-1316
Darren Bobrowsky, Program Manager, Development Services, (916) 440-1328

FOR COUNCIL MEETING OF:

July 30, 2002

SUMMARY

This report recommends that the Redevelopment Agency approve the establishment of the new Vacant Lot Development Program, and allocate tax increment funds to initiate the program on a pilot basis in the North Sacramento and Oak Park Redevelopment Areas.

PAC/RAC/TAC ACTION

The former North Sacramento advisory committee originally recommended approval and funding of this program. The recently appointed North Sacramento Redevelopment Advisory Committee (RAC) has subsequently been briefed on the program, and offered no objections.

The Oak Park Project Area Committee recommended allocation of \$200,000 of Oak Park low and moderate tax increment funds to the pilot program at its February 6, 2002, meeting.

COMMISSION ACTION

At its meeting July 17, 2002, meeting the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burruss, Castello, Cespedes, Faust, Harland, Hoag, McCarty, Simon

NOES: None

ABSENT: Amundson, Burns

BACKGROUND

On May 21, 1997, the Redevelopment Agency of the City of Sacramento originally approved the Sacramento Boarded and Vacant Homes (SBVH) Program. The program provides a developer fee to selected developers for the acquisition, rehabilitation and resale of boarded and vacant homes to owner occupants. The developer receives the fee upon final Agency inspection and sale

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
July 30, 2002
Page 3

of the home to an owner-occupant. At the same time, a regulatory agreement is recorded against the property to maintain funding source affordability requirements. Over the past five years of operation, more than 115 homes have been acquired and 101 have been sold to owner occupants in the City of Sacramento.

The new Vacant Lot Development Program is modeled very closely after the successful SBVH program in that it addresses problem properties on scattered sites, provides a developer fee upon completion of the project and approval of an income-eligible buyer, and records a regulatory agreement against the property to ensure long-term owner-occupancy and affordability. The primary difference is that the eligible properties are unimproved residential lots, rather than boarded and vacant homes.

The impetus for the proposed Vacant Lot Development Program was the community review process for the Sacramento Mutual Housing Association's Dixieanne Townhomes project in North Sacramento. Although the community ultimately recommended that project for approval, neighborhood residents and businesses challenged the Agency to better address long-term problems associated with vacant lots, low percentage of owner-occupancy, and lack of four-bedroom homes in the neighborhood. At the same time, the City of Sacramento was developing its Infill Policy, and crafting solutions to some of the long-term challenges of developing infill sites throughout the City.

North Sacramento and Oak Park quickly emerged as the neighborhoods best suited to test the new program on a pilot basis. Both redevelopment areas are plagued with long-standing undeveloped residential lots that are targets for illegal dumping and other blighting influences. Furthermore, both redevelopment areas have enough available housing set-aside funds to adequately capitalize the program. This report recommends that \$200,000 of tax increment housing set-aside funds be allocated for North Sacramento and Oak Park Redevelopment Areas (for a total of \$400,000) to initiate this program on a "pilot" basis. After 18 months, staff will evaluate the success of the program, and recommend continuing the program or making changes as necessary.

With approval of this staff report, staff will issue a Request for Qualifications (RFQ) to select a qualified list of developers/builders to implement individual projects. Minimum qualifications for eligibility are included in [Attachment I](#) to this report. Developers who are placed on the approved list will be responsible for purchasing eligible properties, obtaining necessary approvals, constructing new homes, and securing buyers who are income-qualified to purchase regulated affordable housing. Agency staff will provide technical assistance with identification of eligible properties.

Staff is proposing a tiered developer fee schedule to promote the development of the four-bedroom/two-bath homes that are in short supply in North Sacramento and Oak Park. Recognizing, however, that some vacant lots are simply too small to accommodate such a large

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
July 30, 2002
Page 4

home, the development of two- and three-bedroom homes will be eligible for a smaller developer fee. All homes developed under this program will be subject to SHRA construction standards and the City's design review process. The tiered fee structure is proposed as follows:

- ◆ 2 bedroom/2 bath: \$7,500
- ◆ 3 bedroom/2 bath: \$20,000
- ◆ 4 bedroom/2 bath: \$25,000

This program is not intended to be used in combination with other SHRA development financing or to be used for the development of residential subdivisions. Its purpose is to address scattered sites within existing residential neighborhoods.

FINANCIAL CONSIDERATIONS

This report recommends capitalizing the new Vacant Lot Development Program with \$200,000 each from North Sacramento and Oak Park low to moderate tax increment.. Developer fees will be paid through an Owner Participation Agreement (OPA) on a tiered basis depending on the size of the home constructed. This fee structure will be evaluated at the end of the 18-month pilot period.

POLICY CONSIDERATIONS

The recommended actions are consistent with the housing goals stated in both the North Sacramento and Oak Park 2000-2004 Implementation Plans: promoting new construction of housing on vacant infill sites and increasing homeownership. Additionally, the construction of new affordable units will help to meet any replacement housing requirements in North Sacramento and Oak Park.

The recommended actions are consistent with previously approved policies for housing development assistance and with the Agency's goal of increasing affordable housing and homeownership in the City of Sacramento.

As required by law, 45-year regulatory agreements will be recorded against each property to ensure long-term owner-occupancy and affordability. Individual homebuyers must not exceed 110% of area median income in order to qualify for purchase.

ENVIRONMENTAL REVIEW

The proposed program authorized in this report is in furtherance of the North Sacramento and Oak Park Redevelopment Plans, as amended. Per CEQA Guidelines Sections 15180, 15162, and 15163, acquisition of parcels for development, and actions to encourage redevelopment in a redevelopment area were deemed approved at the time of adoption of the redevelopment plan.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
July 30, 2002
Page 5

No further environmental review is necessary at this time. Each property, as part of a project, will be subject to environmental review before any actions are taken.

M/WBE CONSIDERATIONS

M/WBE considerations do not apply. The project does not involve federal funds, and the Agency's M/WBE policy is, therefore, not applicable.

Respectfully submitted,

ANNE M. MOORE
Executive Director

Transmittal approved,

ROBERT P. THOMAS
City Manager