



REPORT TO COUNCIL

City of Sacramento

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Staff Report
February 19, 2008

**Honorable Mayor and
Members of the City Council**

Title: Proposition 1C Housing Program Application

Location/Council District: Richards Blvd. Redevelopment Area / District 1

Recommendation: Approve a **Resolution:** 1) establishing the Railyards as the City's top project for current year Proposition 1C TOD Housing Program funds; 2) directing staff to submit an application to the State for these funds and 3) supporting Township 9 as the City's top eligible project for current year Proposition 1C Infill Development Housing Program funds and the Railyards as the second priority project based on the draft guidelines currently available.

Contact: Marty Hanneman, Assistant City Manager, 808-7508; Jerry Way, Director of Transportation, 808-6381; Patti Bisharat, Director of Government Affairs, 808-8197

Presenters: Marty Hanneman

Department: City Manager's Office

Division: N/A

Organization No: 0310

Description/Analysis

Summary: In 2006 California voters approved Proposition 1C which provides funding for existing affordable housing programs and creates three new programs designed to promote affordable housing and infill development.

The Transit Oriented Development Housing Program is the first of these programs and it provides funding for infrastructure improvements to support the creation of housing near transit stations.

Staff evaluated all major transit-oriented projects in the City near light rail stations using the TOD program thresholds for eligibility. Based on those thresholds, only two projects were eligible and were ready to proceed for the first round of TOD funding. Those projects were the Railyards and the Township 9 development in the Richards Boulevard Redevelopment Area. Using the specific TOD program criteria, staff believe that the Railyards is the most competitive project and would receive the highest score. Additional information on the TOD program, the criteria and the projects evaluated are contained in the attachments.

Under the TOD application, the City must be the applicant for infrastructure improvements and will be submitting a request for \$17 million to

fund the 5th Street Overcrossing and improvements. As part of the application, the Railyards is expected to produce 850 residential units in the first phase of which 15 percent will be affordable to very low and low-income households. There is also a requirement for a 20 percent City contribution toward infrastructure improvements. This match can be made through federal and state funding for the track relocation and street improvement work needed. Applications are due on March 7, 2008. Prior to accepting State funding, staff will develop and execute a performance agreement with Railyards to assure completion of the housing submitted in the application.

The second program under Proposition 1C is the Infill Development Housing Program. The final guidelines are expected in the next several weeks with an application due in mid-late March. The thresholds and criteria under this program are similar to TOD with the exception of the transit requirement and the City matching fund requirement. This program is also for infrastructure that supports creation of affordable housing. Under current guidelines, individual private developers can submit applications; however, the City's support will be a critical component when the applications are evaluated. Based on project readiness, staff believes that Township 9 will be most competitive for the first year of funding and recommends the Council support this project as the number one priority for the City. This is based on the draft program guidelines currently available. Because more than one application can be submitted, and given the Council's commitment to the Railyards Project, staff is recommending that the Railyards be the second priority for current year funding from this source.

Policy Considerations: This recommendation is consistent with the City's Smart Growth Principles, the 2002 Infill Strategy and the Vision and Guiding Principles for the new 2030 General Plan. Furthermore, the recommendation is consistent with the City's Light Rail Station Ordinance, which was adopted in 2004 and with Regional Transit's Transit for Livable Communities recommendations, which encourage transit-supportive land use and development around light rail stations.

Committee/Commission Action: None.

Environmental Considerations: Not a project under Section 21065 of CEQA and CEQA Guidelines Section 15378 (b)(4).

Rationale for Recommendation: The Railyards and Township 9 are major transit-oriented development projects which are expected to promote increased transit ridership in Sacramento. Both projects meet the criteria of the TOD and Infill Housing Programs. State bond funding is critical to both these projects to address significant infrastructure needs and promote infill development in that area. The priorities of these projects reflect their expected competitiveness based on the program criteria and the City's priorities.

Financial Considerations: As part of the implementation of the financing plan for the Railyards, the City has committed to providing funding for infrastructure and public

facilities in the Richards-Railyards area totaling approximately \$200 million. This includes such projects as rail track relocation and improvements to 5th and 7th Streets which will benefit both Railyards and Township 9. The City is also investing in the reconstruction of North 7th Street adjacent to the Township 9 project. Over time, City and redevelopment funding is expected to significantly exceed those amounts but both state and federal funds are being sought for the area and both projects. The Railyards infrastructure and public facilities are estimated to cost a total of \$750 million and Township 9's estimate is \$40 million. The TOD and Infill program funds will help to reduce total infrastructure costs for the City and developers.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

Respectfully Submitted by: 
Patti Bisharat
Director of Governmental Affairs

Approved by: 
Marty Hanneman
Assistant City Manager

Recommendation Approved:


Ray Kerridge
City Manager

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ATTACHMENT 1 BACKGROUND

On November 7, 2006 California voters approved Proposition 1C - The Housing and Emergency Shelter Trust Fund Act of 2006. The proposition provides \$2.85 billion in general obligation bonds to fund housing for lower-income residents and development in urban areas near public transportation. This money will fund existing affordable housing and special needs programs; however, approximately \$1.15 billion was set aside for three new programs that support local housing development. These programs include funding for: 1) transit-oriented development (TOD); 2) infill and infrastructure development; and 3) brownfield development. Approximately \$300 million was set-aside for the TOD program while \$850 million was allocated for infill and infrastructure program and brownfield development program. In 2008, the first round of funding will include \$95 million for the TOD program, \$240 million for the infill and infrastructure program and \$60 million for the brownfield development program.

The TOD Housing Program is the first of these state loan and grant programs. The goal of the program is to develop high-density housing near transit stations in order to increase transit ridership. The TOD Housing Program allocates money for housing development and infrastructure. A maximum combined (loan and grant) award of \$17 million may be awarded per TOD project per year. In order to apply, a project must include high-density residential development with at least 15% affordable housing near a transit station. As shown in Attachment 3, projects are evaluated based on criteria such as transit use, location, affordability, walkability, project readiness, project size, developer experience, community support and local match/contribution.

Using the thresholds established under the TOD program, City staff evaluated all major development projects located near existing or planned light rail stations (refer to Attachment 4). As a result of this evaluation, the pool of eligible projects was narrowed to two: 1) the Railyards development at the former Union Pacific railyards site north of downtown and 2) Township 9, a mixed use development located between the American River and Richards Boulevard. Each of these projects includes at least 850 residential units in the first phase of development and of that 15% will be affordable to very low and low-income households. Furthermore, both projects are located adjacent to existing or planned light rail stations and both have significant infrastructure needs. Ultimately, these developments, when all phases are complete, will result in thousands of residential units and millions of square feet of office and retail space that will transform the Richards Blvd. Redevelopment Area creating new vibrant, pedestrian friendly, and transit-supportive infill destinations.

Based on the criteria identified in Attachment 4, staff evaluated both projects to see how they would compete under the scoring criteria. The results of this analysis revealed that the Railyards would score the most points though both projects scored well. One of the key advantages of the Railyards projects is that its early phases of development are located in close proximity to the existing Sacramento Valley light rail station compared to the planned, but not yet built, Richards station adjacent to the Township 9 project. The higher score for projects near existing light rail stations was confirmed in conversations with HCD staff.

Another consideration is the required 20% local match which would be \$3.4 million if awarded \$17 million for a project. For the Railyards, this match can be made with State and Federal funds the City has appropriated for the track relocation and street improvements.

Based on the comprehensive analysis of these two projects, staff is recommending that the Railyards project should be the City's first priority for the current year TOD funding. Staff is seeking Council authorization to submit an application for the TOD Housing Program funds to address infrastructure needs for the Railyards. For the Infill Development Housing Program, staff recommends supporting the Township 9 project as first priority based on being the most competitive for the first year funding due to project readiness. The Railyards would be the second priority for current year funding as more than one application can be submitted. In both cases, the individual developers will be the applicant. Staff believes that both projects are ground-breaking transit oriented projects that will significantly increase ridership, create affordable housing and merit Proposition 1C funding.

**ATTACHMENT 2
PROPOSITION 1C
Summary of TOD**

- TOD Funds Summary
 - 3 rounds of annual funding - \$95 million annually, \$240 million total
 - Cap of \$17 million per year per project – total cap of \$50 million per project per station
 - Project applications due March 7, 2008

- Thresholds
 - New housing or substantial rehab of 50 or more units
 - Infrastructure that supports a housing development
 - Located within ¼ mile from transit station (straight line) and ½ mile from the transit station along a walkable route.
 - 15% of the units are affordable
 - Project needs to meet certain density
 - Local match of 20% of grant amount

- Top Criteria
 - Point system geared toward transit performance and existing stations
 - Population density within 4 mile radius
 - Area designated as infill and public-private investment
 - Project size – 200 or more units
 - Applicant must have all necessary and discretionary public land use approvals for the Housing Development within five years of the date of the Program award.

- Other Details
 - Rental Housing funding is a loan
 - Homeownership funding is a grant to locality and loan from locality to homeowner.
 - Infrastructure to support housing is a grant
 - Applicant must be City of Sacramento or transit agency for infrastructure projects.
 - Funds returned with interest to State if timelines are not met and/or housing is not produced
 - Only first year funding has been appropriated
 - State divided into geographic regions for funding allotments

Summary of Draft Infill Incentive Grant Program Guidelines

The information below is based on the current guidelines which are in draft form. We expect the final version to be out soon and that there will be some changes to the draft guidelines.

- **Infill Funding Summary**
 - \$850 million to be distributed over three years, \$240 million appropriated this year
 - Two pots of funds: Qualified infill areas and qualified infill projects
Developer can apply for funding for qualified project
 - City has to apply for qualified area funding
 - Overall cap of \$50 million per project and area.
 - Maximum annual award of \$20 million and \$30 million for projects and areas, respectively.

- **Infill Funding Thresholds**
 - Housing element in compliance with HCD
 - Inclusion of not less than 15% affordable units
 - A minimum density of 30 du/ac applies
 - Location in an area designated for mixed-use or residential development pursuant to general plan, redevelopment plan, blueprint, or other regional plan

- **Infill Funding Criteria**
 - Project Readiness; Environmental and entitlements, secure funding, local support
 - Affordability of housing
 - Density of Project
 - Transit Access
 - Proximity to Amenities
 - Consistent with Blueprint or other regional docs

ATTACHMENT 3

RESOLUTION NO.

Adopted by the Sacramento City Council

February 12, 2008

**AUTHORIZATION AND SUPPORT FOR APPLICATIONS TO THE STATE FOR
PROPOSITION 1C FUNDS**

BACKGROUND

- A. The 244-acre Railyards project and the 65-acre Township 9 project are both located in the Richards Boulevard Redevelopment Area;
- B. Both projects have significant infrastructure needs that require the use of additional funding sources such as State bond funds;
- C. On December 12, 2007, Council approved the financing plan for the Railyards project that identified the need for State Proposition 1C funds for the project and in August 2007, Council approved the Township 9 development;
- D. Both the Railyards and Township 9 are catalyst transit-oriented development projects which encompass three transit stations that will transform the Richards Boulevard Redevelopment Area and the Downtown;
- E. The Railyards and Township 9 projects will each develop over 850 residential units, including affordable housing, and will ultimately result in thousands of residential units and millions of square feet of office, retail and mixed use development that will create vibrant new infill destinations; and

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

- Section 1. That the City's top priority for the current year funds from the Proposition 1C TOD Housing Program is the Railyards project; and
- Section 2. Staff is directed to work with Thomas Enterprises to submit an application to the State Department of Housing and Community Development for funding from the TOD Housing Program, and
- Section 3. That the City supports the Township 9 project as the first priority for Proposition 1C Infill Development Housing program current year funding and the Railyards project as second priority based on the draft guidelines currently available.

**ATTACHMENT 4
PROP. 1C TOD PROJECT SCORING CRITERIA**

HOUSING DEVELOPMENTS – THRESHOLD CRITERIA				
Project type	New construction, substantial rehab or conversion of at least 50 residential units			
Location	<ul style="list-style-type: none"> • Within urbanized area; AND • Within ¼ mile to outer boundary of Transit Station; AND • Within ½ mile to nearest boarding point in Transit Station on a walk-able route. • Contiguous site(s) or scattered sites 			
Affordability	15% Restricted Units <ul style="list-style-type: none"> • Rental = 60% AMI for 55 years • Ownership = 120% AMI for 55 years 			
Density	Project Type	Sacramento	Min. Density	Min. FAR
	Downtown	Central City	60 units/acre	> 3.0
	Urban Center	Non-Central City	40 units/acre	> 2.0
	All Other Areas	None	25 units/acre	> 1.5
Tenure	<ul style="list-style-type: none"> • Rental, ownership or a combination of rental and ownership • Compatible, non-residential uses can be included 			
Applicant	<ul style="list-style-type: none"> • Rental Housing Development <i>only</i> = Developer • Homeownership Housing Development = Developer and Jurisdiction • Housing Development + Infrastructure = Developer and Jurisdiction 			

INFRASTRUCTURE PROJECTS – THRESHOLD CRITERIA	
Improvement type	<ul style="list-style-type: none"> • Capital improvements required for development of housing, such as: <ul style="list-style-type: none"> ✓ Sewer, water, streets, drainage, parking, utilities, noise mitigation • Capital improvements that enhance access from housing development to transit stop, such as: <ul style="list-style-type: none"> ✓ Pedestrian walkways, signal lights, streetscapes, security, bike lanes
Benefit & Requirements	<ul style="list-style-type: none"> • Substantial and direct benefit to specified Housing Development • Local match equal to 20% of the infrastructure grant
Funding Allocation	<ul style="list-style-type: none"> • Grant funding • Maximum \$35,000 per residential unit; AND • Maximum \$50,000 per Restricted Unit. • Total maximum \$17,000,000 (combined maximum with Housing Development loan assistance)
Applicant	<ul style="list-style-type: none"> • Infrastructure only = Jurisdiction • Infrastructure + Housing Development = Jurisdiction and Developer

SELECTION CRITERIA	MEASURE	MAXIMUM POINTS
Increasing public transit use	<ul style="list-style-type: none"> • Peak headway frequency of <12 minutes, by transit type (30 points) • Peak period commute service travel time ratio (20 points) • Electronic real-time information at transit stops (4 points) • Current schedules and maps posted at transit stops (1 point) • Transit mode and density intersection (55 points) 	110
Location	<ul style="list-style-type: none"> • Area designated by SACOG for infill development (20 points) • Area designated for TOD by local general plan, etc. (10 points) • Coordinated private/public investment (10 points) 	40
Income targeting	Points dependent on depth and length of affordability. Highest points awarded to low income targeting (80% AMI for ownership and 20% AMI for rental) with long term covenants (55 years)	30
Transit supportive land use	<ul style="list-style-type: none"> • 10 transit supportive amenities within ½ mile of transit stop (10 points) • In an area regulated by regional blueprint plan (5 points) 	15
Walkable corridor features	<p>3 points for each feature (current or future) on primary walkable corridor</p> <ul style="list-style-type: none"> ✓ No more than 25% of the street blocks > 500 feet ✓ Paved, ADA compliant sidewalks > 4 feet wide ✓ Safe pedestrian crossing between housing and transit stop ✓ Lighted, covered facilities at transit stop ✓ Adequate lighting on corridor 	15
Parking	<ul style="list-style-type: none"> • Parking prices (5 points) • Transit passes (4 points) • Shared parking (2 points) • Car sharing (2 points) • Maximum parking spaces (7 points) 	20
Readiness	<ul style="list-style-type: none"> • Enforceable commitments for all construction funding (8 points) • Environmental clearance (7 points) OR issuance of draft EIR or negative declaration (4 points) • Public land use approvals (8 points) • One of the following (7 points): <ul style="list-style-type: none"> ✓ Fee title ownership ✓ Local design review approval ✓ Commitment of all deferred payment grants/subsidies 	30

SELECTION CRITERIA	MEASURE	MAXIMUM POINTS
Leverage	0.75 points for each 10% increment above Prop 1C funding requested, including other Prop 1C funds and land donations, but <u>excluding</u> deferred developer fees.	15
Developer Performance	Based on other similar urban infill developments, based on partner with most experience. Deductions for violations or non-compliance in past projects.	30 (50 point max. deduction)
Community Support	Inclusive community stakeholder process for planning of Project	15
Project Size	<ul style="list-style-type: none"> • 200 units or more (30 points) • 100 – 199 units (15 points) 	30
TOTAL POINTS:		350

**ATTACHMENT 5
PROJECT EVALUATION**

Major Project	LRT Station	Meets TOD Thresholds?
625 H Street	Sacramento Valley Station	<ul style="list-style-type: none"> • No. Does not meet requirements. • Project is designed as replacement SRO units for Hotel Marshall. • Affordable replacement projects are not eligible.
65 th Street Station Block (Lucas Project)	University/65 th Street	<ul style="list-style-type: none"> • No. Does not <u>currently</u> meet requirements. • City has not received development application. • Circulation study for the area currently underway. • Not ready to develop yet. • May be eligible for future rounds.
Broadway Lofts	Broadway	<ul style="list-style-type: none"> • No. Does not <u>currently</u> meet requirements. • Does not include 15% affordable units. • Project could apply on its own for housing development loan if affordability threshold met.
College Square (Copperstone Development)	Consumnes Station (planned)	<ul style="list-style-type: none"> • No. Does not meet requirements. • Does not have entitlements yet. • Does not meet minimum density threshold.
Curtis Park Village	City College	<ul style="list-style-type: none"> • No. Does not <u>currently</u> meet requirements. • Does not have entitlements yet. • Multi-family portion has sufficient density. • Project could be eligible in future rounds.
East End Gateway Site 1	16 th Street	<ul style="list-style-type: none"> • No. Does not meet requirements. • Project does not meet 15% affordability threshold.
Evergreen (Signature Properties)	Swanston	<ul style="list-style-type: none"> • No. Does not meet requirements. • Project already under construction. • Does not meet density requirement. • Project does not meet 15% affordability threshold.
Globe Station Area	Globe	<ul style="list-style-type: none"> • No. Does not meet requirements. • No project currently ready for development.
Granite Park Residential	Power Inn	<ul style="list-style-type: none"> • No. Does not meet requirements. • Does not have entitlements yet. • Does not meet density requirement. • Project does not meet 15% affordability threshold.
La Valentina	Alkali Flat/La Valentina	<ul style="list-style-type: none"> • Yes. Meets requirements. • Project only needs housing development loan not infrastructure grant. • Developer can apply for housing development loan on his own.
Marconi Station Area	Marconi	<ul style="list-style-type: none"> • No. Does not meet requirements. • No project currently ready for development.

Major Project	LRT Station	Meets TOD Thresholds?
New Faze Project	Royal Oaks	<ul style="list-style-type: none"> • No. Does not meet requirements. • Project is not ready to proceed. • Is not expected to meet 15% affordability threshold.
Power Inn (Costa Pacific Communities /High Street Residential Project)	Power Inn	<ul style="list-style-type: none"> • No. Does not <u>currently</u> meet requirements. • Does not have entitlements. • No application on file with the City.
R Street Corridor/ CADA	13 th Street	<ul style="list-style-type: none"> • No. Does not meet requirements. • Planned projects do not meet 15% affordability threshold within project or on site.
Railyards	Sacramento Valley Station and Railyards Station (planned)	<ul style="list-style-type: none"> • Yes. Meets all requirements.
Township 9	Richards Blvd. (planned)	<ul style="list-style-type: none"> • Yes. Meets all requirements.

Source: City of Sacramento, Accela Permit Database and SHRA, January 2008.