



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO REDEVELOPMENT AGENCY
City of Sacramento
 915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
June 2, 2009

Honorable Chair and Members of the Redevelopment Agency

Title: Request for Qualifications: Hotel Berry

Location/Council District: 729 L Street, District 1, Merged Downtown Redevelopment Area

Recommendation: Adopt a **Redevelopment Agency Resolution** approving the release of a Request for Qualifications to select a nonprofit developer for the Hotel Berry site.

Contact: Lisa Bates, Deputy Executive Director, 440-1316; Christine Weichert, Assistant Director, Housing and Community Development, 440-1353

Presenters: Not applicable

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Hotel Berry, located at 729 L Street, has been a priority of the Sacramento Housing and Redevelopment Agency (Agency) and the City of Sacramento (City) for many years. It is the first project to come forward under the \$15 million Single Room Occupancy (SRO) Replacement and Preservation Strategy approved by City Council in 2006. In July 2008, the project received an allocation of nine percent Tax Credits as the primary funding source. However, in November 2008, the developer had to return the tax credits due to the inability to secure an equity investor because of the collapse in the tax credit market.

The Agency evaluated the options to protect its investment, and in February of 2009, obtained approval to acquire, permanently relocate tenants, and temporarily close the hotel. The Agency's goal is to bring forward a plan for redevelopment of the site under a better economic environment.

The federal government recently passed landmark legislation which contained stimulus funds to assist with the affordable housing market recovery. The State's Tax Credit Allocation Committee (TCAC) will be allocating California's portion of

Hotel Berry Request for Qualifications

the affordable housing stimulus funds and needs to commit these funds by early fall to meet their allocation deadlines. They have decided to have only one nine percent Tax Credit application round this year. The Hotel Berry project will compete well for affordable housing stimulus funding as a Single Room Occupancy (SRO) development. To retain its competitive advantage, a tax credit application must be submitted on June 9th of this year. If these one-time stimulus funds are not applied for, it may take years to secure the necessary funding given the state of the economy and the process required to secure tax credits absent stimulus funding. To facilitate the application, the Norwood Avenue Housing Corporation, an Agency affiliate, will submit the initial application. It will be replaced as the developer after a formal selection process.

Staff is recommending the release of a Request for Qualifications (RFQ) for a nonprofit developer for the redevelopment of the Hotel Berry site. The Hotel Berry renovation scope and affordability, ranging from 30% to 45% of Area Median Income, will remain similar to the prior development proposal. \$450,000 in Mental Health Services Act (MHSA) funds previously allocated to the project will be returned as one-time program funds. The estimated current capital and operating financing gap is approximately \$2.2 million, which may require a public funding commitment from the Agency. Staff anticipates that this investment could be repaid by Tax Credit equity and other potential stimulus funding sources.

A selection committee will review all responses to the RFQ and will base their recommendation on the development team's experience. Staff will report back on developer selection when a Disposition and Development Agreement and Agency funding recommendation is brought forward for approval in August 2009. Awards under the nine percent Tax Credit program will be announced in September 2009. If the Hotel Berry Tax Credit application is successful, construction could begin by the end of 2009.

A site map is included as Attachment 1, and background included as Attachment 2.

Policy Considerations: The recommended action would implement Agency and City policy goals related to preservation of residential hotel units. Section 18.20.160 of the City Code (Residential Hotel Ordinance, revised September 2006) requires that the City maintain an inventory of not less than 712 residential hotel or comparable units. The Hotel Berry is the second largest of the remaining downtown residential hotels and one of ten properties that comprise the City's Single Room Occupancy (SRO) inventory. The 2005 JKL Corridor Action plan identified the importance to take action and preserve SRO units.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action does not constitute a project under the California Environmental Quality Act per Guidelines Section 15378(b)(5), which excludes administrative activities which do result in direct or indirect physical changes to the environment.

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Sustainability Considerations: The recommended actions would achieve the following goals within the City's Sustainability Master Plan:

- Replace or renovate obsolete energy or resource inefficient infrastructure (buildings, facilities, systems, etc). (*Plan Goal # 1, Energy Independence*);
- Reduce long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City. (*Plan Goal # 6, Urban Design, Land Use, Green Building and Transportation*).

Other: The National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: *Sacramento Housing and Redevelopment Commission:* At its meeting on May 20, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: The Hotel Berry project is well positioned to compete for affordable housing stimulus funds under the TCAC nine percent Tax Credit application round in June 2009. The TCAC regulations favor deeply affordable SRO projects like the Hotel Berry. Staff's recommendation for the nonprofit Agency affiliate, Norwood Avenue Housing Corporation (NAHC), to submit the nine percent Tax Credit application is the Agency's best opportunity for a highly competitive application under the short TCAC deadline. The ultimate goal to select a qualified nonprofit developer for the redevelopment of Hotel Berry site requires the issuance of a Request for Qualifications, which is the recommendation of this report.

Financial Considerations: No funding is being requested at this time. The Agency is anticipating that the development of the Hotel Berry site will require an additional \$2.2 million of Agency financial assistance most of which is anticipated to be repaid upon completion of the project.

June 2, 2009

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M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Recommendation Approved:

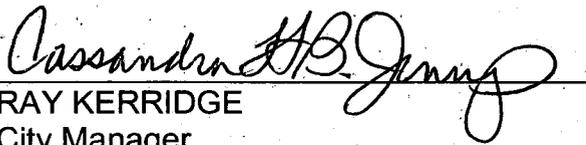
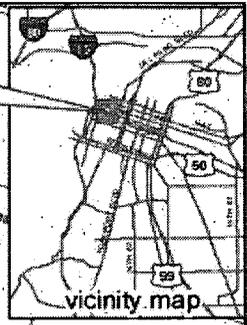
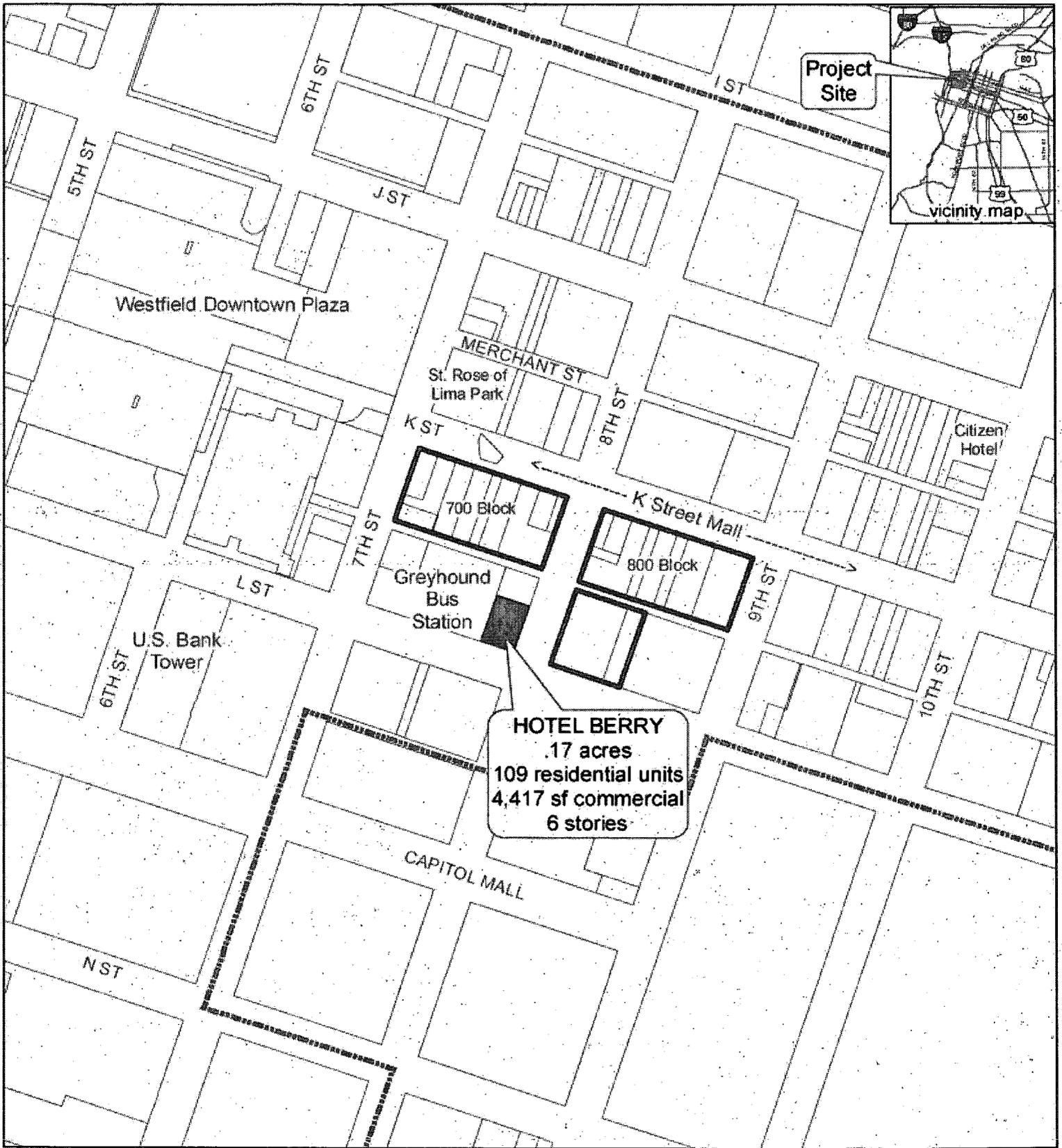

for RAY KERRIDGE
City Manager

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HOTEL BERRY



<ul style="list-style-type: none">  Downtown Redevelopment Area  729 L St - Hotel Berry  Agency Owned 	<p>0 330 660 Feet</p>		<p>SHRA GIS January 16, 2009</p>
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Background Information – Hotel Berry

The Hotel Berry, located at 729 L Street, was constructed in 1929 and has been operated as a residential hotel for low-income tenants. The property is a six-story, mixed-use building consisting of 109 Single Room Occupancy (SRO) dwelling units on a .17 acre parcel. The Hotel Berry was the first project to come forward under the \$15 million Single Room Occupancy (SRO) Replacement and Preservation Strategy approved by City Council in 2006. The SRO Strategy included the adoption of a City ordinance that included a "No Net Loss" policy of retaining 712 SRO units.

An application for funding assistance was submitted to the Sacramento Housing and Redevelopment Agency (SHRA) in November 2006 by the partnership of The Trinity Housing Foundation (Trinity) and the AF Evans Company. The partnership's proposal was to undertake a substantial rehabilitation of the property using a combination of funds from the Agency and Federal 9% Low Income Housing Tax Credits (LIHTC). The Agency approved a \$5 million Conditional Grant Agreement to fund the acquisition of the Hotel Berry, which enabled Trinity to purchase the property in December 2007.

The Hotel Berry project was the Agency's highest priority under the 9% Low Income Housing Tax Credit Prioritization Policy in 2008. An Operating Conditional Grant comprised of \$450,000 of Mental Health Services Act (MHSA) one-time funds was approved but never funded in March 2008. The project was successful in their April 2008 tax credit application and received an award valued at more than \$13 million in July 2008. In fall 2008, the tax credit market collapsed due to the national economic crisis and the project had to return its Tax Credits due to the inability to obtain an equity investor.

In February 2009, the Agency received approval of a \$2.3 million budget to acquire the hotel, permanently relocate residential tenants and stabilize the property. \$1.2 million of the budget was estimated for permanent tenant relocation with the remainder funding acquisition, property management, operating expenses and holding costs.

The Agency purchased the property in March 2009. Currently, there are approximately 36 tenants, which are anticipated to be permanently relocated by August 2009. One commercial tenant, Cisco's mini-mart, remains in the building. Upon completion of residential tenant relocation, the hotel will be boarded and temporarily closed (except for the convenience market) and held for an indefinite period of time.

The Agency is hoping to revive the project by the submission of a 9% tax credit application to compete for the stimulus funding in June 2009. The TCAC regulations favor deeply affordable SRO projects like the Hotel Berry. In order to submit a highly competitive application under the short deadline, the nonprofit Agency affiliate, Norwood Avenue Housing Corporation (NAHC), will submit the application. NAHC will be replaced as the developer once a qualified nonprofit developer has been selected through a Request for Qualifications (RFQ) process.

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The Agency will seek a qualified nonprofit developer that is experienced with SRO-style projects who has a track record of obtaining the necessary project financing and working in partnership with other organizations to provide strong management and appropriate services for the tenant population.

The developer selection process entails interested parties submitting an RFQ to the Agency. The selection committee will be comprised of five individuals -- one Sacramento Housing and Redevelopment Agency Commissioner, one Downtown Development Department staff member, one Downtown Sacramento Partnership member, one Agency staff member, and one service provider or developer member.

Redevelopment of this site has been a high priority for the City and SHRA for several years. The opportunity to apply for TCAC affordable housing stimulus funding in June 2009 is the best possibility to access the necessary project funding to move the Hotel Berry forward in a challenging economy. If the project receives a 9% tax credit award, construction could commence by the end of 2009.

RESOLUTION NO. 2009 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

AUTHORIZATION TO RELEASE A REQUEST FOR QUALIFICATIONS AND TO SELECT A NONPROFIT DEVELOPER FOR THE HOTEL BERRY SITE

BACKGROUND

- A. The Agency owns certain real property that includes one tax parcel in the Downtown Redevelopment Project Area located at 729 L Street, Sacramento. APN Number: 006-0096-012-0000 ("Property").
- B. The Agency is seeking redevelopment of the Property as a Single Room Occupancy residential hotel that would have a mix of commercial and residential uses, with the residential units serving extremely-low and very-low income households.
- C. The proposed action does not constitute a project under the California Environmental Quality Act per Guidelines Section 15378(b)(5), which excludes administrative activities which do result in direct or indirect physical changes to the environment.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:

- Section 1. All of the evidence presented having been duly considered, the findings, including the environmental findings regarding this action stated above are approved.
- Section 2. The Executive Director, or her designee, is authorized to release a Request for Qualifications for the redevelopment of the Hotel Berry site as described above.
- Section 3. The Executive Director, or her designee, is authorized to convene a selection committee to evaluate Request for Qualifications and select a nonprofit developer for the Property.

