



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO REDEVELOPMENT AGENCY**  
**City of Sacramento**  
 915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Staff Report**  
**May 6, 2008**

**Honorable Chair and Members of the Board**

**Title: Downtown Housing Investment Strategy and Notice of Funding Availability (NOFA)**

**Location/Council District:** Downtown, Districts 1, 3 and 4

**Recommendation:** Adopt a **Redevelopment Agency Resolution** a) approving the Downtown Housing Investment Strategy; b) allocating \$25 million of Merged Downtown Low and Moderate Income Housing Funds to implement the investment strategy and amending the Agency budget accordingly; and c) authorizing the Interim Executive Director to issue a \$25 million NOFA for the development of mixed-income housing in the Merged Downtown Sacramento Redevelopment Area.

**Contact:** Jim Hare, Assistant Director, Sacramento Housing and Redevelopment Agency (SHRA), 440-1313; Leslie Fritzsche, Downtown Division Manager, City of Sacramento, 808-5450

**Presenters:** Jim Hare, Assistant Director, SHRA; Leslie Fritzsche, Downtown Division Manager, City of Sacramento

**Department:** Sacramento Housing and Redevelopment Agency and the City of Sacramento Downtown Development Department

**Description/Analysis**

**Issue:** The primary purpose of the Downtown Housing Investment Strategy is to establish priorities for the expenditure of downtown housing set-aside funds. This will help ensure the production of a broad range of housing types for all income levels and support improved economic vitality within the Downtown Redevelopment Area.

The four major goals of the Downtown Housing Investment Strategy include:

1. Alleviate impediments and create incentives to foster downtown housing.
2. Encourage mixed-income housing in the downtown core.
3. Safeguard existing affordable housing.
4. Maintain commitment to the Single Room Occupancy Strategy.

Downtown Housing Investment Strategy and NOFA

The investment strategy, included as Attachment 2, discusses each of the above goals and implementation actions in more detail.

The most significant implementation action in the strategy is the release of a \$25 million NOFA (Attachment 3) which will seek proposals for the development of mixed-income housing within the Downtown Redevelopment Area, with priority to projects proposed in the JKL Corridor. Targeting housing funds to the corridor is expected to create synergistic effects with other redevelopment projects planned and underway in the downtown core.

A vicinity map is included as Attachment 1 which outlines the Merged Downtown Redevelopment Project Area boundaries and the JKL Corridor target area.

The NOFA describes the ideal project as follows: 1) 100 or more units, 2) includes a mix of market-rate and affordable units, and 3) built with superior architectural values and environmental sustainability.

**Policy Considerations:** The actions recommended in this report are consistent with the following: Merged Downtown Sacramento Redevelopment Project Area Implementation Plan (2005-2009); Downtown Sacramento Redevelopment Strategy (2005); Central City Housing Strategy; City of Sacramento draft 2030 General Plan; City of Sacramento draft Housing Element (2008-2013); and City of Sacramento Smart Growth Principles. The actions also conform to the goals outlined in the Downtown Sacramento Partnership Strategic Action Plan (2007-2011). The investment strategy was reviewed and approved by the Downtown Partnership Strategic Task Force at its October 11, 2007 meeting. Any selected projects must comply with applicable laws and ordinances.

**Environmental Considerations:** The proposed action does not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) per Guidelines Section 15378 (b) (4), which exempts government financing mechanisms that do not involve a commitment to any specific project from environmental review. [CEQA Section 21065 and CEQA Guidelines Section 15378 (b) (4)]. The National Environmental Policy Act (NEPA) does not apply.

**Committee/Commission Action:** *Sacramento Housing and Redevelopment Commission:* At its meeting on April 16, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Chan, Coriano, Dean, Gore, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Burruss, Fowler

## Downtown Housing Investment Strategy and NOFA

**Rationale for Recommendation:** In May 2007, a workshop was held for the City Council to review and discuss the current downtown housing market and the Agency's past investments in housing development.

A key finding of the workshop was recognition of the linkage between economic development and housing development. Nationally, housing development has gone hand-in-hand with commercial, retail, and office development to create the synergies found in successfully revitalized downtowns. The workshop findings also suggested that Sacramento's downtown housing investment strategy aim to stimulate market-rate housing development, while maintaining housing options for households at all income levels.

Another key finding from the workshop noted that mixed-use/mixed-income housing projects such 1801 L, 800 J Lofts, Fremont Building, St. Anton Building and Fremont Mews have contributed to the revitalization of the Central City. However, with the notable exception of the 800 J Lofts, successful higher density housing projects have occurred on the periphery of Sacramento's downtown core.

The success of mixed-use/mixed-income housing in the Central City suggests that the next step is to replicate this investment strategy in the downtown core, particularly in the JKL Corridor. The JKL Corridor has been identified in the Redevelopment Area Implementation Plan and the Downtown Sacramento Partnership Strategic Action Plan as the "key target area" for economic and housing development. Therefore, a crucial component of the investment strategy is the circulation of a \$25 million Notice of Funding Availability (NOFA) to encourage the development of mixed-income housing in the downtown core.

Projects identified through the NOFA process will be reviewed by a selection committee, and recommendations will return to the Agency Commission for final recommendation and to the Agency Board for funding approval. The composition of the selection committee and description of the selection process are outlined in the NOFA, included as Attachment 3. All selected projects will be subject to negotiation of proposed agreements which will be presented to the Agency Board for consideration after full review under the California Environmental Quality Act.

The Downtown Housing Investment Strategy includes implementation actions recommended at the Council workshop and will provide direction for the use of downtown housing set-aside funds over the next three years (2008-2011). The Strategy addresses impediments to downtown housing development and establishes goals for housing production that range from preservation of existing affordable housing and Single Room Occupancy (SRO) units to development of new mixed-income housing units.

**Financial Considerations:** This report recommends budgeting \$25 million for a Notice of Funding Availability (NOFA) for the development of mixed-income housing in the Downtown Redevelopment Area. The NOFA budget would be funded with Merged Downtown Low and Moderate Income Housing Set-Aside Funds which includes: tax increment funds, and both tax-exempt and taxable bond funds.

May 6, 2008

Downtown Housing Investment Strategy and NOFA

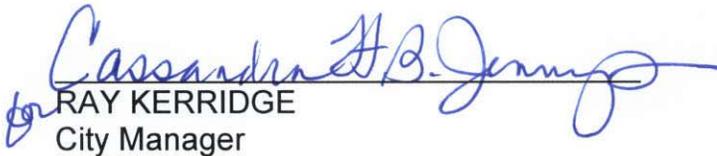
**M/WBE Considerations:** The items discussed in this report have no M/WBE impact; therefore; M/WBE considerations do not apply.

Respectfully Submitted by:



LA SHELLE DOZIER  
Interim Executive Director

Recommendation Approved:

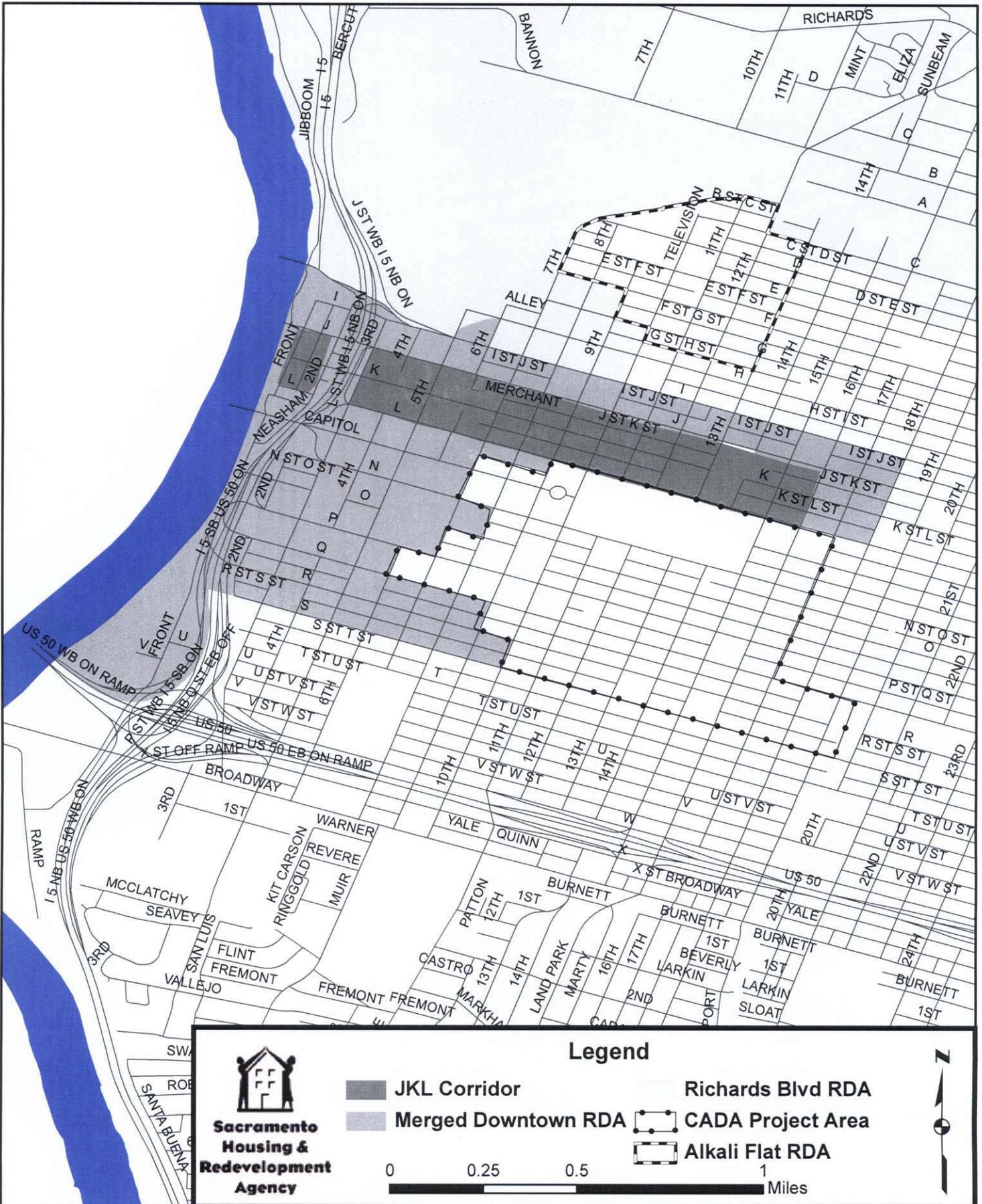


RAY KERRIDGE  
City Manager

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# Downtown Housing Investment Strategy: NOFA Target Area



# DOWNTOWN HOUSING INVESTMENT STRATEGY 2008-2011

**Adopted May 6, 2008**



## OVERVIEW

The Downtown Housing Investment Strategy establishes priorities to guide the expenditure of downtown housing set-aside funds over the next three years (2008-2011). The strategy reinforces the Redevelopment Agency and City Economic Development Department revitalization efforts to foster a vibrant, livable downtown while offering enhanced economic and lifestyle opportunities.

## BACKGROUND

### Downtown Housing Investment Strategy Workshop

In May 2007, a workshop was held for the City Council to review and discuss the downtown housing market, demographics, and income trends. Agency staff applied Brookings Institution research, “Who Lives Downtown?” to downtown Sacramento to help understand patterns of a successful downtown and to further guide investment decisions.

A key finding of the workshop was recognition of the linkage between economic development and housing development. Nationally, housing development has gone hand-in-hand with commercial, retail, and office development to create the synergies found in successfully revitalized downtowns.

Using the Brookings’ Institution study as a reference point, staff presented housing investment strategy recommendations based on the following guiding principles:

A successful strategy will promote a downtown where:

- Households at all income levels can live
- Private market is thriving
- Homeownership levels are increasing
- Existing affordability has safeguards

The Brookings’ Institution study suggested that a successful housing investment strategy creates a “virtuous circle” where mixed-income development spurs market-rate development and market-rate development generates tax increment to fund affordable housing.

## STRATEGY GOALS (2008-2011)

The four major goals of the Downtown Housing investment Strategy include:

1. Alleviate impediments and create incentives to foster downtown housing.
2. Encourage mixed-income housing in the downtown core.
3. Safeguard existing affordable housing.
4. Maintain commitment to the Single Room Occupancy Strategy.

## IMPLEMENTATION

### 1. Alleviate impediments and create incentives to foster downtown housing.

This strategy goal recognizes that residential development in the downtown can be more complex and costly due to many factors including: land assembly difficulties; higher land costs; site constraints; environmental issues and infrastructure costs.

To offset these development impediments, the City Economic Development Department is working on the following incentive tools to foster downtown housing development:

- **Impact Fee Deferral Program**

The creation of a City Impact Fee Deferral Program is proposed which will be utilized by projects located in the Downtown Redevelopment Area. The intent of the program is to provide cost savings to development projects by deferring certain development impact fees. City staff costs would not be eligible for deferral. Under the proposed program, instead of paying fees at the start of development, fees could be deferred until the certificate of occupancy. For downtown housing developments, where fees can be high because of the cost of construction, this incentive may promote increased developer interest.

Fee deferrals can address some up-front project costs by allowing developers to put more of their initial funding toward construction. Some of the typical impact fees that could be deferred are:

- Electricity and gas service connection fees
- Sewer connection and impact fees
- Storm drainage fees
- Water connection and impact fees
- Special district fees

The proposed City Impact Fee Deferral Program would be applicable to market-rate, mixed-income and affordable housing developments in the Downtown Redevelopment Area.

- **Infrastructure Study**

Funding has been secured for an infrastructure study for the core of the Downtown Redevelopment Area. The study will commence in 2008 and be complete by 2009. The infrastructure study is designed to provide the development community with information critical for planning and implementing projects in the downtown, an area where infrastructure challenges are often faced. This study will provide developers with a better understanding of infrastructure cost uncertainties associated with developing urban infill properties.

- **MATRIX Team**

The City can act as a catalyst to assist projects by offering enhanced coordination for downtown housing projects by using a cross-departmental MATRIX team. MATRIX is a new approach to the development process based upon development type or product. Each team is made up of City staff vital to the development of a project, from conception to completion, with a timely, seamless, and predictable development review process.

### Strategy Goal #1 Action Summary

- A. Infrastructure Study for the core of the Downtown Redevelopment Area.
- B. Development of City Impact Fee Deferral Program for downtown housing developments.

## 2. Encourage mixed-income housing in the downtown core.

The Central City has seen the success of several urban infill mixed-use/mixed-income projects such as 1801 L, 800 J Lofts, Fremont Building, St. Anton Building and Fremont Mews which have contributed to the revitalization of the Central City. However, with the notable exception of the 800 J Lofts, successful higher density housing projects have occurred on the periphery of Sacramento's downtown core.

The success of mixed-use/mixed-income housing in the Central City suggests that the next step is to replicate this investment strategy in the downtown core, particularly in the JKL Corridor.

To further revitalization efforts in the downtown core, the Agency recommends the release of a \$25 million Notice of Funding Availability (NOFA). The NOFA would seek qualified developers experienced in urban infill projects for the development of mixed-income housing in the Downtown Redevelopment Area. The NOFA would be funded by downtown housing set-aside funds.

#### **Eligible NOFA project types and sizes:**

- Rental or ownership housing - mixed-use, live/work, loft, adaptive re-use or other types of unique urban housing
- New construction (30 units or more)
- Rehabilitation (30 units or more)
- Adaptive reuse - conversion of buildings to residential use (30 units or more)

#### **Priority NOFA projects will include:**

- Mix of market-rate and affordable housing units
- Located in the JKL Corridor
- Mixed-use (contains both residential and non-residential space)
- Superior sustainable urban design
- 100 (+) residential housing units

This strategy goal is consistent with the City's 2030 General Plan Vision and Guiding Principles and proposed Housing Element Strategies (2008-2013) of promoting innovative infill housing opportunities and sustainable building methods for complete neighborhoods and balanced communities.

### **Strategy Goal #2 Action Summary**

- A. Release of a \$25 million Notice of Funding Availability (NOFA) for the development of mixed-income housing within the Merged Downtown Redevelopment Project Area, with priority to projects located in the JKL Corridor.

### **3. Safeguard existing affordable housing.**

Rent-regulated affordable housing is an integral part of the downtown, with 1,068 affordable multifamily units and 188 public housing units in the redevelopment area. Older downtown affordable housing projects are in need of refinancing and repair to ensure the health and safety of the buildings and to extend expiring affordability restrictions. The cost to replace existing affordable units would far outweigh the cost of preventive measures. Preservation of downtown affordable housing stock should always be safeguarded to ensure these units continue to serve low-income tenants.

Under this investment strategy goal, projects like Riverview Plaza and Pioneer Towers would be eligible for funding assistance (outside of the NOFA process) to ensure long-term viability and continuance of rent-regulated downtown housing.

Riverview Plaza is a twelve-story residential and commercial mixed-use building located at 600 I Street. The residential portion consists of 123 one-bedroom apartments rented to low- and very-low income seniors and one manager's unit. Frequent building maintenance problems led the owner to hire an architectural and engineering firm to conduct a physical needs assessment in 2006. The firm's report indicated that certain items, primarily involving the exterior shell of the building, should immediately be repaired and other items, primarily involving interior systems, should be maintained or upgraded in the near future. The Riverview Plaza project is in immediate need of funding to stop water intrusion through the exterior of the building and replacement of the Fire, Life and Safety Evacuation System.

Pioneer Towers is a twelve-story, age-restricted apartment building located at 515 P Street. With a total of 198 units, this building was constructed in 1978. Currently, 100 units are affordable and subsidized by a Section 8 contract and 98 units are unrestricted market-rate units. Recently, the owner conducted a comprehensive needs assessment which found many immediate needs to ensure the long term integrity of the property. The owner has approached the Agency with a request for gap financing for the rehabilitation.

### **Strategy Goal #3 Action Summary**

- A. Provide assistance on a project by project basis to safeguard existing affordable housing in the downtown.

#### **4. Maintain commitment to the Single Room Occupancy Strategy.**

In 2006, the City Council approved the Single Room Occupancy (SRO) Preservation and Replacement Strategy. The strategy aims to rehabilitate 100 SRO residential hotel units and stimulate construction of 200 new efficiency units with a budget allocation of \$15 million of downtown tax increment.

In addition, Council amended the Residential Hotel Ordinance to add additional relocation benefits for tenants displaced by closure of an existing downtown residential hotel. The Council also adopted a no net loss policy to maintain 712 downtown residential hotel units and a requirement to rebuild the SRO inventory to 1,013 units city-wide.

To date, expenditures toward the SRO Strategy include:

- Over \$6 million has been allocated toward the acquisition and operating subsidy of the Hotel Berry which was purchased in December 2007. Agency staff is working with the developer on the property's rehabilitation, which would be funded with federal low income housing tax credits. The Hotel Berry will provide 104 rehabilitated SRO units to serve very-low and extremely-low income tenants.
- \$3 million has been allocated to the YWCA for rehabilitation of 31 units. Eleven units will be set-aside for individuals who are chronically homeless and have a mental disability.

#### **Strategy Goal #4 Action Summary**

A. Maintain commitment to SRO Strategy by funding the potential projects:

- i) 7<sup>th</sup> & H Street - 160 new efficiency apartments
- ii) Ridgeway Hotel - Rehabilitation of 58 residential hotel units
- iii) East End Gateway 5 - New efficiency apartments

# NOTICE OF FUNDING AVAILABILITY

*for Downtown Mixed-Income Housing*



**Released - May 6, 2008**  
**Deadline - August 1, 2008**



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## OVERVIEW

The Redevelopment Agency of the City of Sacramento (Agency) is pleased to announce the availability of funds to develop mixed-income housing in the Merged Downtown Redevelopment Project Area with priority to projects located in the JKL Corridor. A Notice of Funding Availability (NOFA) Target Area Map is included as Exhibit A.

A total of **\$25 million** is available to assist in the development of downtown residential housing projects and is available as follows:

<u>Type of Funds</u>	<u>Amount</u>
Downtown Low and Moderate Income Housing Set-aside Funds	\$ 25,000,000

**Proposals for the following project types and size will be received:**

- Rental or ownership housing - mixed-use, live/work, loft, adaptive re-use or other types of unique urban housing
- New construction (30 units or more)
- Rehabilitation (30 units or more)
- Adaptive reuse - conversion of buildings to residential use (30 units or more)

**Priority projects will include:**

- Mix of market-rate and affordable housing units
- Located in JKL Corridor
- Mixed-use (contains both residential and non-residential space)
- Superior sustainable urban design
- 100 (+) residential housing units

## BACKGROUND

### **Downtown Housing Investment Strategy**

In May 2007, a workshop was held for the Sacramento City Council to review and discuss the current downtown housing market and the Agency's past investments in housing development. A key finding of the workshop was recognition of the linkage between economic development and housing development. Nationally, housing development has gone hand-in-hand with commercial, retail, and office development to create the synergies found in successfully revitalized downtowns. The workshop suggested that Sacramento's downtown housing investment strategy aim to stimulate market-rate housing development, while maintaining housing options for households at all income levels.

The workshop noted that mixed-use and mixed-income housing projects such as 1801 L, 800 J Lofts, St. Anton Building, Fremont Building, and Fremont Mews have contributed to the revitalization of the Central City. However, with the notable exception of the 800 J Lofts, successful higher density housing projects have occurred on the periphery of Sacramento's downtown core.

The success of mixed-use/mixed-income housing in the Central City suggests that the next step is to replicate this approach in the downtown core, particularly in the JKL Corridor. On May 6, 2008, the Sacramento City Council and the Redevelopment Agency approved a Downtown Housing Investment Strategy that included several goals to promote the production of housing in the downtown. A key component of the strategy is the circulation of this Notice of Funding Availability.

### **JKL Corridor**

The JKL Corridor has been identified in the Downtown Redevelopment Area Implementation Plan and the Downtown Partnership Strategic Action Plan as the key target area for economic development and housing production. The JKL Corridor has experienced significant public and private investment over the past few years. From 2004 to 2007, the corridor saw an investment of nearly \$150,000,000 which has resulted in over 90,000 square feet of retail and restaurants, over 300 residential units, over 90,000 square feet of office and 235 hotel rooms. The JKL Corridor currently has about 68,000 square feet of retail and restaurant, 440,000 square feet of office and 200 hotel rooms under construction adding an additional investment of nearly \$250,000,000.

The following is a sampling of recently completed projects:

- 800 J Lofts - 22,100 retail sf and 225 mixed-income residential units;
- Elks Lodge Building (11<sup>th</sup> & J streets) - Retrofit and ground floor renovation of historic structure, 70,000 sf office, 14,000 sf retail including McCormick and Schmick's Seafood;
- The Park Downtown (15<sup>th</sup> & L streets) - New restaurants and hip nightclub;
- Cathedral Building (11<sup>th</sup> & K streets) - Ella Dining Room and Bar, 4,600 sf office, and 23 residential units;
- Marriott Residence Inn and Condominiums (15<sup>th</sup> & L streets) - 235 hotel rooms and 30 condominiums;
- 01 Lofts (16<sup>th</sup> & K streets) - 7,000 sf retail including Bistro 33, 7,000 sf office and 14 lofts.

A few of the projects that are currently under construction include:

- Citizen Hotel (9<sup>th</sup> & J streets) - Renovation of CalWest building into 200 room boutique hotel and 11,000 sf retail;
- The Cosmopolitan (10<sup>th</sup> & K streets) - A 200 seat live cabaret theater, restaurant and high end office space; and
- US Bank Building (7<sup>th</sup> and Capitol Mall) - 366,666 sf office, 23,000 sf retail

The 13-block downtown area is the Sacramento region's destination for culture, entertainment, dining shopping, business and residents.

### The City

Sacramento is the capital city of the world's seventh largest economy, and is one of the fastest growing California cities with a population of over 450,000. The City encompasses approximately 98 square miles and is the 8<sup>th</sup> largest city in California. It is centrally located in northern California mid-way between San Francisco and Lake Tahoe. Many consider Sacramento to be an ideal size, offering the best of urban amenities and opportunities with the unique charms and easy living of a small town. Currently, the population of the Metropolitan Area is approximately 2 million. Looking toward the future, the Sacramento County area is projected to have a 73% growth rate from 1995 to 2020 with a projected population of over 2.78 million.

### The Market

- **Office** - Downtown Sacramento is the region's largest central business district with 10 million square feet of office space and over 150,000 daytime employees. It offers a rich variety of office styles and prices, ranging from Class A space on Capitol Mall to historic buildings and warehouse/loft space on the R Street Corridor.
- **Hotels/Convention Center** - The Sacramento Convention Center Complex consists of three facilities: the Convention Center with traditional exhibit space, meeting rooms, and ballrooms; the 2,500-seat Sacramento Community Center Theater which hosts a variety of top caliber events, from touring Broadway musicals to performances by local artists; and the historic Memorial Auditorium which offers a wide range of entertainment options with a total capacity of 3,870. Adjacent to the Convention Center are the two (2) 500-room hotels, the Hyatt and Sheraton Grand hotels. In 2007, a 235 room Marriott Residence Inn opened and later this year the Joie de Vivre Citizen Hotel will open a 200 room boutique hotel.
- **Housing** - Downtown Sacramento's residents can walk, ride, or take public transit to work, entertainment, or recreation. Over 30,000 people live in the Central City and over 300,000 within 5-miles of downtown. Over the past five years over 1,000 new units have been built or are currently under construction in the Central City. Downtown Sacramento housing includes affordable rentals, single-family homes, luxury apartments and condominiums. Additionally, some of the region's most established and affluent neighborhoods are located immediately adjacent to downtown.
- **Access** - Downtown Sacramento's transportation network makes it a convenient location for customers, residents and employees. The Sacramento International Airport is only 10 minutes from downtown. In addition, four major interstate highways (Interstate Highways 5, 50, 80, and U.S. Highway 99) and 9 light-rail stations provide access from the outlying areas. Other transportation options include an AMTRAK station, including daily trains to the San Francisco Bay Area; the

ninth busiest Greyhound station in the country; the Regional Transit bus system; and the Sacramento Marina and visitor boat docks in Old Sacramento.

- **Retail** - Downtown Sacramento offers a retail marketplace of 6 million annual visitors, a daytime population of over 150,000 workers and approximately 300,000 resident customers within a 5 mile radius. The Downtown Plaza regional shopping center is located at 7<sup>th</sup> and K Street which includes Macy's department stores, specialty retail, dining and entertainment.

#### **Merged Downtown Sacramento Redevelopment Project Area**

Over the past 45 years the Redevelopment Agency of the City of Sacramento ("Agency") has invested over \$400 million in federal and local public dollars within the Project Area helping to transform downtown into a sophisticated and dynamic regional destination. The Agency's activities have included a variety of redevelopment efforts, including the development of a regional shopping center, hotels, high-density residential units, new Class-A office buildings, and a variety of commercial projects. It has assisted many smaller businesses with rehabilitation loans and grants, has fostered preservation of historic buildings, and has promoted cultural arts and social services.

#### **Recent Planning Efforts**

Downtown Sacramento has been the focus of several major planning efforts over the past few years. The planning efforts listed below will result in the continued evolution to make downtown a 24/7 destination.

- **Railyards** - Redevelopment of the 240-acre Union Pacific Railyards just north of Sacramento's central business district. The Railyards development plan was approved by the Sacramento City Council in December 2007. The plan embraces smart growth principles and includes the potential for 13,000 new housing units along with office, hotel, retail and entertainment uses.
- **Sacramento Riverfront Master Plan** - Master Plan to design both sides of the Sacramento River, including public space, park land, housing and commercial uses. In the Master Plan, the Docks Area was identified as an opportunity site. Planning efforts are underway to develop the 43 acre project area into a mixed-use neighborhood including parks and a riverfront parkway.
- **Sacramento Central City Urban Design Guidelines and Plan** - Currently under public review, the Central City Urban Design Guidelines and Plan (CCUDGP) will set forth a long-term vision for the physical form and character of Sacramento's downtown skyline. The CCUDGP will provide a comprehensive set of policy recommendations, design guidelines, and implementation actions for developing downtown Sacramento to its fullest potential.
- **JKL Corridor Action Plan** - Adopted in 2005, the JKL Corridor Action Plan initiated priority actions for the redevelopment of the JKL Corridor. The

Action Plan stressed the importance of layering uses in this Corridor to create a true mixed-use corridor with entertainment, retail, housing, office, restaurants and arts. Several of the adopted actions are currently underway including an entertainment destination at 10<sup>th</sup> and K streets, a streetscape plan, and a Single Room Occupancy Strategy

## **ELIGIBILITY**

### **Eligible Applicants**

Experienced for-profit or non-profit corporations, individuals, general or limited partnership, or limited liability companies may apply.

### **Eligible Projects**

New construction, rehabilitation and adaptive reuse of rental and ownership property. Housing developments should be at least 30 units in size, although a project of less than 30 units may be considered. Priority will be given to projects with 100 (+) residential units. Mixed-use projects (containing both residential and non-residential space) are eligible. Living space should make up the majority of the development. In any case, only the affordable housing portion of the project will be considered for assistance under the NOFA.

### **Ineligible Projects/Activities**

- Single Room Occupancy Housing
- Senior Housing
- Permanent Supportive Housing

### **Eligible Loan Uses**

Agency financing may be used for new construction or for rehabilitation projects, with or without the acquisition of the property. Loan proceeds may be used for acquisition, construction, bridge and permanent financing. These loans are in the form of “gap” financing defined as the difference between the total development cost and the maximum potential equity and debt raised from private and public sources other than the Agency.

## **NOFA OBJECTIVES**

The primary objective of the NOFA is to implement the Agency’s strategy to develop mixed-income housing in the Downtown Redevelopment Area, particularly in the JKL Corridor.

### **Community Objectives**

The proposal must be consistent with all related community plans and strategies including but not limited to: Downtown Housing Investment Strategy; Central City Community Plan; Downtown Redevelopment Implementation Plan; Central City Urban Design Guidelines; and Downtown Sacramento Partnership Strategic Action Plan.

### **Financial Objectives**

The Agency's NOFA funds will be used as gap financing. Applicants are expected to make an equity contribution and to leverage NOFA funds with other private and public sources, maximizing the amount of conventional debt financing.

The number of affordable units, type of household served, and levels of affordability are primary factors in determining the amount of financial assistance for qualifying projects. Applications will be subject to the Agency's Lending Program Guidelines and Tax Increment Funding Requirements ([Exhibit B and C](#)).

## **PROJECT PRIORITIES**

The Redevelopment Agency has the following project priorities for funding of applications:

### **Location**

- Projects must be located in the Merged Downtown Sacramento Redevelopment Project Area, with priority to projects located in JKL Corridor as identified in the NOFA Target Area Map ([Exhibit A](#)).
- Projects must be located on sites where residential development is permitted or the applicant must demonstrate that appropriate zoning can be achieved in a reasonable timeframe.
- Projects should be located within a 1/4 mile of neighborhood serving retail, public transportation, parks, places of employment and other necessary services for the intended residents.

### **Design**

- Serves as a catalyst project for revitalizing the downtown core.
- Provides for a superior urban design that will enhance the neighborhood and incorporate street friendly, pedestrian friendly elements.
- Provides exceptional resident amenities including open space.
- Maximizes the number of housing units provided on the site.

### **Type**

- Mixed-use projects that support and complement residential use in the downtown.
- Mixed-income projects that incorporate very-low and low income units.
- Projects that preserve architecturally and historically significant structures.
- Projects that provide for a net increase in housing units in the downtown (substantial rehabilitation and adaptive reuse of existing buildings qualify).

### **Sustainability**

- Projects that implement sustainable development/green building principles in design, construction waste, water and energy efficiency, materials selection, recycling, indoor environmental air quality, and alternative transportation solutions.
- LEED certification or equivalent.
- Exceed Title 24 standard by at least 15% for new construction projects.

### **Economics**

- Projects that can demonstrate market viability for proposed product type.
- Projects that are economically feasible and that will generate property tax or other revenues for the City.
- Projects which leverage additional local, State or Federal public financing.

### **Readiness**

- A realistic timeframe to reach certificate of occupancy and evidence of readiness to carry out the development promptly upon selection and completion of negotiations.
- The experience and financial capacity of the development team to evidence their ability to develop the proposed project under a reasonable timeline.

## **SUBMISSION REQUIREMENTS**

**NOFA submittals must include a completed Agency Application and Attachments (Exhibit D) that includes the following information:**

### **Cover Letter**

A cover letter highlighting the development proposal and team. The letter should clearly identify all of the team members and their roles. The cover letter should also indicate a single point of contact/overall project manager.

### **Development Team Identification and Experience**

- Provide the name, address, and telephone numbers of the development team. Include resumes and a description of background experience of each principal and of each person having major responsibilities for project development.
- Identify the type of legal entity with whom the Agency would contract (e.g., individual, corporation, partnership, other). If the legal entity with which the Agency would contract is different than the parent corporation, please indicate the relationship and degree of control and whether the parent corporation will guarantee performance or provide some other such guaranty.
- Identify and describe any relationship the development team may have with subsidiaries, partners or others who are significant to the project development.
- Provide documentation demonstrating that the development team is qualified to undertake the proposed project, including:
  - Experience with the product type proposed by respondent;
  - Experience with developments in other urban areas;
  - Experience with public/private development, including references for public partners;

- Prior relationship with key tenants (provide letters of interest from key tenants, if available);
- Access to financial resources consistent with project requirements;
- Experience in redevelopment or other public/ private development;
- Track record of superior architectural design; and
- Track record of development team.

#### **Statement of Financial Capability**

- Provide copies of annual reports, financial rating reports such as corporate or partnership tax returns (3 years) and audited financials (3 years) indicating the financial condition of the development team. The Agency will, to the extent of its ability under the law, endeavor to keep all financial data in strict confidence and return it to the developer upon completion of the review process. NOTE: This information should be placed in a separate envelope clearly marked (STATEMENT OF FINANCIAL CAPABILITY) sealed envelope.
- Provide at least three banking references for the development team or for the financial partner(s), including banking reference contact information and key projects financed.

#### **Development Proposal and Design**

- Provide a description of the proposed project including identification of the proposed mix of uses and how they meet the development objectives outlined in this NOFA.
- Include, at a minimum, the following design information in schematic form:
  1. Site Plan;
  2. Elevations; and
  3. Floor plan(s).
- The project design must comply with requirements under this NOFA and meet or exceed the City's Central City Urban Design Guidelines. Any additional assumptions made by the developer should be clearly stated in the submitted proposal.

#### **Financing Plan**

The purpose of the financial plan is to demonstrate the feasibility of project financing and the feasibility of the proposed project upon completion.

The financial plan must include:

- A proposed financing plan, based on and including development and operating pro forma budgets submitted in Excel format in the electronic submittal. The financing plan should include the terms of the proposal to acquire, or enter into a joint venture agreement for the development site, in addition to the plan to finance the development.

- All assumptions used in preparing the financing plan. An adequate plan will identify the amount and sources of equity, construction financing, and permanent financing, and will include letters of interest or commitment from equity partners and lenders, if any.
- Market study, absorption studies and other analyses for the proposed project.

#### **Proposed Development Schedule**

Include a preliminary schedule for development of the proposed project which addresses, at a minimum, preparation of plans, projected plan and entitlement approval dates, commencement of construction, construction milestones, and completion of construction. It should provide for development in a logical and expeditious manner.

#### **Property Control**

The development team must represent that it has legal site control of property required for the project. The following documents must be provided:

- Property deeds;
- Copies of executed and enforceable real property sales contracts;
- Copies of executed and enforceable real property option agreements; and
- Evidence that property has been purchased or is under contract to be purchased at a price not substantially greater than market value.

Please refer to the **Agency Application and Attachments Checklist (Exhibit D)** for the complete list of items required to be submitted with the application.

## **FUNDING GUIDELINES AND REQUIREMENTS**

#### **Lending Program Guidelines**

Agency loans are intended to provide “gap” financing, and applicants are expected to maximize the use of private capital. In reviewing applications, the Agency uses the Lending Program Guidelines as outlined in Exhibit B except as otherwise noted in this NOFA. Waiver of Lending Program Guidelines may be considered in very limited circumstances on a project by project basis.

#### **Tax Increment:**

All assisted units within the project must be affordable to households earning no more than 110 percent of area median income (AMI), considered “moderate-income” housing. Affordability restrictions for owner-occupied housing apply for 45 years, and for rental housing, 55 years. A summary of Tax Increment Funding Requirements are outlined in Exhibit C. There may be additional restrictions or requirements due the tax-exempt nature of downtown tax-increment housing set-aside funds.

#### **Environmental**

Applications must include a Phase I Environmental Assessment. If recommended by the Phase I, a Phase II must be provided before a project is recommended for funding

approval. With the Phase II, applicants must also provide information regarding the required mitigation measures and the impact on project budget, timeline and design. Projects must also have appropriate environmental clearance before a funding commitment recommendation.

**Prevailing Wage**

Projects selected for NOFA funding may be subject to applicable state or federal requirements with regard to prevailing wages and labor standards, depending on the proposed funding sources by the developer. Developers are responsible for compliance and will be responsible for implementing any applicable prevailing wage requirements.

**Affordability**

Affordability is based on the area median income for the County of Sacramento as established by the US Department of Housing and Urban Development. For tax credit or bond projects utilizing NOFA funds, at least twenty percent (20%) of the affordable units must have annual rents (less utility allowance) for households earning no more than 50% of the area median income. Projects funded only with redevelopment housing set-aside funds must meet affordability requirements of state redevelopment law.

**Leveraging of NOFA Funds**

The project must maximize its use of available non-Agency funds for development and operations in order to achieve the highest reasonable financial leveraging of Agency sources.

**Maximum Rents**

The maximum rent to be charged for an assisted unit may not exceed 30 percent of the Area Median Income (AMI) adjusted for household size appropriate for the unit, less an allowance for utilities.

The following table provides the monthly maximum rents under the Agency’s Tax Increment & Multifamily Revenue Bond Program:

Household Size	Moderate	Median	Low-Mod	Low	Very Low
	110% AMI	100% AMI	80% AMI	60% AMI	50% AMI
1 person	1,366.75	1,242.50	993.75	745.50	621.25
2 person	1,562.00	1,420.00	1,136.25	852.00	710.00
3 person	1,757.25	1,597.50	1,277.50	958.50	798.75
4 person	1,952.50	1,775.00	1,420.00	1,065.00	887.50
5 person	2,090.00	1,917.50	1,533.75	1,150.50	958.75
6 person	2,266.00	2,060.00	1,647.50	1,236.00	1,030.00

**Sources:**

- (1) Published - February 13, 2008-HUD User.org/Datasets/IL/IL08/index
- (2) 2008 California Tax Credit Allocation Committee - Income/Rent Limits

### **Maximum Sales Price**

The calculation of the maximum allowable sales price is based on the following factors: 1) Area median income (published annually by the Department of Housing & Urban Development) adjusted for family size; and 2) Current market interest rates. For homeownership projects the house payment may not exceed 35 percent of 110 percent of area median income adjusted for family size for tax increment assisted units. House payment typically includes: principal and interest payment on mortgage loan, mortgage insurance, property insurance, and flood insurance (if in flood zone), real estate taxes, special assessments, homeownership association (HOA) fees (if applicable) and an allowance for maintenance and utilities.

For live/work and loft style units, the Agency will consider square footage ranges to determine affordability level. Additional limitations may apply when defining live versus work space in a unit based on the City's Live/Work ordinance.

## **PROPOSAL EVALUATION**

Submissions will be evaluated based upon the following criteria (presented without regard to order of importance):

- Compatibility of proposal with priorities and objectives identified in this NOFA;
- Experience with the product type proposed by respondent;
- Experience with mixed-use development in downtown and other urban areas;
- Ability to incorporate sustainable development/green building principles;
- Evidence of financial resources consistent with project requirements;
- Experience in redevelopment or other public/private development;
- Track record of superior architectural design;
- Leveraging of NOFA funds with other public and private funds;
- Track record of development team;
- Development proposal; and
- Completeness of market study, absorption studies and other analyses supporting the planned project.

## **REVIEW AND SELECTION PROCESS**

Upon receipt, all submissions will be reviewed for completion by Agency staff. The Agency reserves the right to reject any and all submissions, request additional information, amend the project schedule, or provide additional requirements to any and all developers submitting proposals.

Submissions deemed complete and competitive will be reviewed and evaluated by a Selection Committee (Committee), which will likely be comprised of a Sacramento Housing and Redevelopment Agency Commissioner, Agency Executive staff, City Downtown Development staff, licensed architect, private lender/developer, Downtown Sacramento Partnership member and downtown neighborhood representative.

Following review of proposals, the Committee may elect to interview some or all of the respondents, or may otherwise seek clarification of the material submitted, such as:

- More detailed graphic presentation of the project;
- Additional financial analysis of the project; and
- Any additional proposal information as needed.

The Selection Committee will select those proposals that best meet the objectives of this NOFA and which will maximize the use of available funds for funding approval. Proposals selected by the Selection Committee for funding shall be forwarded to the Redevelopment Agency's Commission for a recommendation and the Agency Board for final approval. The selected developer(s) will be expected to assist in presentations of the proposed project to the Redevelopment Agency Commission and the Redevelopment Agency Board, and to provide periodic and on-going updates as the project progresses at the request of the Agency.

The funding recommendation will detail the Agency's and the development team's responsibilities, the method and financing for the project, the financial participation of both parties both in the development and in the long-term benefits of the project, the approved elements of the project proposal including the project design and scope.

## SUBMITTAL INSTRUCTIONS

- Proposal packages must be organized and tabbed consistent with Agency's Application Checklist (Exhibit D).
- Submittals must include **one (1) signed original** (with no binding, staples or fold cuts and can easily be placed in a standard copy machine for reproductions) suitable for copying and **eight (8) bound copies**. The original and all copies must include full set of attachments.
- **One electronic copy** of the cover letter, application and attachments.

## SCHEDULE

PROPOSAL SELECTION AND APPROVAL SCHEDULE	
<u>Procedure</u>	<u>Timeline</u>
NOFA Release	May 6, 2008
Informational Meeting	May 28, 2008
NOFA Submittal Deadline	August 1, 2008
Anticipated Selection Committee Recommendations	September 2008

## **SUBMITTAL DEADLINE AUGUST 1, 2008 AT 2:00 P.M.**

If the project will be competing for tax credit or other competitive process funding, the Agency must receive a complete NOFA proposal package at least 100 days prior to the earliest funding application deadline.

### **ALL RESPONSES TO THE NOFA MUST BE RECEIVED:**

**When:** NO LATER THAN 5:00 P.M., AUGUST 1, 2008  
**Where:** Sacramento Housing & Redevelopment Agency,  
600 I Street, Suite 250, Sacramento, CA 95814  
ATTN: Katherine Klein McFadden  
(916) 440-1399, extension 1441

## **PRE-SUBMITTAL MEETINGS**

### **MATRIX MEETING**

Applicants are encouraged to meet jointly with Agency and City of Sacramento MATRIX team to review proposed project prior to NOFA application submittal.

MATRIX is a new approach to the development process based upon development type or product. Each team is made up of City staff vital to the development of a project, from conception to completion, with a timely, seamless, and predictable development review process.

To schedule a MATRIX meeting, please contact MATRIX team member Bridgette Williams at 916-808-8053.

### **INFORMATIONAL MEETING**

An informational meeting for all interested applicants will be held on **May 28, 2008 at 10:00 a.m.** at the Sacramento Housing & Redevelopment Agency (SHRA) Commission Room located on the 1<sup>st</sup> Floor at 600 I Street, Sacramento, California.

Although it is not a requirement to attend the informational meeting, developers or development teams are encouraged to attend to discuss NOFA priorities, submission requirements, selection criteria, and funding requirements.

### **For more information, please contact:**

Katherine Klein McFadden, Management Analyst  
Sacramento Housing and Redevelopment Agency  
600 I Street, Suite 250  
Sacramento, CA 95814  
916-440-1399, extension 1441  
kmcfadden@shra.org

## NOFA Exhibits

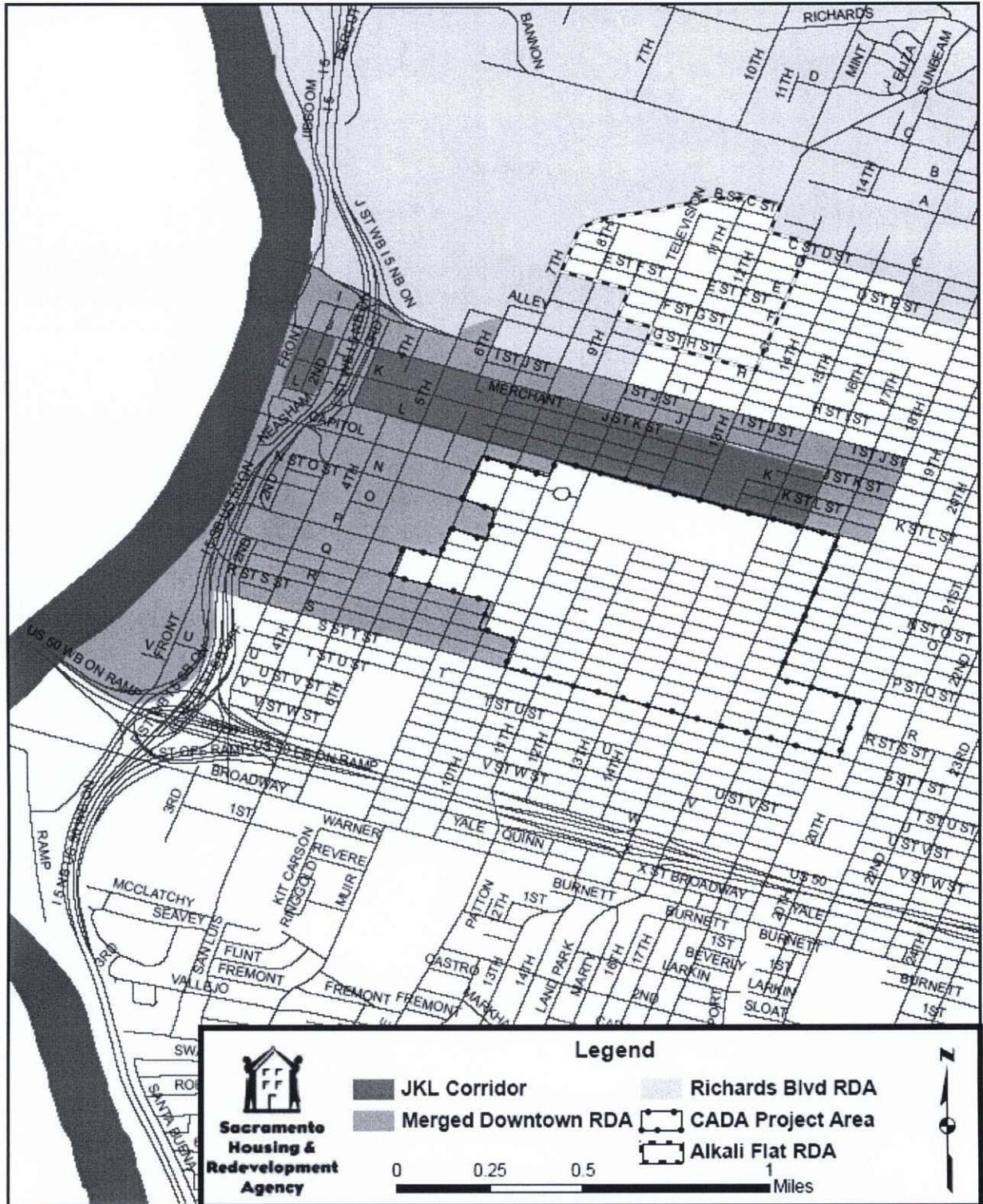
<b>Exhibit A:</b>	NOFA Target Area Map
<b>Exhibit B:</b>	Lending Program Guidelines
<b>Exhibit C:</b>	Tax Increment Funding Requirements
<b>Exhibit D:</b>	Agency Application and Attachment Checklist

Information compiled from the following sources:

1. Merged Downtown Sacramento Redevelopment Area Implementation Plan (2005-2009)
2. City of Sacramento website: [www.cityofsacramento.org](http://www.cityofsacramento.org)
3. Downtown Sacramento Partnership website: [www.downtownsac.org](http://www.downtownsac.org)

# Exhibit A:

## Downtown Housing Investment Strategy: NOFA Target Area



# Exhibit B:

ON FILE WITH REDEVELOPMENT AGENCY CLERK

# Exhibit C:

ON FILE WITH REDEVELOPMENT AGENCY CLERK

# Exhibit D:

ON FILE WITH REDEVELOPMENT AGENCY CLERK

# RESOLUTION NO. 2008 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

## DOWNTOWN HOUSING INVESTMENT STRATEGY AND NOTICE OF FUNDING AVAILABILITY (NOFA)

### BACKGROUND

- A. In May 2007, staff presented a “Downtown Housing Strategy Workshop” to City Council recommending housing investment strategies to foster a healthy downtown that includes housing for all income levels.
- B. The recommended strategies were built on past Council and Agency direction to focus downtown housing resources in the downtown core, promote the development of affordable, mixed-income, and market-rate housing and build upon the strength of the downtown neighborhoods.
- C. The proposed action does not constitute a project under the California Environmental Act (CEQA) per Guidelines Section 15378 (b)(4) as a government funding mechanism or other government fiscal activity, which does not involve a commitment to any specific project which may result in a potentially significant physical impact on the environment. Any selected project will be subject to full CEQA review prior to consideration for approval. National Environmental Policy Act (NEPA) does not apply.

### BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence presented, having been duly considered, the findings, including the environmental findings regarding this action, are approved.
- Section 2. The Downtown Housing Investment Strategy, which includes the following major goals, is approved:
  - 1. Alleviate impediments and create incentives to foster downtown housing.
  - 2. Encourage mixed-income housing in the downtown core.
  - 3. Safeguard existing affordable housing.
  - 4. Maintain commitment to the Single Room Occupancy Strategy.

- Section 3. The amount of \$25 million of Merged Downtown Low and Moderate Income Housing Funds (LMIHF) is hereby allocated for disposition under a Notice of Funding Availability (NOFA) consistent with said Strategy and targeted to the development of mixed-income housing projects located in the Merged Downtown Sacramento Redevelopment Area. The Interim Executive Director is authorized to amend the budget accordingly.
- Section 4. Subject to the foregoing budget amendment, the Interim Executive Director is authorized to issue a \$25 million Downtown Housing NOFA for the development of mixed-income housing in the Merged Downtown Sacramento Redevelopment Area, with priority to projects proposed in the JKL Corridor. If no qualified applications are received by the NOFA deadline of August 1, 2008, the Interim Executive Director may extend the NOFA deadline by an additional 90 days.
- Section 5. Interim Executive Director is authorized to convene the NOFA Selection Committee, which will recommend projects for negotiation. Projects recommended by the Selection Committee shall be brought back to the Agency Board for approval of Exclusive Right to Negotiate Agreements.