Honorable Mayor and Members of the City Council
Chair and Members of the Housing Authority Board

Title: Twin Rivers Phase I (Block A) Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, and Approval of Tax Exempt Bonds

Location/Council District: 321 Eliza Street, District 3

Recommendation: Conduct a public hearing and upon conclusion adopt: 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, construction and financing of Twin Rivers Phase I (Project); and 2) a Housing Authority Resolution which a) indicates the intent of the Housing Authority of the City of Sacramento (Housing Authority) to issue up to $40,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent 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.

Contact: Christine Weichert, Assistant Director, (916) 440-1353; Tyrone Roderick Williams, Director of Development, (916) 440-1316, Sacramento Housing and Redevelopment Agency

Presenters: Susan Veazey, Program Manager, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: On January 9, 2018, the Housing Authority approved the intent to issue up to $40,000,000 in tax-exempt bonds and the City Council approved two loans of $5,000,000 in City Housing Trust Funds (HTF) and $7,000,000 in Choice Neighborhoods Initiative (CNI) funds, and the Housing Authority approved a loan of $2,000,000 in Housing Successor Funds to finance the development of the housing units included in Twin Rivers Phase I. The project was not successful in receiving an Affordable Housing and Sustainable Communities (AHSC) funding award and the
Twin Rivers Phase I TEFRA and Inducement

September 24, 2019

TEFRA for the tax-exempt bonds expired in January 2019. As a result, McCormack Baron Salazar, Inc. (Developer) has requested that the Housing Authority hold another TEFRA hearing to issue up to $40,000,000 in tax-exempt bonds closer to the four percent Low Income Housing Tax Credits and Mortgage Revenue Bonds application date.

The proposed Project is a new construction, mixed-income housing development, and is one of five phases of development for the Twin Rivers redevelopment project. The Twin Rivers community will consist of approximately 425 housing units at different affordability levels (including market rate) and a one for one replacement of the demolished 218 public housing replacement units when complete.

The Housing Authority was awarded a $30 million Choice Neighborhoods Implementation (CNI) Grant for the Twin Rivers Transit Oriented Development and Light Rail Station Project. This grant supports the housing program and master plan for Twin Rivers which proposes a newly constructed, mixed-income community. A portion of these funds will support the development of this first phase of the Twin Rivers development. In addition, the Developer applied for Multifamily Housing Program (MHP) Funds in August 2019 to support Phase I.

The proposed Phase I Project will include townhomes, multifamily and garden-style walk-up buildings with a total of 8 buildings, 72 on-grade parking spaces, and 104 units comprised of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom units. Block A will also contain a majority of the amenities for the entire 425-unit Twin Rivers community, including management offices, two resident community rooms, fitness center, business center with Wi-Fi, swimming pool, and barbeque area. A vicinity map is included as Attachment 2 and a project rendering is included as Attachment 3.

Infrastructure Improvements: On May 29, 2018 the City Council approved the commitment of up to $16.49 million of Section 108 loan funds to construct new infrastructure systems throughout the Twin Rivers site. The cost of the infrastructure will be allocated per unit, to increase the value of the Project and thereby generate more tax credit proceeds. This financial mechanism will be documented by an Infrastructure Reimbursement Agreement signed between Sacramento Housing and Redevelopment Agency (Agency) as Project Manager, Housing Authority of the County of Sacramento as land owner and the tax credit partnerships that will develop Blocks B/E and the other residential blocks.

Entitlements: Site plan approval for Blocks A and B was granted in July 2017, and the building permits for these two blocks are expected to be issued soon. The site plan approval for Block E is expected in mid-September 2019, and the building permits are expected to be ready to issue in January 2020. This schedule will accommodate the anticipated Block B/E closing date in March 2020, and Block A closing date in June 2020.

Developer: The limited partnership, Twin Rivers Phase 1, L.P. will develop the Project. A McCormack Baron Salazar, Inc. affiliate, Twin Rivers Phase 1, MBS GP, Inc., as co-general partner of the limited partnership, is an experienced owner and manager of affordable rental housing projects. The Developer has more than 40 years of experience in affordable housing and has developed over 21,000 homes in 23 states across the
United States, including 13 communities in California. They have extensive experience in financing projects with tax credits, tax exempt bonds, and other public and private funding sources.

The Sacramento Housing Authority Repositioning Program, Inc. (SHARP) is the managing general partner of the limited partnership and is a non-profit public benefit corporation formed by the Housing Authority to pursue projects as a strategic response to reductions in federal funding sources for public housing. SHARP can attract private development partners and financing sources not otherwise directly available to the Housing Authority.

Property Management: The Project will be managed by McCormack Baron Management, an experienced property management firm with over 40 years of experience operating affordable apartment communities. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures to ensure the company meets Agency requirements for property management.

Resident Services: Resident services will be provided by Urban Strategies, which currently provides resident services to 11 affordable housing communities across the country. Urban Strategies will be required to provide at least 20 hours of services per week for Phase I residents. Programs will be tailored to resident needs. Agency staff has reviewed and approved Urban Strategies' resident services plan detailing the scope and schedule of services to be provided. Services will be provided by an on-site services coordinator and will include social services and enrichment programs. The Agency has approved Urban Strategies and will approve subsequent providers of additional services.

Project Financing: In addition to the Agency loan and Housing Authority ground lease, the Project will be financed with four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, a bank loan, a Transformative Climate Communities (TCC) funds from the Strategic Growth Council (SGC), an MHP loan and a deferred developer fee. The developer will also be applying for a Multifamily Housing Program (MHP) loan for approximately $7 Million from the State of California. The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as Bond Counsel to the Housing Authority.

Low Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of bond financing, federal law requires that units be set aside for targeted income groups. Income restrictions from bond 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 (AMI). In addition, HUD approved 56 replacement Project Based Vouchers for the public housing replacement units in the Project. Project affordability restrictions will be specified in regulatory agreements with the Developer. The Project Summary and Proforma are included as Attachments 4 and 5. A schedule of maximum income and rent limits is included as Attachment 6.
These anticipated sources and their affordability requirements are summarized in the following table:

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>% of Units</th>
<th>Affordability Restrictions (55 years)</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds, Project Based Vouchers, and Agency loan</td>
<td>54%</td>
<td>Extremely Low Income (30% AMI)</td>
<td>56</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds, and Agency loan</td>
<td>25%</td>
<td>Low Income (60% AMI)</td>
<td>26</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds, and Agency loan</td>
<td>20%</td>
<td>Moderate-Low Income (80% AMI)</td>
<td>21</td>
</tr>
<tr>
<td>Managers Unit</td>
<td>1%</td>
<td>Unrestricted</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td>104</td>
</tr>
</tbody>
</table>

**Policy Considerations:** The recommended actions are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1 and 4, Preservation and New Production (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) 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 d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).

**Economic Impacts:** This 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 $36,868,219 in total economic output ($22,657,660 of direct output and another $14,210,559 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) and National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment was prepared for the Twin Rivers Transit-Oriented Development Project pursuant to California Environmental Quality Act (CEQA) requirements under 14 California Code of Regulations §15070, and National Environmental Policy Act (NEPA) requirements under 24 Code of Federal Regulations (CFR) §58.36. The SHRC approved the final environmental document on behalf of the Agency at its meeting on July 19th. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017, and subsequently issued a Notice of Determination (NOD) pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA. On August 22, 2017, the County Board of Supervisors adopted the MND and associated MMRP and approved the Project. On August 24, 2017, the Agency issued the NOD for the Project pursuant to CEQA. All activities related to the Project are covered by this environmental review. The requested action requires no further environmental review.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2035 General Plan: a) Housing Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: improving the energy efficiency in new buildings; and b) Environmental Resources - Air Quality and Climate Change subsection 6.1.7: reduce greenhouse gas emissions from new development, promoting water conservation and recycling, promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; and promoting energy-efficient building design and site planning.

Commission Action: At its meeting on September 4, 2019, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide 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, Promise Zone plans and goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan.
Financial Considerations: The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) 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 (15 basis points) 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.

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. Developer will be encouraged to work with the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, for employment opportunities.

Respectfully Submitted by:

[Signature]

LA SHELLE DOZIER
Executive Director

Attachments
1-Description/Analysis and Background
2-Vicinity Map
3-Project Rendering
4-Project Summary
5-Cash Flow Proforma
6-Maximum Income and Rent Limits
7-City Council TEFRA Resolution
8-Housing Authority Bond Inducement Authorization Resolution
Twin Rivers Phase I (Block A)
Project Rendering
## Twin Rivers Phase I (Block A)
### Residential Project Summary

<table>
<thead>
<tr>
<th>Address</th>
<th>321 Eliza Street Sacramento, CA 95811</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Units</td>
<td>104</td>
</tr>
<tr>
<td>Construction Type</td>
<td>New Construction</td>
</tr>
</tbody>
</table>
| Affordability    | 56 units at or below 30% of AMI (PBV/ Public Housing Replacement)  
26 LIHTC units at or below 60% of AMI  
21 units at or below 80% of AMI  
1 exempt Manager's Unit | |

### Unit Mix and Rents

<table>
<thead>
<tr>
<th></th>
<th>PBV (30% AMI)</th>
<th>LIHTC (60% AMI)</th>
<th>LIHTC (80% AMI)</th>
<th>Manager (Exempt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom / 1 Bath</td>
<td>22</td>
<td>1</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom / 1 Bath</td>
<td>17</td>
<td>25</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>3 bedroom / 2 Bath</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3 Townhouse / 2.5 Bath</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4 bedroom / 2 Bath</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>56</td>
<td>26</td>
<td>21</td>
<td>1</td>
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</table>

### Square Footage

<table>
<thead>
<tr>
<th></th>
<th>Unit Size (sq. ft.)</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1 Bedroom / 1 Bath</td>
<td>567</td>
<td>22,113</td>
</tr>
<tr>
<td>2 Bedroom / 1 Bath</td>
<td>790</td>
<td>37,920</td>
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<tr>
<td>3 bedroom / 2 Bath</td>
<td>1,089</td>
<td>2,178</td>
</tr>
<tr>
<td>3 Townhouse / 2.5 Bath</td>
<td>1,228</td>
<td>17,192</td>
</tr>
<tr>
<td>4 bedroom / 2 Bath</td>
<td>1,293</td>
<td>1,293</td>
</tr>
<tr>
<td>Common Areas</td>
<td></td>
<td>13,324</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>94,020</td>
</tr>
</tbody>
</table>

### Resident Facilities

The project includes a community park, management offices, resident community space, a fitness center, swimming pool and BBQ area.

### Permanent Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Current Total</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Credit Equity</td>
<td>$20,063,000</td>
<td>$192,913</td>
<td>$213.39</td>
</tr>
<tr>
<td>Senior Lender</td>
<td>$5,594,560</td>
<td>$53,764</td>
<td>$59.50</td>
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<tr>
<td>HCD TCC Loan</td>
<td>$1,000,000</td>
<td>$9,615</td>
<td>$10.64</td>
</tr>
<tr>
<td>SHRA Loan</td>
<td>$7,000,000</td>
<td>$67,308</td>
<td>$74.45</td>
</tr>
<tr>
<td>CNI HACOS</td>
<td>$7,000,000</td>
<td>$67,308</td>
<td>$74.45</td>
</tr>
<tr>
<td>HCD MHP Loan</td>
<td>$7,117,500</td>
<td>$68,438</td>
<td>$75.70</td>
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<tr>
<td>Capitalized Ground Lease</td>
<td>$367,020</td>
<td>$3,529</td>
<td>$3.90</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$1,000,000</td>
<td>$9,615</td>
<td>$10.64</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td>$49,142,080</td>
<td>$472,520</td>
<td>$522.88</td>
</tr>
</tbody>
</table>

### Permanent Uses

<table>
<thead>
<tr>
<th>Use</th>
<th>Current Total</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground Lease</td>
<td>$407,800</td>
<td>$3,921</td>
<td>$4.34</td>
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<tr>
<td>Construction</td>
<td>$36,868,219</td>
<td>$354,502</td>
<td>$392.13</td>
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<td>Permits</td>
<td>$1,191,743</td>
<td>$11,459</td>
<td>$12.68</td>
</tr>
<tr>
<td>Architecture and Engineering</td>
<td>$1,962,000</td>
<td>$18,865</td>
<td>$20.87</td>
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<tr>
<td>Soft Cost Contingency</td>
<td>$424,863</td>
<td>$4,085</td>
<td>$4.52</td>
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<tr>
<td>Hard Cost Contingency</td>
<td>$1,771,127</td>
<td>$17,030</td>
<td>$18.84</td>
</tr>
<tr>
<td>First Mortgage Interest</td>
<td>$1,047,000</td>
<td>$10,687</td>
<td>$11.14</td>
</tr>
<tr>
<td>Legal</td>
<td>$480,000</td>
<td>$4,615</td>
<td>$5.11</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>$573,246</td>
<td>$5,512</td>
<td>$6.10</td>
</tr>
<tr>
<td>Operating Reserves</td>
<td>$312,300</td>
<td>$3,003</td>
<td>$3.32</td>
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<tr>
<td>Developer Fee</td>
<td>$2,540,000</td>
<td>$24,423</td>
<td>$27.02</td>
</tr>
<tr>
<td>Insurance, Third Party, Marketing, Other</td>
<td>$1,583,782</td>
<td>$15,036</td>
<td>$16.63</td>
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<tr>
<td><strong>TOTAL USES</strong></td>
<td>$49,142,080</td>
<td>$472,520</td>
<td>$522.88</td>
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</table>

### Leverage

<table>
<thead>
<tr>
<th>Source</th>
<th>Per Unit Cost</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHRA $ per Unit</td>
<td>$67,308</td>
<td>$472,520</td>
</tr>
</tbody>
</table>

### Management / Operations

| Proposed Developer: McCormack Baron Salazar  
Property Management Company: McCormack Baron Management  
Operations Budget: $540,857  
Property Management: $75,107  
Resident Services: $97,735  
Taxes: $39,482  
Security: $28,138  
Replacement Reserves: $52,000 |

---

**Attachment 4**
### Twin Rivers Phase I (Block A)
#### Cash Flow Proforma

#### Table Data:

<table>
<thead>
<tr>
<th>Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rent</td>
<td>$10,000</td>
<td>$10,100</td>
<td>$10,210</td>
<td>$10,321</td>
<td>$10,432</td>
<td>$10,543</td>
<td>$10,654</td>
<td>$10,765</td>
<td>$10,876</td>
<td>$10,987</td>
<td>$11,098</td>
</tr>
<tr>
<td>Effective Income</td>
<td>$9,900</td>
<td>$9,800</td>
<td>$9,700</td>
<td>$9,600</td>
<td>$9,500</td>
<td>$9,400</td>
<td>$9,300</td>
<td>$9,200</td>
<td>$9,100</td>
<td>$9,000</td>
<td>$8,900</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$1,400</td>
<td>$1,500</td>
<td>$1,600</td>
<td>$1,700</td>
<td>$1,800</td>
<td>$1,900</td>
<td>$2,000</td>
<td>$2,100</td>
<td>$2,200</td>
<td>$2,300</td>
<td>$2,400</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$8,500</td>
<td>$8,300</td>
<td>$8,100</td>
<td>$7,900</td>
<td>$7,700</td>
<td>$7,500</td>
<td>$7,300</td>
<td>$7,100</td>
<td>$6,900</td>
<td>$6,700</td>
<td>$6,500</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$2,000</td>
<td>$2,100</td>
<td>$2,200</td>
<td>$2,300</td>
<td>$2,400</td>
<td>$2,500</td>
<td>$2,600</td>
<td>$2,700</td>
<td>$2,800</td>
<td>$2,900</td>
<td>$3,000</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>4.25</td>
<td>3.91</td>
<td>3.65</td>
<td>3.41</td>
<td>3.17</td>
<td>2.93</td>
<td>2.69</td>
<td>2.45</td>
<td>2.21</td>
<td>1.97</td>
<td>1.73</td>
</tr>
</tbody>
</table>

#### Additional Notes:

- The table above represents the projected cash flow for Twin Rivers Phase I (Block A) from 2022 to 2032.
- The Gross Rent is projected to increase by $1,000 per year, starting from $10,000 in 2022.
- The Effective Income is calculated after deducting operating expenses.
- The Operating Expenses are projected to increase by $100 per year, starting from $1,400 in 2022.
- The Net Operating Income is the difference between Gross Rent and Operating Expenses.
- The Debt Service is projected to increase by $100 per year, starting from $2,000 in 2022.
- The Debt Service Coverage Ratio is calculated as Net Operating Income divided by Debt Service.
MAXIMUM LIHTC INCOME AND RENT LEVELS 2019
Rents at 30%, 60% and 80% of Area Median Income (AMI)

**Maximum Income Limits:**

<table>
<thead>
<tr>
<th>Family Size</th>
<th>30% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$17,580</td>
<td>$35,160</td>
<td>$46,880</td>
</tr>
<tr>
<td>2 person</td>
<td>$20,070</td>
<td>$40,140</td>
<td>$53,520</td>
</tr>
<tr>
<td>3 person</td>
<td>$22,590</td>
<td>$45,180</td>
<td>$60,240</td>
</tr>
<tr>
<td>4 person</td>
<td>$25,080</td>
<td>$50,160</td>
<td>$66,880</td>
</tr>
<tr>
<td>5 person</td>
<td>$27,090</td>
<td>$54,180</td>
<td>$72,240</td>
</tr>
<tr>
<td>6 person</td>
<td>$29,100</td>
<td>$58,200</td>
<td>$77,600</td>
</tr>
<tr>
<td>7 person</td>
<td>$31,110</td>
<td>$62,220</td>
<td>$82,960</td>
</tr>
<tr>
<td>8 person</td>
<td>$33,120</td>
<td>$66,240</td>
<td>$88,320</td>
</tr>
</tbody>
</table>

**Maximum Rent Limits:**
Low Income Housing Tax Credits (LIHTCs)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>30% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>$470</td>
<td>$941</td>
<td>$1,255</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$564</td>
<td>$1,129</td>
<td>$1,506</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$652</td>
<td>$1,304</td>
<td>$1,739</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>$727</td>
<td>$1,455</td>
<td>$1,940</td>
</tr>
</tbody>
</table>
RESOLUTION NO. 2019-

Adopted by the Sacramento City Council

On date of

TWIN RIVERS PHASE I (BLOCK A): APPROVAL OF THE ISSUANCE OF OBLIGATIONS BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON BEHALF OF TWIN RIVERS PHASE 1 L.P.

BACKGROUND

A. The Housing Authority of the City of Sacramento, a Housing Authority organized and existing under the laws of the State of California (Authority), proposes a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (Code) in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, and at no time to exceed $40,000,000 (Obligations) and to lend the proceeds thereof to Twin Rivers Phase 1 L.P. or a partnership of which McCormack Baron Salazar, Inc. (Developer) or a related person to the Developer is the general partner, to be used to provide funds to finance or refinance the acquisition, construction and development of a 104-unit multifamily housing residential facility to be located at 321 Eliza Street, in the City of Sacramento, California;

B. Section 147(f) of the Code requires the execution and delivery of the Obligations to be approved by the City Council of the City (City Council), as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice;

C. A public hearing was held by the City Council on September 24, 2019, following duly published notice thereof, and all persons desiring to be heard have been heard;

D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations;

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council of the City of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of $40,000,000 for the purposes described above is hereby approved.

Section 2. This resolution shall take effect immediately upon its adoption.
RESOLUTION NO. 2019-

Adopted by the Housing Authority of the City of Sacramento

on the date of

TWIN RIVERS PHASE I (BLOCK A): A RESOLUTION OF THE HOUSING
AUTHORITY OF THE CITY OF SACRAMENTO DECLARING INTENTION TO
REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT
OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (Authority) intends to issue tax-
exempt obligations (Obligations) for the purpose, among other things, of making
a loan to Twin Rivers Phase 1 L.P., or a limited partnership or a limited liability
company related to or formed by McCormack Baron Salazar, Inc. (Developer),
the proceeds of which shall be used by the Developer to finance the acquisition,
construction and development of a 104-unit multifamily housing residential facility
to be located at 321 Eliza Street, Sacramento, California (Project).

B. United States Income Tax Regulations section 1.150-2 provides generally that
proceeds of tax-exempt debt are not deemed to be expended when such
proceeds are used for reimbursement of expenditures made prior to the date of
issuance of such debt unless certain procedures are followed, among which is a
requirement that (with certain exceptions), prior to the payment of any such
expenditure, the issuer must declare an intention to reimburse such expenditure.

C. It is in the public interest and for the public benefit that the Authority declare its
official intent to reimburse the expenditures referenced herein.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING
AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. The Authority intends to issue the Obligations for the purpose of paying
the costs of financing the acquisition, construction and development of the
Project.

Section 2. The Authority hereby declares that it reasonably expects that a portion of
the proceeds of the Obligations will be used for reimbursement of
expenditures for the acquisition, construction and development of the
Project that are paid before the date of initial execution and delivery of the
Obligations.

Section 3. The maximum amount of proceeds of the Obligations to be used for
reimbursement of expenditures for the acquisition, construction and
development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $40,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition, construction and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, any fees required by the California Debt Limit Allocation Committee (CDLAC) the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 6. The appropriate officers or the staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to CDLAC for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing for the Developer for the acquisition, construction and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction, development or operation of the Project.
August 30, 2019

Sacramento Housing and Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Twin Rivers Phase II Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing and Approval of Tax Exempt Bonds

SUMMARY

The attached report is presented for your review prior to review by the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final approval by the City of Sacramento.

Respectfully submitted,

[Signature]
LA SHELLE DOZIER
Executive Director

Attachment

801 12th Street, Sacramento, CA 95814
Honorable Mayor and Members of the City Council
Chair and Members of the Housing Authority Board

Title: Twin Rivers Phase II (Blocks B and E) Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, and Approval of Tax Exempt Bonds

Location/Council District: 321 Eliza Street, Council District 3

Recommendation: Conduct a public hearing and upon conclusion adopt: 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, construction, and financing of Twin Rivers Phase II (Project); and 2) a Housing Authority Resolution which a) indicates the intention of the Housing Authority of the City of Sacramento (Housing Authority) to issue up to $40,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent 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.

Contact: Christine Weichert, Assistant Director, 440-1353; Tyrone Roderick Williams, Director of Development, 440-1316, Sacramento; Housing and Redevelopment Agency

Presenters: Susan Veazey, Program Manager; Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: On January 29, 2019 City Council authorized the execution of a loan commitment for $8,000,000 in Choice Neighborhoods Initiative (CNI) funds to finance the development of the housing units included in Twin Rivers Phase II (Project). McCormack Baron Salazar, Inc. (Developer) has applied to the Sacramento Housing and Redevelopment Agency (Agency) for the issuance of up to $40,000,000 in tax-exempt mortgage revenue bonds for the construction of the Project. Staff is requesting approval for an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue the bonds for the Project.
Twin Rivers Phase II TEFRA and Inducement

September 24, 2019

The proposed Project is a new construction, mixed-income housing development. The Project is one of five phases of redevelopment of the former Twin Rivers public housing development which contained 218 housing units originally constructed between 1942 and 1946. As a result, many of the systems and infrastructure at Twin Rivers have reached the end of their useful lives. When complete, the Twin Rivers community will consist of approximately 425 housing units at different affordability levels (including market rate) and a minimum of 218 public housing replacement units.

The Housing Authority was awarded a $30 million Choice Neighborhoods Implementation (CNI) Grant for the Twin Rivers Transit Oriented Development and Light Rail Station Project. The CNI grant supports the housing program and master plan for Twin Rivers that includes one-for-one replacement of all 218 Twin Rivers public housing units within a newly constructed, mixed-income community. A portion of these funds will support the development of Phase II of the Twin Rivers development.

On June 21, 2019, the Department of Housing and Community Development (HCD) and the Strategic Growth Council (SGC) awarded the Housing Authority an Affordable Housing and Sustainable Communities (AHSC) grant in the amount of $12,933,015 that will support development of the housing units in Phase II.

The proposed Phase II Project is composed of townhouses and garden-style walk-up buildings and includes a total of 9 buildings, 88 on-grade parking spaces, and 123 units comprised of 1-bedroom, 2-bedroom, 3-bedroom, 4-bedroom, and 5-bedroom units. The Project will contain amenities that include secure bicycle parking, landscaped courtyards, and a play area. Additionally, Blocks B and E will have access to the master plan site amenities that include management offices, resident community rooms, fitness center, business center, swimming pool and barbeque area. A vicinity map is included as Attachment 2. A project rendering is included as Attachment 3.

Infrastructure Improvements:
On May 29, 2018 the City Council approved the commitment of up to $16.49 million of Section 108 loan funds to construct new infrastructure systems throughout the Twin Rivers site. The cost of the infrastructure will be allocated per unit to increase the value of the Project and thereby generate more tax credit proceeds. This financial mechanism will be documented by an Infrastructure Reimbursement Agreement signed between the Agency as Project Manager, the Housing Authority of the County of Sacramento as land owner, and the tax credit partnerships that will develop Blocks B/E and the other residential blocks.

Entitlements: Site plan approval for Blocks A and B was granted in July 2017, and the building permits for these two blocks are nearly ready to issue. The site plan approval for Block E is expected in mid-September 2019, and the building permits are expected to be ready to issue in January 2020. This schedule will accommodate the anticipated Block B/E closing date in March 2020, and Block A closing date in June 2020.

Developer: The limited partnership, Twin Rivers Phase 2, L.P. will develop the Project. A McCormack Baron Salazar, Inc. (Developer) affiliate, Twin Rivers Phase 2, MBS GP, Inc., as co-general partner of the limited partnership, is an experienced owner and manager of affordable rental housing projects. The Developer has more than 40 years of experience in affordable housing and has developed over 21,000 homes in 23 states.
across the U.S., including 13 communities in California. They have extensive experience in financing projects with tax credits, tax exempt bonds, and other public and private funding sources.

The Sacramento Housing Authority Repositioning Program, Inc. (SHARP) is the managing general partner of the limited partnership and is a non-profit public benefit corporation formed by the Housing Authority to pursue projects as a strategic response to reductions in federal funding sources for public housing. SHARP can attract private development partners and financing sources not otherwise directly available to the Housing Authority.

Property Management: The Project will be managed by McCormack Baron Management, an experienced property management firm with over 40 years of experience operating affordable apartment communities. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures to ensure the company meets Agency requirements for property management.

Resident Services: Resident services will be provided by Urban Strategies, which currently provides resident services to 11 affordable housing communities across the country. Urban Strategies will be required to provide at least 20 hours of services per week for Phase II residents. Programs will be tailored to resident needs. Agency staff has reviewed and approved Urban Strategies' resident services plan detailing the scope and schedule of services to be provided. Services will be provided by an on-site services coordinator and will include social services and enrichment programs. The Agency has approved Urban Strategies and will approve subsequent providers of additional services.

Project Financing: In addition to the Housing Authority ground lease, the Project is anticipated to be financed with four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, a bank loan, an Affordable Housing and Sustainable Communities (AHSC) award from the California Department of Housing and Community Development (HCD), a Choice Neighborhoods Implementation (CNI) loan, and a deferred developer fee. The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as Bond Counsel to the Housing Authority.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires that units 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 (AMI). HUD approved 69 replacement Project Based Vouchers for the public housing replacement units in the Project. Project affordability restrictions will be specified in regulatory agreements with the Developer. The Project Summary and Proforma are included as attachments 4 and 5 and a schedule of Maximum Income and Rent Limits is included as attachment 6. These anticipated sources and their affordability requirements are summarized in the following table:
<table>
<thead>
<tr>
<th>Unit Type</th>
<th>% of Units</th>
<th>Affordability Restrictions (55 years)</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing Tax Credits, Tax-exempt Bonds, Project Based Vouchers</td>
<td>56%</td>
<td>Extremely Low Income (30% AMI)</td>
<td>69</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits and Tax-exempt Bonds</td>
<td>25%</td>
<td>Low Income (60% AMI)</td>
<td>31</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits and Tax-exempt Bonds</td>
<td>10%</td>
<td>Mod-Low Income (80% AMI)</td>
<td>12</td>
</tr>
<tr>
<td>Market Rate</td>
<td>9%</td>
<td>None</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td>123</td>
</tr>
</tbody>
</table>

Policy Considerations: The recommended actions are consistent with a) the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1 and 4, Preservation and New Production (Resolution No. 2009-148). There is one exception to the Agency’s policy on annual payment for monitoring the regulatory restrictions: The Agency will collect the monitoring fee based on 91 percent of the bond amount rather than the full bond amount, given that 91 percent of the units are affordable; b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) 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 d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).

Economic Impacts: This multifamily residential project is expected to create 419.47 total jobs (237.70 direct jobs and 181.77 jobs through indirect and induced activities) and create $34,956,165 in total economic output ($21,307,960 of direct output and another $13,648,204 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) and National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment was prepared for the Twin Rivers Transit-Oriented Development Project pursuant to California Environmental Quality Act (CEQA) requirements under 14 California Code of Regulations §15070, and National Environmental Policy Act (NEPA) requirements under 24 Code of Federal Regulations (CFR) §58.36. The SHRC approved the final environmental document on behalf the Agency at its meeting on July 19th. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017, and subsequently issued a Notice of Determination (NOD) pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA. On August 22, 2017, the County Board of Supervisors adopted the MND and associated MMRP and approved the Project. On August 24, 2017, the Agency issued the NOD for the Project pursuant to CEQA. All activities related to the Project are covered by this environmental review. The requested action requires no further environmental review.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2035 General Plan: a) Housing Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: improving the energy efficiency in new buildings; and b) Environmental Resources - Air Quality and Climate Change subsection 6.1.7: reduce greenhouse gas emissions from new development, promoting water conservation and recycling, promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; and promoting energy-efficient building design and site planning.

Commission Action: At its meeting on September 4, 2019, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide 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, Promise Zone plans and goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan.
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 affordable units for the 55-year term. 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.

LBE - M/WBE and Section 3 requirements: Minority and Women’s Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency’s Section 3 Economic Opportunity Plan. The Developer and General Contractor will work with the Agency’s Section 3 Coordinator, Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, to promote employment opportunities.

Respectfully Submitted by: LaShelle Dozier
Executive Director

Attachments
1-Description/Analysis
2-Vicinity Map
3-Project Rendering
4-Project Summary
5-Cash Flow Proforma
6-Maximum Income and Rent Limits
7-City Council TEFRA Resolution
8-Housing Authority Resolution
Twin Rivers Phases 1 and 2

Map Location

vicinity map

Phase 1
Block A

Block B

Phase 2
Block E

TWIN RIVERS DEVELOPMENT

Legend:
- Phase 1 (Block A)
- Phase 2 (Blocks B and E)
- Twin Rivers Development

0 150 300 Feet

SHRA GIS
August 12, 2019
## Twin Rivers Phase II (Block B and E)
### Residential Project Summary

<table>
<thead>
<tr>
<th>Address</th>
<th>Total Number of Units</th>
<th>Construction Type</th>
<th>Affordability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>321 Eliza Street, Sacramento, CA 95811</td>
<td>123</td>
<td>69 units at or below 30% of AMI (PBV Housing Replacement)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>31 LIHTC units at or below 60% of AMI</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21 units at or below 80% of AMI</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11 market rate units</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit Mix and Rent Levels</th>
<th>PBV (30% AMI)</th>
<th>LIHTC (60% AMI)</th>
<th>LIHTC (80% AMI)</th>
<th>Market Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom / 1 Bath</td>
<td>15</td>
<td>16</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>2 Bedroom / 1 Bath</td>
<td>32</td>
<td>11</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>3 Bedroom / 2 Bath</td>
<td>7</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Bedroom / 2.5 Bath</td>
<td>7</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Bedroom / 2 Bath</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Bedroom / 2.5 Bath</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Bedroom / 2.5 Bath</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>69</td>
<td>31</td>
<td>12</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Square Footage</th>
<th>Unit Size (sq. ft)</th>
<th>Total</th>
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<tbody>
<tr>
<td>1 Bedroom / 1 Bath</td>
<td>619</td>
<td>27,236 sq. ft.</td>
</tr>
<tr>
<td>2 Bedroom / 1 Bath</td>
<td>838</td>
<td>44,144 sq. ft.</td>
</tr>
<tr>
<td>3 Bedroom / 2 Bath</td>
<td>1,169</td>
<td>11,690 sq. ft.</td>
</tr>
<tr>
<td>3 Bedroom / 2.5 Bath</td>
<td>1,327</td>
<td>10,616 sq. ft.</td>
</tr>
<tr>
<td>4 Bedroom / 2 Bath</td>
<td>1,385</td>
<td>6,625 sq. ft.</td>
</tr>
<tr>
<td>4 Bedroom / 2.5 Bath</td>
<td>1,385</td>
<td>6,625 sq. ft.</td>
</tr>
<tr>
<td>5 Bedroom / 2.5 Bath</td>
<td>1,385</td>
<td>1,385 sq. ft.</td>
</tr>
<tr>
<td>Common Areas</td>
<td>935</td>
<td>935 sq. ft.</td>
</tr>
<tr>
<td>TOTAL</td>
<td>105,971</td>
<td>sq. ft.</td>
</tr>
</tbody>
</table>

### Resident Facilities

There will be on-site surface vehicular parking and secure bicycle parking. There will be landscape courtyards and a play area.

### Permanent Sources

<table>
<thead>
<tr>
<th>Permanent Sources</th>
<th>Current Total</th>
<th>Per Unit</th>
<th>Per Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Credit Equity</td>
<td>$18,635,000</td>
<td>$151,504</td>
<td>$175.85</td>
</tr>
<tr>
<td>Permanent Loan</td>
<td>$8,597,150</td>
<td>$69,866</td>
<td>$81.13</td>
</tr>
<tr>
<td>HACOS Ground Lease</td>
<td>$158,400</td>
<td>$1,288</td>
<td>$1.49</td>
</tr>
<tr>
<td>SHRA CNI</td>
<td>$8,000,000</td>
<td>$65,041</td>
<td>$75.49</td>
</tr>
<tr>
<td>HCD AHSC</td>
<td>$12,933,015</td>
<td>$105,146</td>
<td>$122.04</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$750,000</td>
<td>$6,179</td>
<td>$7.17</td>
</tr>
<tr>
<td>TOTAL SOURCES</td>
<td>$49,083,565</td>
<td>$399,053</td>
<td>$463.18</td>
</tr>
</tbody>
</table>

### Permanent Uses

<table>
<thead>
<tr>
<th>Permanent Uses</th>
<th>Ground Lease</th>
<th>Construction</th>
<th>Permits and Fees</th>
<th>Architecture and Engineering</th>
<th>Hard Cost Contingency</th>
<th>Soft Cost Contingency</th>
<th>First Mortgage Interest</th>
<th>Financing Costs</th>
<th>Reserves</th>
<th>Legal Fees</th>
<th>Insurance, Third Party, Marketing, Other</th>
<th>Developer Fees</th>
<th>TOTAL USES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$176,000</td>
<td>$34,956,185</td>
<td>$1,067,452</td>
<td>$2,310,877</td>
<td>$2,745,754</td>
<td>$372,590</td>
<td>$1,595,229</td>
<td>$996,114</td>
<td>$413,962</td>
<td>$375,000</td>
<td>$1,454,422</td>
<td>$2,620,000</td>
<td>$49,083,565</td>
</tr>
<tr>
<td>Per Unit</td>
<td>$1,431</td>
<td>$284,196</td>
<td>$8,678</td>
<td>$18,788</td>
<td>$22,323</td>
<td>$3,029</td>
<td>$12,969</td>
<td>$8,098</td>
<td>$3,366</td>
<td>$3,049</td>
<td>$11,825</td>
<td>$21,301</td>
<td>$399,053</td>
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<tr>
<td>Per Sq Ft</td>
<td>$1.66</td>
<td>$329.87</td>
<td>$10.07</td>
<td>$21.81</td>
<td>$25.91</td>
<td>$3.52</td>
<td>$15.05</td>
<td>$9.40</td>
<td>$3.91</td>
<td>$3.54</td>
<td>$13.72</td>
<td>$24.72</td>
<td>$463.18</td>
</tr>
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### Leverage

<table>
<thead>
<tr>
<th>SHRA: $ per Unit</th>
<th>Per Unit Cost</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$65,041</td>
<td>$399,053</td>
<td>$1.00 : $5.14</td>
</tr>
</tbody>
</table>

### Operating Expenses

**Developer:**
- McCormack Baron Saizarr
- McCormack Baron Management

<table>
<thead>
<tr>
<th>Operations Budget</th>
<th>Property Management</th>
<th>Resident Services</th>
<th>Taxes</th>
<th>Security</th>
<th>Replacement Reserves</th>
</tr>
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<tbody>
<tr>
<td>$664,119</td>
<td>$88,974</td>
<td>$85,321</td>
<td>$97,823</td>
<td>$27,675</td>
<td>$73,800</td>
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</table>

**Leverage:**
- SHRA: Other
- $1.00 : $5.14
<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Total</th>
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<tr>
<td></td>
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<tr>
<td>Income</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
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</tr>
<tr>
<td>Revenue</td>
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<td>Total</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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</table>
MAXIMUM LIHTC INCOME AND RENT LEVELS 2019
Rents at 30%, 60% and 80% of Area Median Income (AMI)

Maximum Income Limits:

<table>
<thead>
<tr>
<th>Family Size</th>
<th>30% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$17,580</td>
<td>$35,160</td>
<td>$46,880</td>
</tr>
<tr>
<td>2 person</td>
<td>$20,070</td>
<td>$40,140</td>
<td>$53,520</td>
</tr>
<tr>
<td>3 person</td>
<td>$22,590</td>
<td>$45,180</td>
<td>$60,240</td>
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<tr>
<td>4 person</td>
<td>$25,080</td>
<td>$50,160</td>
<td>$66,880</td>
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<tr>
<td>5 person</td>
<td>$27,090</td>
<td>$54,180</td>
<td>$72,240</td>
</tr>
<tr>
<td>6 person</td>
<td>$29,100</td>
<td>$58,200</td>
<td>$77,600</td>
</tr>
<tr>
<td>7 person</td>
<td>$31,110</td>
<td>$62,220</td>
<td>$82,960</td>
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<tr>
<td>8 person</td>
<td>$33,120</td>
<td>$66,240</td>
<td>$88,320</td>
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Maximum Rent Limits:
Low Income Housing Tax Credits (LIHTCs)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>30% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
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<tr>
<td>1 Bedroom</td>
<td>$470</td>
<td>$941</td>
<td>$1,255</td>
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<tr>
<td>2 Bedroom</td>
<td>$564</td>
<td>$1,129</td>
<td>$1,506</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$652</td>
<td>$1,304</td>
<td>$1,739</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>$727</td>
<td>$1,455</td>
<td>$1,940</td>
</tr>
</tbody>
</table>
RESOLUTION NO. 2019-____

Adopted by the Sacramento City Council

On date of

TWIN RIVERS PHASE II (BLOCK B AND E): APPROVAL OF THE ISSUANCE OF OBLIGATIONS BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON BEHALF OF TWIN RIVERS PHASE 2 L.P.

BACKGROUND

A. The Housing Authority of the City of Sacramento, a housing authority organized and existing under the laws of the State of California (the "Authority"), proposes a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (the “Code”) in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, and at no time to exceed $40,000,000 (the “Obligations”) and to lend the proceeds thereof to Twin Rivers Phase 2 L.P. or a partnership of which McCormack Baron Salazar, Inc. (the “Developer”) or a related person to the Developer is the general partner, to be used to provide funds to finance or refinance the acquisition, construction and development of a 123-unit multifamily housing residential facility to be located at 321 Eliza Street, in the City of Sacramento, California;

B. Section 147(f) of the Code requires the execution and delivery of the Obligations to be approved by the City Council of the City (the "City Council"), as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice;

C. A public hearing was held by the City Council on September 24, 2019, following duly published notice thereof, and all persons desiring to be heard have been heard;

D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations;
BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council of the City of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of $40,000,000 for the purposes described above is hereby approved.

Section 2. This resolution shall take effect immediately upon its adoption.
RESOLUTION NO. 2019-___

Adopted by the Housing Authority of the City of Sacramento

On the date of

TWIN RIVERS PHASE II (BLOCK B AND E): A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Authority") intends to issue tax-exempt obligations (the "Obligations") for the purpose, among other things, of making a loan to Twin Rivers Phase 2 L.P., or a limited partnership or a limited liability company related to or formed by McCormack Baron Salazar, Inc. (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition, construction and development of a 123-unit multifamily housing residential facility to be located at 321 Eliza Street, Sacramento, California (the "Project").

B. United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure.

C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition, construction and development of the Project.

Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations.
Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $40,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition, construction and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, any fees required by the California Debt Limit Allocation Committee ("CDLAC") the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 6. The appropriate officers or the staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to CDLAC for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition, construction and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction, development or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.
August 30, 2019

Sacramento Housing and Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Authorization to Administer Permanent Local Housing Allocation

SUMMARY

The attached report is presented for your review prior to review by the County of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final approval by the County of Sacramento.

Respectfully submitted,

LA SHELLE DOZIER
Executive Director

Attachment

801 12th Street, Sacramento, CA 95814
To: Board of Supervisors and Housing Authority
Through: Navdeep S. Gill, County Executive
From: La Shelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency
Subject: Authority To Administer State Permanent Local Housing Allocation On Behalf Of The County Of Sacramento

District(s): All

RECOMMENDED ACTION
Adopt 1) a Board of Supervisors Resolution authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to apply to the State of California on behalf of the County to receive and administer the County’s entitlement of Permanent Local Housing Allocation (PLHA) funds and to enter into all required agreements and amend SHRA’s budget accordingly.

BACKGROUND
In 2017, Senate Bill 2 created the first permanent source of funding for affordable housing in the State of California. Revenue is generated through recording fees on real estate transactions and will, therefore, vary from year to year depending upon activity. Year 2 (2019) of the program and onward, the majority of funding will flow to local jurisdictions through the Permanent Local Housing Allocation or PLHA. PLHA funds flow to local governments using the same formula as the federal Community Block Grant Program. The State Department of Housing and Community Development (HCD) has estimated that the County’s annual allocation will be approximately $2 million.

HCD expects to issue a Notice of Funding Availability (NOFA) for the PLHA in September of 2019 with applications accepted on an over-the-counter basis beginning in November. Staff is recommending that the County authorize SHRA to administer all aspects of the PLHA on behalf of the County given SHRA’s history of and capacity for operating single-family homeownership and multifamily rental financing programs.
All funding for individual multifamily projects and homeownership programs are approved by the Board of Supervisors. Authority to administer the PLHA does not alter the County's authority over decision-making on individual projects and programs. All multifamily housing funding follows the adopted Multifamily Lending and Mortgage Revenue Bond Policies. PLHA funds can be used for a broad variety of affordable housing activities including, but not limited to, new construction or rehabilitation of multifamily or single-family homeownership housing.

HCD will allow localities to use their PLHA entitlement to match their existing local housing trust funds. For localities that use this approach, HCD will permit applications for HCD’s Local Housing Match Grant (Grant) Program. SHRA administers the County's Housing Trust Funds. It is, therefore, highly advantageous for the County to allow SHRA to administer the PLHA and match the local housing trust fund resources. The goal is to maximize the amount of funds coming into the County to finance the creation and preservation of affordable housing. For example, if the County has $2 million in local housing trust fund dollars and then receives another $2 million from PLHA and matches those funds, the County is eligible to apply for $4 million in Grant resources. Without the PLHA funds, SHRA would apply for only $2 million in Grant funds leaving the possibility that the County would forgo $2 million in potential additional resources.

**COMMISSION ACTION**

At its meeting of September 4, 2019 the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

**AYES:**

**NOES:**

**ABSENT:**

**POLICY CONSIDERATIONS**
The recommended actions are consistent with SHRA’s mission on providing affordable housing opportunities throughout the County of Sacramento and with the County’s 2013-2021 Housing Element goals of preserving and producing affordable housing units. All multifamily housing funded with PLHA funds will follow the Multifamily Lending and Mortgage Revenue Bond Policies and all housing will be monitored for compliance for the required regulatory periods.
ENVIRONMENTAL REVIEW
California Environmental Quality Act (CEQA): The proposed actions are not a project under CEQA pursuant to CEQA Guidelines Section 15378.

National Environmental Policy Act (NEPA): The proposed actions are exempt under NEPA pursuant to 24 Code of Federal Regulations (CFR) 58.34(a)(2) and (3).

M/WBE/SECTION 3 CONSIDERATIONS
Minority and Women’s Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency’s Section 3 Economic Opportunity Plan.

FINANCIAL ANALYSIS
HCD estimates the County will receive approximately $2 million in PLHA entitlement, annually. The actual amount of funding will vary each year based on real estate financing activity in the State that impacts the amount of revenue generated for the program. SHRA proposes to use five percent of the PLHA funds to support program administration.

Respectfully Submitted,

LA SHELLE DOZIER, Executive Director
Sacramento Housing and Redevelopment Agency

Attachments:
RES – County BOS Resolution
RESOLUTION NO.

AUTHORITY TO ADMINISTER STATE PERMANENT LOCAL HOUSING ALLOCATION ON BEHALF OF THE COUNTY OF SACRAMENTO

WHEREAS, in 2017, Senate Bill 2, named the Building Homes and Jobs Act, created the State of California’s first permanent source of ongoing funding for affordable housing.

WHEREAS, a portion of the State funding is required to pass through the State Department of Housing and Community Development (HCD) to local government on a regular basis as an entitlement called the Permanent Local Housing Allocation (PLHA).

WHEREAS, the Sacramento Housing and Redevelopment Agency (Agency) serves as the local housing finance agency for the County and has the capacity to administer affordable housing resources for multifamily rental and first-time homebuyer programs including underwriting, eligibility screening, and long-term compliance monitoring.

WHEREAS, the Agency follows the Board-adopted Multifamily Lending and Mortgage Revenue Bond Policies to administer its rental housing programs and brings all allocations of funds before the Board of Supervisors for approval.

WHEREAS, the proposed actions are not a project under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378.

WHEREAS, the proposed actions are exempt under the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations (CFR) 58.34(a)(2) and (3).
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. The Agency is authorized to make applications to the State Department of Housing and Community, as required for the PLHA, on behalf of the County on an ongoing basis.

Section 3. The Agency is authorized to receive the County’s portion of the PLHA and administer in a manner similar to the County’s local housing trust fund resources.

Section 4. The Agency is authorized to enter into and execute documents, approved as to form by agency counsel between the Agency and the County and between the Agency and HCD and to perform other actions necessary to fulfill the intent of receiving, administering, and disbursing the County’s PLHA entitlement.

Section 5. The Agency is authorized to use five percent of the PLHA allocation to cover costs associated with administering the funds in accordance with State rules and regulations.

Section 6. The Agency is authorized to amend its budget to receive the County’s entitlement of PLHA.
On a motion by Supervisor _______________, seconded by Supervisor _______________, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 24th day of 2019, by the following vote, to wit:

AYES: Supervisors,
NOES: Supervisors,
ABSENT: Supervisors,
ABSTAIN: Supervisors,
RECUSAL: Supervisors,

(PER POLITICAL REFORM ACT (§ 18702.5.)

________________________
Chair of the Board of Supervisors of Sacramento County, California

(SEAL)

________________________
ATTEST: Clerk, Board of Supervisors
RESOLUTION NO. SHRC-2019-


ON DATE OF

September 4, 2019

AUTHORITY TO ADMINISTER STATE PERMANENT LOCAL HOUSING ALLOCATION ON BEHALF OF THE CITY AND COUNTY OF SACRAMENTO

WHEREAS, in 2017, Senate Bill 2, named the Building Homes and Jobs Act, created the State of California’s first permanent source of ongoing funding for affordable housing.

WHEREAS, a portion of the State funding is required to pass through the State Department of Housing and Community Development (HCD) to local government on a regular basis as an entitlement called the Permanent Local Housing Allocation (PLHA).

WHEREAS, the Sacramento Housing and Redevelopment Agency (Agency) serves as the local housing finance agency for the City and County and has the capacity to administer affordable housing resources for multifamily rental and first-time homebuyer programs including underwriting, eligibility screening, and long-term compliance monitoring.

WHEREAS, the Agency follows the governing board-adopted Multifamily Lending and Mortgage Revenue Bond Policies to administer its rental housing programs and brings all allocations of funds before the City Council and Board of Supervisors for approval.

WHEREAS, the proposed actions are not a project under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378.

WHEREAS, the proposed actions are exempt under the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations (CFR) 58.34(a)(2) and (3).
BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. The Executive Director is authorized to make applications to the State Department of Housing and Community, as required for the PLHA, on behalf of the City and County on an ongoing basis.

Section 3. The Agency is authorized to receive the City and County’s portion of the PLHA and administer in a manner similar to the County’s local housing trust fund resources.

Section 4. The Executive Director is authorized to enter into and execute documents, approved as to form by agency counsel between the Agency and the City/County and between the Agency and HCD and to perform other actions necessary to fulfill the intent of receiving, administering, and disbursing the County’s PLHA entitlement.

Section 5. The Agency is authorized to use five percent of the PLHA allocation to cover costs associated with administering the funds in accordance with State rules and regulations.

Section 6. The Executive Director is authorized to amend its budget to receive the City/County’s entitlement of PLHA.

ATTEST:

__________________________
CHAIR

__________________________
CLERK
Sacramento Housing and Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Authorization to Administer Permanent Local Housing Allocation and Overview of Affordable Housing Finance Resources

SUMMARY

The attached report is presented for your review prior to review by the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final approval by the City of Sacramento.

Respectfully submitted,

LA SHELL DEZIER
Executive Director

Attachment

801 12th Street, Sacramento, CA 95814
Honorable Mayor and Members of the City Council

Title: Authorization to Administer Permanent Local Housing Allocation and Overview of Affordable Housing Finance Resources

Location/Council District: All

Recommendation: Adopt a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to make application to the State of California on behalf of the City to receive and administer the City’s entitlement of Permanent Local Housing Allocation (PLHA) funds and to enter into all required agreements and amend SHRA’s budget accordingly.

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

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

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: The Sacramento Housing and Redevelopment Agency (SHRA) serves as the local housing finance agency for the City and County of Sacramento. As such, SHRA provides assistance to developers for the construction and preservation of affordable housing offering gap financing and the issuance of tax-exempt bonds for the development or acquisition/rehabilitation of multifamily rental housing in the City of Sacramento and unincorporated areas of the County of Sacramento. All housing financed by SHRA carries affordability restrictions on some or all of the units.
Authorization to Administer Affordable Housing Funds

The joint-powers model that combines the functions of the City and County Housing Authorities and the local housing finance agency allows for significant economies of scale that increases local capacity for complex underwriting, long-term servicing and monitoring of the affordable housing inventory – both for multifamily and homeownership programs.

SHRA manages the federal HOME Investment Partnerships (HOME) Program, the City’s Housing Trust Fund, and housing-related assets from the former Redevelopment Agency. SHRA also receives and administers repayments from existing loans expanding the resources available for affordable housing in Sacramento. In addition, SHRA works collaboratively with the County to administer and apply for No Place Like Home funding from the State that supports the development and operations of permanent supportive housing. Recent revenue generated by the State’s cap and trade program, and legislation approved by voters in 2018 have increased the amount of potential resources available to the City of Sacramento for the purpose of affordable housing development. Attachments 3 and 4 include an overview of available affordable housing funding sources as requested by Council earlier this year.

Authorization to Administer Permanent Local Housing Allocation Funds

In 2017, Senate Bill 2 created the first permanent source of funding for affordable housing in the State of California. Revenue is generated through recording fees on real estate transactions and will, therefore, vary from year to year depending upon activity. Year 2 (2019) of the program and onward, the majority of funding will flow to local jurisdictions through the Permanent Local Housing Allocation or PLHA. PLHA funds flow to local governments using the same formula as the federal Community Block Grant Program. The State Department of Housing and Community Development (HCD) has estimated that the City’s annual allocation will be approximately $2 million.

HCD expects to issue a Notice of Funding Availability (NOFA) for the PLHA in September of 2019 with applications accepted on an over-the-counter basis beginning in November. Staff is recommending that the City authorize SHRA to administer all aspects of the PLHA on behalf of the City given SHRA’s history of and capacity for operating single-family homeownership and multifamily rental financing programs.

All funding for individual multifamily projects and homeownership programs are approved by the City Council. Authority to administer the PLHA does not alter the City’s authority over decision-making on individual projects and programs. All multifamily housing funding follows the adopted Multifamily Lending and Mortgage Revenue Bond Policies. PLHA funds can be used for a broad variety of affordable housing activities including, but not limited to, new construction or rehabilitation of multifamily or single-family homeownership housing.

HCD will allow localities to use their PLHA entitlement to match their existing local housing trust funds. For localities that use this approach, HCD will permit applications for HCD’s Local Housing Match Grant (Grant) Program. SHRA administers the City’s Housing Trust Funds. It is, therefore, highly advantageous for the City to allow SHRA to administer the PLHA and match the local housing trust fund resources. The goal is to maximize the amount of funds coming into the City to finance the creation and
preservation of affordable housing. For example, if the City has $2 million in local housing trust fund dollars and then receives another $2 million from PLHA and matches those funds, the City is eligible to apply for $4 million in Grant resources. Without the PLHA funds, SHRA would apply for only $2 million in Grant funds leaving the possibility that the City would forgo $2 million in potential additional resources.

Policy Considerations: The recommended actions are consistent with SHRA’s mission to provide affordable housing opportunities throughout the City of Sacramento and with the City’s 2013-2021 Housing Element goals of preserving and producing affordable housing units. All rental housing funded with PLHA funds will follow the Multifamily Lending and Mortgage Revenue Bond Policies and all housing will be monitored for compliance for the required regulatory periods.

Economic Impacts: Not applicable.

Environmental Considerations: California Environmental Quality Act (CEQA): The proposed actions are not a project under CEQA pursuant to CEQA Guidelines Section 15378. National Environmental Policy Act (NEPA): The proposed actions are exempt under NEPA pursuant to 24 Code of Federal Regulations (CFR) 58.34(a)(2) and (3).

Sustainability Considerations: Not applicable.

Commission Action: At its meeting of September 4, 2019, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Council in the event this does not occur.

Rationale for Recommendation: The actions recommended in this report enable SHRA to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with the 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: HCD estimates the City will receive approximately $2 million in PLHA entitlement, annually. The actual amount of funding will vary each year based on real estate financing activity in the State that impacts the amount of revenue generated for the program. SHRA proposes to use five percent of the PLHA funds to support program administration.
Authorization to Administer Affordable Housing Funds    September 24, 2019

LBE - M/WBE and Section 3 requirements: Minority and Women’s Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency’s Section 3 Economic Opportunity Plan.

Respectfully Submitted by: LaShelle Dozier
Executive Director

Attachments
1-Description/Analysis and Background
2-Resolution
3-SHRA-Administered Affordable Housing Resources
4-State Affordable Housing Resources
RESOLUTION NO. 2019 -
Adopted by the Sacramento City Council

AUTHORITY TO ADMINISTER STATE PERMANENT LOCAL HOUSING ALLOCATION ON BEHALF OF THE CITY OF SACRAMENTO

BACKGROUND

A. In 2017, Senate Bill 2, named the Building Homes and Jobs Act, created the State of California's first permanent source of ongoing funding for affordable housing.

B. A portion of the State funding is required to pass through the State Department of Housing and Community Development (HCD) to local government on a regular basis as an entitlement called the Permanent Local Housing Allocation (PLHA).

C. The Sacramento Housing and Redevelopment Agency (Agency) serves as the local housing finance agency for the City and has the capacity to administer affordable housing resources for multifamily rental and first-time homebuyer programs including underwriting, eligibility screening, and long-term compliance monitoring.

D. The Agency follows the Council-adopted Multifamily Lending and Mortgage Revenue Bond Policies to administer its rental housing programs and brings all allocations of funds before the City Council for approval.

E. The proposed actions are not a project under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378.

F. The proposed actions are exempt under the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations (CFR) 58.34(a)(2) and (3).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate are hereby approved and adopted.

Section 2. The Agency is authorized to make applications to the State Department of Housing and Community, as required for the PLHA, on behalf of the City on an ongoing basis.

Section 3. The Agency is authorized to receive the City’s portion of the PLHA and administer in a manner similar to the City’s local housing trust fund resources.
Section 4. The Agency is authorized to enter into and execute documents, approved as to form by agency counsel between the Agency and the City and between the Agency and HCD and to perform other actions necessary to fulfill the intent of receiving, administering, and disbursing the City's PLHA entitlement.

Section 5. The Agency is authorized to use five percent of the PLHA allocation to cover costs associated with administering the funds in accordance with State rules and regulations.

Section 6. The Agency is authorized to amend its budget to receive the City's entitlement of PLHA.
SHRA-Administered Affordable Housing Resources

Mixed-Income Housing Ordinance (MIHO) On September 1, 2015, the City Council (Council) repealed Chapter 17.712 of the City Code, known as the Mixed Income Housing Ordinance (No. 2000-039), and adopted a revised citywide Mixed Income Housing Ordinance (No. 2015-0029) effective November 1, 2015 (Ordinance). As part of this revision, the City contracted with a consultant to perform a residential nexus analysis which demonstrates the relationship between the development of market-rate residential units and the need for additional workforce housing. The revised Ordinance requires an affordable housing impact fee for all new housing units and large subdivisions to provide housing for a variety of incomes and family types. The fee-generated revenue is placed in a citywide Housing Trust Fund and used to develop affordable housing units with the goal of increasing the supply available for low-income households earning up to 80 percent of the area median income.

The City has collected fees generated from MIHO for three years with an overall, average annual collection of $765,000. The City collected approximately $627,000 in 2018. Fee revenue varies with the housing construction market.

Housing Trust Fund – The City Housing Trust Fund (HTF) ordinance authorizes the collection of fees on non-residential construction to fund the development of low and very low-income housing. The HTF ordinance was adopted in 1989 to raise local funds for affordable housing near employment centers. Fees imposed on non-residential development generate revenue based on an economic nexus analysis which determined that the construction of commercial projects such as offices, business parks, hotels, warehouses, and shopping centers played a major role in attracting new very low- and low-income workers to Sacramento. The fee generated revenue is therefore used to develop affordable housing units with the goal of increasing the supply available for lower-income workers.

The amount of fees generated depends upon the market for new commercial construction. The average level of fees collected from 2005 through 2018 was $1.2 million with the lowest total of $130,000 in 2012 and the highest in 2006 at $2.9 million. The City collected $1.9 million in 2018.

HOME Investment Partnerships Program – The federal HOME Investment Partnerships Program (HOME) provides grants to fund a wide range of activities including construction, acquisition, and/or rehabilitation of affordable housing. SHRA administers these funds on the City’s behalf as an entitlement jurisdiction. These funds are received annually and are subject to federal appropriation levels. At least 20 percent of HOME-assisted units in each project must be reserved for households with incomes below 50 percent of Area Median Income (AMI) and the remaining reserved for households with incomes below 65 percent of AMI. In 2018, the amount of the grant was $2.6 million.

Loan Proceeds, Interest, and Repayments – SHRA structures funding in the form of loans. Multifamily housing loans are often paid back as part of a sale or refinancing. SHRA receives these repayments and, along with regular interest and loan payments, is able to recirculate those funds to create and preserve more affordable housing.
State of California Affordable Housing Resources

SB 2 – Building Jobs and Homes Act
In 2017, Senate Bill 2 created the first permanent source of affordable housing in the State of California. Revenue is generated through recording fees on real estate transactions and will, therefore, vary from year to year depending upon activity. During the first year of the program, all funds were used to support homelessness-related activities and for planning and technical assistance. Year 2 (2019) and onward, the majority of funding is used for the following purposes:

To Be Locally Administered – Entitlement

Permanent Local Housing Allocation
Affordable housing funds flow to local governments using the same formula as the federal Community Block Grant Program. Actual allocation will depend upon the revenue generated by a new recording fee on real estate documents. Resources will flow through HCD to entitlement jurisdictions. Eligible uses are broad and include rental and ownership housing activities, and homeless services. Jurisdictions are required to integrate a homeownership component in their plans.

The State Department of Housing and Community Development (HCD) estimates the City’s annual entitlement to be $1.9 million.

California Housing Finance Agency (CalHFA) Administered - Competitive

Missing Middle
The California Housing Finance Agency (CalHFA) receives 15% of SB 2-generated funds to operate a mixed-income multifamily loan program that allows for income restrictions of 30 percent to 120 percent of area median income. The annual statewide allocation is expected to be $30 - $45 million and eligible sponsors (developers) include for-profit, non-profit, and public agencies.

The Governor’s proposed budget would increase funding for this program with one-time General Fund proceeds in the amount of $500 million.

Proposition 1/SB 3 – Veterans and Affordable Housing Bond
Voters approved a $4 billion general obligation bond in November, 2018 the proceeds of which will be used to fund existing, statewide housing programs. Including:
HCD Administered - Competitive

- Multifamily Housing Program - $1.5 billion. Provides soft-second loans (gap financing) for new construction and rehabilitation of affordable rental housing. Developers apply.
- Infill Infrastructure Grant Financing - $300 million. Provides gap funding for infrastructure improvements required for residential and mixed-use infill development. Developers apply.
- Local Housing Trust Match Grant Program - $300 million. Affordable Housing Innovation Fund to help finance local housing trust funds dedicated to the creation or preservation of affordable housing. Applicants are cities and counties with Housing Elements that are in compliance. SHRA has successfully applied for and received these funds on behalf of the County in the past.
- Transit-Oriented Development Program - $150 million. Eligible applicants include cities, counties, transit agencies and developers. Funds are to be used to facilitate the development of higher density uses within close proximity to transit stations.
- CalHome - $300 million. Funding to provide homeownership opportunities for low and very-low income homebuyers. Grants are awarded to public agencies and non-profits who offer downpayment assistance and/or home rehabilitation assistance. SHRA has been successful at applying for and receiving these funds when available in the past.

CalHFA Administered - Direct to Homebuyer

- CalHFA Home Purchase Assistance - $150 million. CalHFA provides loans directly to eligible first-time homebuyers.

California Department of Veterans Affairs (Cal-Vet) Administered - Direct to Buyer

- Farm and Home Loan Program - $1 billion. Provides homeownership financing for qualified veterans. Funds may also be used to finance farm purchases.

Greenhouse Gas Reduction Fund (Cap and Trade)
Proceeds from the State’s Cap-and-Trade program generated through regular auctions of carbon allowances are channeled into State loan and grant programs designed to reduce greenhouse gas emissions. The Strategic Growth Council (SGC) coordinates two programs with affordable housing components:

SGC Administered - Competitive

Transformative Climate Communities
The Transformative Climate Communities (TCC) program funds development and infrastructure projects designed to achieve major environmental, health, and economic benefits in disadvantaged communities. This program is only available to communities within certain CalEnviroScreen zones.
Only four awards have been made since the program’s inception. SHRA received an award in 2018 in support of the Twin Rivers Transit-Oriented Development project. The majority of those funds will be used to install a new light rail station across the street from the former Twin Rivers public housing community.

**Affordable Housing and Sustainable Communities (AHSC)**

The AHSC program is more closely aligned to the production of new housing than the TCC program. AHSC is a competitive program that relies on reductions in greenhouse gas emissions partially through the production of dense housing near transit. This fundamental purpose of the program has made obtaining AHSC funding challenging for the Sacramento region given the lack of density in contrast to regions like the Bay Area and Los Angeles basin. The source of the program resources—Cap-and-Trade funds—necessitates the integration of housing with transit and projects must demonstrate sufficient greenhouse gas reductions.

AHSC has had three funding rounds with statewide competitive funds amounts ranging from $120 million to $320 million. The current funding round will award up to $395 million.

**Mental Health Services Act Funds**

Voters approved Proposition 63 in 2004 creating the Mental Health Services Act (MHSA) to provide increased funding, personnel, and other resources to support county mental health programs. Revenues are generated by a one percent income tax on personal income in excess of one million dollars. In 2018, voters approved the bonding of this stream of revenue for the purpose of developing permanent supportive housing for people experiencing homelessness who are also mentally ill.

**HCD Administered - Competitive and Entitlement**

**No Place Like Home**

Up to $2 billion in bond proceeds supported by the resources generated by the State’s Mental Health Services Act will be made available to develop permanent supportive housing for persons in need of mental health services and experiencing homelessness. During the first round of funding, administered by HCD, currently underway, there is a non-competitive formula allocation to counties ($5.1 million for Sacramento) and competitive funding available the amount of which is not determined but will exceed $200 million. The County has partnered with two non-profit housing providers – Mercy Housing and Jamboree Housing – and is requesting approximately $13 million in competitive funds to support the new construction of 156 permanent supportive housing units. The County and SHRA will issue a second “Request to Partner” in April, 2019 to compete for additional funding for additional housing projects.
CalHFA Administered - Competitive

Special Needs Housing Program
CalHFA operates the Local Government Special Needs Housing Program (SNHP) that allows local governments to use Mental Health Services Act (MHSA) funds with other local funds to provide financing for the development of permanent supportive rental housing that includes units restricted for occupancy by individuals with serious mental illness (and their families) who are homeless or at risk of homelessness.
<table>
<thead>
<tr>
<th>Program</th>
<th>Funding Amount</th>
<th>Administrative Entity</th>
<th>Funds Available</th>
<th>Applicants</th>
<th>Competitive?</th>
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<td>Building Jobs and Homes Act (SB2)</td>
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<td>HCD</td>
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<td>Transformative Climate Communities</td>
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<td>Mental Health Services Act</td>
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<td>No Place Like Home</td>
<td>approx. $2 billion</td>
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