



**REPORT TO COUNCIL AND
HOUSING AUTHORITY**

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

19

Consent

December 2, 2014

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

**Title: Allocation of Supplemental Annual Administrative Fees from Multifamily
Low-Income Mortgage Revenue Bond Financed Developments to the Housing
Authority for Affordability and Supportive Services**

Location/Council District: Citywide

Recommendation: Adopt a **City Council Resolution** a) authorizing the transfer of Supplemental Annual Administrative Fees (Fees) collected from multifamily low-income Mortgage Revenue Bond financed developments in City Council District 1 (District 1) in 2013-2014 in the amount of \$214,686 and up to \$214,686 to be collected and retained by the Housing Authority of the City of Sacramento (Housing Authority) in 2014-2015 for the Boys and Girls Clubs program at Inderkum High School or similar facility; and b) authorizing Fees collected from such developments within the City as of Fiscal Year 2014-15 and thereafter be retained by the Housing Authority for housing affordability and supporting services for residents in such developments. Adopt a **Housing Authority Resolution** a) authorizing the Executive Director to accept the transfer of \$214,686 in 2013-2014 District 1 Fees, retain up to \$214,686 in 2014-2015 District 1 Fees and amend the Housing Authority budget to allocate the funds to the Boys and Girls Clubs program at Inderkum High School or similar facility; b) authorizing the Executive Director, or her designee, to enter into a contract(s) with the Boys and Girls Clubs to provide up to \$429,372 in operating subsidies for the program at Inderkum High School or similar facility; and c) collect and retain the Fiscal Year 2014-2015 and future Fees from such developments within the City for housing affordability and supporting services for residents in such developments.

Contact: Christine Weichert, Assistant Director, Development Finance 440-1353
Susan Perry, Supervisor, Portfolio Management and Homeownership 440-1386

Presenters: Christine Weichert

Department: Sacramento Housing and Redevelopment Agency

Allocation of Supplemental Annual Administrative Fees to the Housing Authority

Description/Analysis

Issue: The Housing Authority of the City of Sacramento administers the collection of the Supplemental Annual Administrative Fees (Fees) on behalf of the City of Sacramento. The Fees are collected from multifamily low-income housing developments (Developments) which were financed with Mortgage Revenue Bonds issued by the Housing Authority. If such Developments are owned by not-for-profit organizations, they are eligible for an exemption from property taxes and instead are required to pay Supplemental Annual Administrative Fees equal to 20% of 1% of the assessed value of the property.

Supplemental Annual Administrative Fees are paid only by Developments that file a Welfare Tax Exemption on property taxes due under Revenue and Taxation Code Section 214. This statute requires that property tax savings be used to maintain the affordability of the low-income housing development pursuant to a Regulatory Agreement restricting usage and rents. Such Regulatory Agreements also require services be provided for the residents of these low-income housing developments at no cost.

The City of Sacramento desires to use the Fees collected in District 1 (Attachment 2 - Map) for Fiscal Years 2013-2014 and 2014-2015 to fund the operation of a Boys and Girls Club on the campus of Inderkum High School. In addition, a Compliance Coordinator working with the Developments and the Boys and Girls Club is envisioned. The after school and summer programs will serve the low-income children from Developments located in North Natomas at no cost, thereby further supporting and increasing the affordability for residents living in the Developments.

Furthermore, Fees from all City Council Districts in future years shall be collected and retained by the Housing Authority for uses as approved by the governing boards in support of maintaining affordability and supporting services at no cost to the residents of Mortgage Revenue Bond financed low-income housing developments citywide, pursuant to the Regulatory Agreements. Staff will return to Housing Authority Board to propose supporting services, which serve the residents from low-income housing developments throughout the city.

Policy Considerations: The recommended actions are consistent with Article XIII, section 1 of the California Constitution Revenue and Taxation Code Section 214, subdivision (g) which was enacted by Assembly Bill (AB) 2144 (1987-1988); the Board of Equalization Legal Department Memorandum dated March 20, 2013, Assignment Number 13-044 regarding Payment in Lieu of Taxes Agreements; and the California legislation Senate Bill (SB) 1203 and AB 1760 which were signed into law on September 27, 2014: a low-income housing developer subject to a payment in lieu of taxes agreement with a local government can file a Section 214(g) certification provided the developer has maintained affordable rents in compliance with a Regulatory Agreement and has a reasonable belief that its Fees will be used in support of maintaining affordability and supporting services at no cost to the residents of low-income housing developments pursuant to the Regulatory Agreements.

Allocation of Supplemental Annual Administrative Fees to the Housing Authority

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): The project has been analyzed in accordance with CEQA. The proposed action is exempt under CEQA per Guideline Section 15061(b)(3).

Sustainability Considerations: There are no sustainability considerations applicable to this proposed action.

Other: There is no federal involvement in this administrative activity; therefore, the National Environment Policy Act does not apply.

Commission Action: At its meeting on November 19, 2014, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Alcalay, Chan, Griffin, Macedo, Morgan, Morton

NOES: none

ABSENT: Creswell, Johnson

ABSTAIN: Stivers

Rationale for Recommendation: In passing SB 1203 and AB 1760, the California Legislature clarified that the payment in lieu of taxes agreements between local governments and owners of low-income housing developments made prior to January 1, 2015 comply with Section 214(g) certification provided the developer has maintained affordable rents in compliance with a Regulatory Agreement and has a reasonable belief that its Fees will be used in support of maintaining affordability and supporting services at no cost to the residents of low-income housing developments pursuant to the Regulatory Agreements.

Financial Considerations: In June 2014, \$214,686 District 1 Fees were collected in Fiscal Year 2013-2014 by the Housing Authority and transferred to the City of Sacramento. The \$214,686 in Fees from District 1 in Fiscal Year 2013-2014 will be transferred back to the Housing Authority upon conclusion of the City's 2013-14 year-end audit process anticipated to be complete in February 2015. Approximately \$214,686 in Fiscal Year 2014-2015 Fees will be used by the Housing Authority for the operational needs of a Boys and Girls Clubs program at Inderkum High School or similar facility and the related Compliance Coordinator.

In addition, Fees from all City Council Districts in future years shall be collected and retained by the Housing Authority and budgeted for a use(s) as approved by the governing boards in support of maintaining affordability and supporting services at

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Allocation of Supplemental Annual Administrative Fees to the Housing Authority

cost to the residents of low-income housing developments pursuant to the Regulatory Agreements.

M/WBE/Section 3/First Source Program Considerations: The items discussed in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements. The First Source Program is not applicable to this report.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

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Attachments

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Approved as to form:



Agency Counsel

APPROVED AS TO FORM:



CITY ATTORNEY

BACKGROUND

History: Sacramento Housing and Redevelopment Agency's Multifamily Lending and Mortgage Revenue Bond Policies (Lending and MRB Policies), which were approved by City Council on March 17, 2009 (City Resolution No. 2009-148), recognize that Mortgage Revenue Bond financed low-income housing Developments owned by not-for-profit organizations are eligible for a welfare exemptions. The Developments are instead required to pay Supplemental Annual Administrative Fees (Fees) equal to 20% of 1% of the assessed value of the property. As a result, Fees have been collected annually in the City of Sacramento beginning with the 2001-2002 tax year.

Citywide, the Housing Authority collects Fees from 28 multifamily low-income housing Developments. Ten low-income housing Developments in District 1 are subject to paying the Fees; the eight family Developments with Fees being directed to the Natomas Boys and Girls program (two are senior only) include: Atrium Court, Natomas Park, Northpointe Park, Terracina Gold II, The Lofts, Valencia Point, Westview Ranch and Willow Glen Apartment Communities.

Article XIII, section 1 of the California Constitution provides that all property in California is taxable unless exempted by law. The Legislature has authorized Revenue and Taxation Code Section 214, subdivision (a), the welfare exemption applicable to certain low-income housing developments requiring that property tax savings be used to maintain the affordability of the low-income housing development pursuant to an agreement restricting usage and rents.

New Legislation: On September 27, 2014, California legislation SB 1203 and AB 1760 were signed into law. In passing SB 1203 and AB 1760, the California Legislature banned payment in lieu of taxes agreements effective January 1, 2015, but clarified that the payment in lieu of taxes agreements between local governments and owners of low-income housing developments made prior to January 1, 2015 comply with Section 214(g) certification provided the developer has maintained affordable rents in compliance with a Regulatory Agreement and has a reasonable belief that its Fees will be used in support of maintaining affordability and supporting services at no cost to the residents of low-income housing developments pursuant to the Regulatory Agreements.

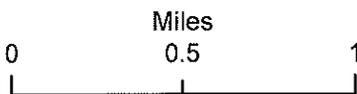
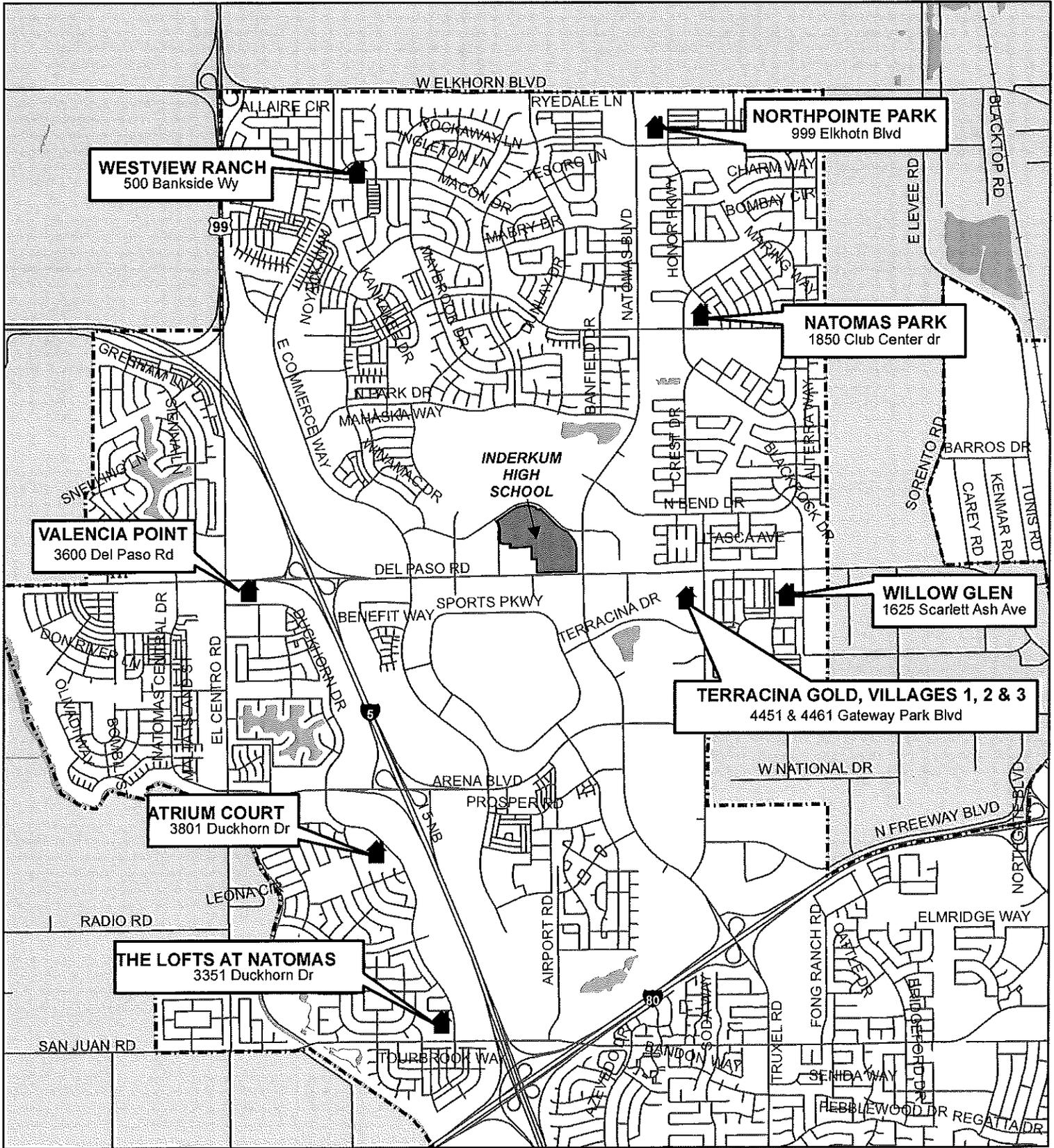
The Regulatory Agreements recorded against each of the 28 Developments require the respective properties to pay Fees to the Housing Authority as issuer of the Bonds if a welfare tax exemption on property taxes is filed. In addition, the Regulatory Agreements require that resident services be provided at no cost for the residents of the Developments. The Fees have traditionally been transferred from the Housing Authority to the City of Sacramento annually and placed in the City's General Fund. Due to the recent passage of SB 1203 and AB 1760, the City of Sacramento desires to use the Fees collected in District 1 in 2013-2014 and 2014-2015 to fund the operation of a Boys and Girls Club, and the related Compliance Coordinator, at Inderkum High School to provide after school and summer programs which serve the low-income children from Developments located in North Natomas at no cost. This further benefits

and increases the affordability for the residents living in the Developments pursuant to the Regulatory Agreements.

Boys and Girls Clubs: For more than 100 years, the Boys and Girls Clubs of America have been serving children across the nation. The eleven (11) locations of the Boys and Girls Clubs of Greater Sacramento provide children with an environment to participate in positive and fun activities. The Boys and Girls Clubs of Greater Sacramento believe that young people can reach their full potential when they have access to opportunities and are in an environment that promotes respect, creativity, education and fun. Currently in North Natomas, a Boys and Girls Clubs program is lacking and there is a need for an after-school and summer teen program.



Multifamily Supplemental Annual Administrative Fee Properties



SHRA GIS
November 5, 2014

RESOLUTION NO. 2014 -

Adopted by the Sacramento City Council

ON DATE OF

AUTHORIZING THE TRANSFER OF SUPPLEMENTAL ANNUAL ADMINISTRATIVE FEES FROM MULTIFAMILY LOW-INCOME MORTGAGE REVENUE BOND FINANCED DEVELOPMENTS TO THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO (HOUSING AUTHORITY); APPROVAL OF THE HOUSING AUTHORITY TO COLLECT AND RETAIN FEES FROM ALL CITY COUNCIL DISTRICTS IN FUTURE YEARS; ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Twenty-eight low-income housing family developments throughout the City have been financed with multifamily low-income Mortgage Revenue Bonds (Bonds) issued by the Housing Authority of the City of Sacramento (Housing Authority).
- B. Eight low-income housing family developments in City Council District 1 (District 1) have been financed with multifamily low-income Bonds issued by the Housing Authority, which include: Atrium Court, Natomas Park, Northpointe Park, Terracina Gold II, The Lofts, Valencia Point, Westview Ranch and Willow Glen Apartment Communities (collectively "Developments").
- C. The owners of these Developments file a welfare exemption for property taxes due under Revenue and Taxation Code Section 214. This statute requires that the property tax savings be used by the owner to maintain the affordability of the low-income housing development pursuant to an agreement restricting usage and rents.
- D. These Developments have regulatory agreements which also require that resident services be provided at no cost for the residents.
- E. The regulatory agreements recorded against each of these Developments also required the respective owners to pay Supplemental Annual Administrative Fees (Fees) to the Housing Authority as issuer of the Bonds. The Fees are transferred from the Housing Authority to the City of Sacramento annually and placed in the City's General Fund.
- F. The City desires to allocate the District 1 Fees generated by the Developments in 2013-14 and 2014-15 to the Housing Authority to fund the Boys and Girls Club program on the campus of Inderkum High School (or similar facility) to provide after-school and summer programs which serve the low-income children from these Developments at no cost, thereby maintaining the affordability for the residents living in the Developments.
- G. The City also desires that as of fiscal year 2014-15, all of the Fees collected from

multifamily low-income housing developments financed with Mortgage Revenue Bonds within the City be retained by the Housing Authority for housing affordability and supportive services for residents in such developments.

- H. The proposed action is exempt under California Environmental Quality Act (CEQA) per Guideline Section 15061(b)(3), nor a federal undertaking under the National Environmental Policy Act (NEPA).

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

Section 1: The facts as presented and set forth in the background, above, are found to be true and correct.

Section 2: The transfer of Supplemental Annual Administrative Fees (Fees) collected in 2013-2014 in the amount of \$214,686 and up to \$214,686 to be collected in 2014-15 within City Council District 1 from multifamily low-income Mortgage Revenue Bond financed developments to the Housing Authority of the City of Sacramento for the Boys and Girls Clubs Program at Inderkum High School or similar facility, and the related Compliance Coordinator, is hereby approved. Funds will be transferred upon conclusion of the City's 2013-2014 year-end audit process anticipated to be complete in February 2015.

Section 3: The Fees collected from multifamily low-income Mortgage Revenue Bond financed developments within the City as of fiscal year 2014-15 and thereafter shall be retained by the Housing Authority of the City of Sacramento for affordability and supporting services for the residents of such developments.

RESOLUTION NO. 2014 -

Adopted by the Housing Authority of the City of Sacramento

on date of

ACCEPTING THE TRANSFER OF SUPPLEMENTAL ANNUAL ADMINISTRATIVE FEES FROM MULTIFAMILY LOW-INCOME MORTGAGE REVENUE BOND FINANCED DEVELOPMENTS FROM THE CITY OF SACRAMENTO; APPROVAL OF THE HOUSING AUTHORITY TO COLLECT AND RETAIN FEES FROM ALL CITY COUNCIL DISTRICTS IN FUTURE YEARS; ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Twenty-eight low-income housing family developments throughout the City have been financed with multifamily low-income Mortgage Revenue Bonds (Bonds) issued by the Housing Authority of the City of Sacramento (Housing Authority).
- B. Eight low-income housing family developments in City Council District 1 (District 1) have been financed with multifamily low-income Bonds issued by the Housing Authority, which include: Atrium Court, Natomas Park, Northpointe Park, Terracina Gold II, The Lofts, Valencia Point, Westview Ranch and Willow Glen Apartment Communities (collectively "Developments").
- C. The owners of these Developments file a welfare exemption for property taxes due under Revenue and Taxation Code Section 214. This statute requires that the property tax savings be used by the owner to maintain the affordability of the low-income housing development pursuant to an agreement restricting usage and rents.
- D. These Developments have regulatory agreements which also require that resident services be provided at no cost for the residents.
- E. The regulatory agreements recorded against each of these Developments also required the respective owners to pay Supplemental Annual Administrative Fees (Fees) to the Housing Authority as issuer of the Bonds. The Fees are transferred from the Housing Authority to the City of Sacramento annually and placed in the City's General Fund.
- F. The City desires to allocate the District 1 Fees generated by the Developments in 2013-14 and 2014-15 to the Housing Authority to fund the Boys and Girls Club program on the campus of Inderkum High School (or similar facility) to provide after-school and summer programs which serve the low-income children from these Developments at no cost, thereby maintaining the affordability for the residents living in the Developments.
- G. The City also desires that as of fiscal year 2014-15, all of the Fees collected from

multifamily low-income housing developments financed with Mortgage Revenue Bonds within the City be retained by the Housing Authority for housing affordability and supportive services for residents in such developments.

- H. The proposed action is exempt under California Environmental Quality Act (CEQA) per Guideline Section 15061(b)(3), nor a federal undertaking under the National Environmental Policy Act (NEPA).

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

- Section 1: The facts as presented and set forth in the background, above, are found to be true and correct.
- Section 2: The transfer of Supplemental Annual Administrative Fees (Fees) collected in 2013-2014 in the amount of \$214,686 and up to \$214,686 to be collected in 2014-15 within City Council District 1 (District 1) from multifamily low-income Mortgage Revenue Bond financed developments to the Housing Authority of the City of Sacramento for the Boys and Girls Clubs Program at Inderkum High School or similar facility, and the related Compliance Coordinator, is hereby approved.
- Section 3: The Executive Director is authorized to amend the Housing Authority budget to allocate up to \$429,372 in District 1 Fees to the operating needs of a Boys and Girls Clubs Program at Inderkum High School or similar facility, and the related Compliance Coordinator.
- Section 4: The Executive Director, or her designee, is authorized to enter into a contract(s) with the Boys and Girls Clubs and Compliance Coordinator using District 1 Fees for 2013-2014 and 2014-2015, for up to \$429,372 in operating subsidies, from low income housing family developments for the operating needs of a Boys and Girls Clubs Program in District 1 at Inderkum High School or similar facility.
- Section 5: It is hereby authorized for Fees from all City Council Districts in 2014-2015 and future years to be collected and retained by the Housing Authority of the City of Sacramento for use(s) as approved by the governing boards in support of maintaining affordability and supporting services at no cost, which serve the residents from low-income housing developments, pursuant to the regulatory agreements.