



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO CITY COUNCIL AND  
REDEVELOPMENT AGENCY OF THE CITY  
OF SACRAMENTO**

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

**STAFF REPORT**  
**October 10, 2006**

Honorable Mayor and  
Members of the City Council and  
Redevelopment Agency of the City of Sacramento

**Title:** Adopt an Ordinance Amending Section 18.20 of the Sacramento City Code relating to Residential Hotel Unit Conversion or Demolition and approval of SRO (Single Room Occupancy) Preservation and Replacement Action Plan

**Location/Council District:** District 1 and District 3/City-wide

**Recommendation:**

- 1) For the City Council: Adopt an **Ordinance** amending Chapter 18.20 of the Sacramento City Code relating to conversion or demolition of downtown residential hotels and replacement housing requirements, and 2) adopt a **Resolution** directing the City Planning Department to prepare for Council consideration an amendment to the Housing Element to add a program and action plan for development of new efficiency apartments.
- 2) For the Redevelopment Agency: Adopt a **Resolution** approving an action plan for SRO rehabilitation/preservation and/or development of efficiency apartments

**Contact:** Nancy Conk, Director of Housing Policy and Development, 440-1310  
Jim Hare, Assistant Director of Housing Policy and Development, 440-1313

**Presenter:** Jim Hare, Assistant Director of Housing Policy and Development

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis:**

**Issue:** The City of Sacramento has a need for affordable housing in the downtown area. Single Room Occupancy (SRO) hotels play a vital role in providing affordable housing to the city's most needy residents. The number of available SRO units in the downtown area has decreased by 301 units in the past 20 years. This staff report includes an action plan for preservation of downtown SRO housing and for replacement of units lost through conversion or demolition.



## Revised Residential Hotel Ordinance and SRO Preservation/Replacement Action Plan

In brief summary, the action plan sets timelines and scopes of work for preservation of three existing Downtown hotels and identification by the end of 2006 of a site for at least one new comparable housing development. Further detail is provided in the Action Plan, Exhibit A to the Redevelopment Agency Resolution. The Action Plan includes financial, operational and location criteria that will be considered in rehabilitation and development of this housing type. A map showing the location of existing Downtown SRO properties is included as Attachment 1.

Part of the strategy for preserving the SRO inventory includes revising Sacramento City Code Chapter 18.20 pertaining to downtown residential hotels. Staff has engaged stakeholders in discussions pertaining to such relevant issues as no net loss of units, tenant relocation, and other policy changes. Multiple stakeholder meetings have been held with an ad hoc committee of the Downtown Partnership, the SRO task force, and the City Attorney's office. While consensus may not have been reached among all stakeholders, we believe there has been a full airing of all relevant issues. Attachment 2 summarizes the major differences between the staff recommendations and the perspectives of housing advocates and representatives of affected hotel owners.

The revised ordinance proposed for adoption on October 10, 2006 is attached to this report on page 14. On September 26, 2006, the City Council passed the Ordinance title for publication as required by Sacramento City Charter. Historical perspective on the existing ordinance (adopted in 1986) and the loss of downtown residential hotel units since 1986 is included in Attachment 3 - Background (page 8). Attachment 3 also includes a table summarizing the major issues addressed by the proposed ordinance revision.

### No Net Loss

The revised ordinance sets the no-net loss threshold at 712 units. This is the number of units in the ten hotels that are still in business downtown and that were subject to the 1986 ordinance. Staff recommends that a replacement requirement that derives from the number of rooms in hotels still in business and that were covered by the 1986 ordinance is appropriate. As discussed below, staff recommends consideration of an amendment to the City's Housing Element as the appropriate document in which the City may commit to meet a higher replacement standard.

Table A included in Attachment 3 -- Background shows the SRO room inventory in 1986 compared to the room inventory today. The table shows that in 1986 there were 1,013 SRO units covered by the ordinance, demonstrating that the City has lost 301 units in the 20 years since the ordinance was adopted.

However, since 1986, the Redevelopment Agency's programs have been used to build at least two comparable replacement projects. Both projects are regulated for 30 years with rents at 50 percent of median income. These projects (also

## Revised Residential Hotel Ordinance and SRO Preservation/Replacement Action Plan

shown in Attachment 3, Table B) are Pensione K at 17<sup>th</sup> and K Streets (125 units) and The Terraces at 1615 O Street (60 units). Adding these units to the existing inventory means that a total of 897 single room occupancy units are available today. In March 2006 the Redevelopment Agency approved \$15 million in Downtown tax increment funding to rehabilitate downtown SRO units and build new efficiency apartments. To further evidence the City's commitment to these housing types, staff recommends the City Council direct the City Planning Department to prepare for Council consideration an amendment to the City Housing Element to include a program and action plan directed toward rebuilding the SRO/efficiency apartment housing inventory to the 1986 level of 1,013 units. Agency staff is confident that such a goal is realistic and achievable using existing financing resources and programs.

### Amendment of Low Income Housing Tax Credit Priorities

Staff will return to Council with a full discussion of the Agency's multi-family lending program, including modifying the tax credit priorities, by January 2007. Tax credits provide a significant source of equity for deeply affordable low-income housing projects.

### Project-Based Housing Choice Vouchers

The Housing Authority is currently amending its Administrative Plan to allow project-basing of Housing Choice Vouchers (HCV) in SRO preservation or replacement projects. Project-based HCV's provide rent-subsidy payments which allow low-income housing developments to serve lower income tenants.

**Committee/Commission Action:** At its meeting of September 6, 2006, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the ordinance and resolutions, with six modifications to the ordinance which have been included in final revision (see Attachment 4 for Commission-recommended modifications to the ordinance). The votes were as follows:

**AYES:** Burns, Burruss, Coriano, Fowler, Hoag, Piatkowski, Shah, Simon, Stivers

**NOES:** None

**ABSENT:** Gore

At its meeting of September 20<sup>th</sup>, 2006 the Sacramento Housing and Redevelopment Commission adopted an emergency motion recommending that City Code Section 18.20.160.A. be modified as follows:

18.20.160 A The replacement units shall be provided within three years of the date that the conversion certificate is approved for the units to be replaced;

Revised Residential Hotel Ordinance and SRO Preservation/Replacement Action Plan

provided that the time may be extended by up to one year upon determination by the Council that the production of the replacement units is delayed due to the unavailability of anticipated financing or other circumstances beyond the City's or SHRA's control.

The votes were as follows:

AYES: Burns, Burruss, Coriano, Fowler, Gore, Hoag, Piatkowski, Simon, Stivers

NOES: None

ABSENT: Shah

**Policy Considerations:** The recommendations of this report broaden the purpose of Sacramento City Code Chapter 18.20 pertaining to downtown residential hotels, providing additional protections for tenants and committing the City of Sacramento to maintain the inventory of single room occupancy or comparable units in the City.

**Environmental Considerations:** The proposed actions to adopt an action plan for residential hotel preservation and replacement and to revise Chapter 18.20 of the Sacramento City Code are exempt from environmental review under CEQA per Guidelines Section 15378(b)(4), government funding mechanism, Section 15262, planning for possible future action, and Section 15326 acquisition of existing housing for preservation purposes.

**Rationale for Recommendation:** The proposed revision to Sacramento City Code Chapter 18.20 seeks to strike a balance between protections for the residents of single-room occupancy hotels in downtown Sacramento and the interests of property owners who may wish to convert these hotels to other uses. The Action Plan recommended in this report aims to preserve and improve existing hotels which are not expected to be converted to other uses. The general thrust of the Agency's effort is to preserve units whenever possible and practical, provide protections for tenants who may be dislocated by future conversions, and to develop new units at the pace necessary to preserve and rebuild the inventory of single room occupancy units to the 1986 level of 1,013 units.

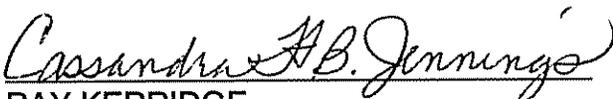
**Financial Considerations:** \$15 million in Downtown Housing Tax Allocation Revenue Bond funds was budgeted in March 2006 for SRO preservation and replacement. No additional financial resources are needed at this time to carry out the recommendations of this report.

Revised Residential Hotel Ordinance and SRO Preservation/Replacement Action Plan

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

Respectfully Submitted by:  \_\_\_\_\_  
ANNE M. MOORE  
Executive Director

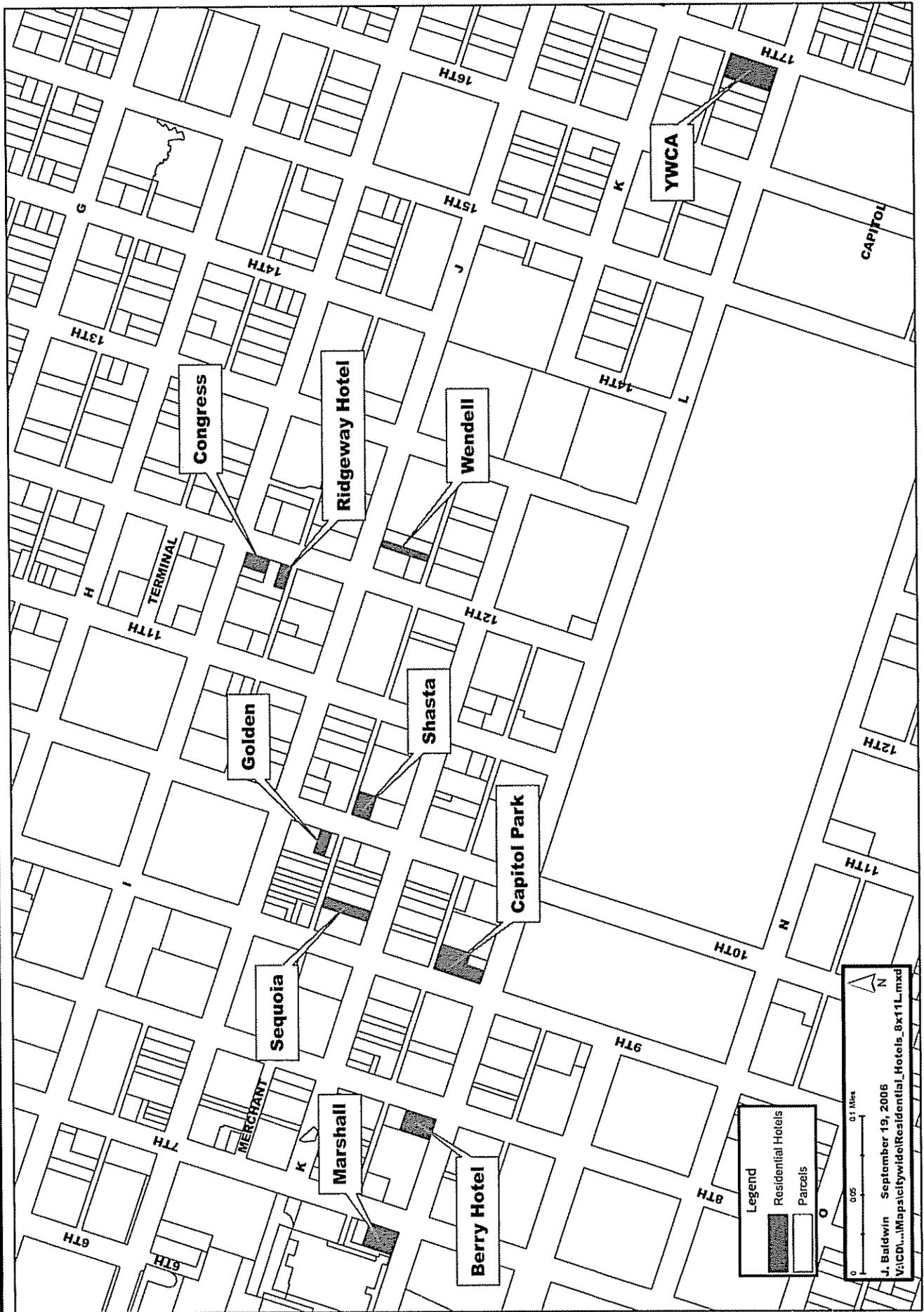
Recommendation Approved:

  
for RAY KERRIDGE  
City Manager

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# Residential Hotels Subject to City Code Chapter 18.20



**Legend**

- Residential Hotels
- Parcels

0 0.05 0.1 Miles

N

J. Baldwin September 19, 2006  
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**SRO Relocation Ordinance Amendments: Comparison of Stakeholder Recommendations**  
 (Differences from Staff Recommendations Only)

Ordinance Provision	Staff Recommendation	Housing Advocates	Hotel Owner Representatives
<p>Owner's responsibility to offer comparable units (1)</p>	<p>Owner must offer comparable units to eligible tenants. If tenant rejects first, second unit must be offered. If tenant rejects both, owner's obligation ends.</p>	<p>Support. Major goal is to ensure tenants are relocated in comparable housing.</p>	<p>Opposed. Finding comparable units with landlord willing to rent to SRO tenants is too difficult. Believe SHRA, not owners, should be responsible for relocation.</p>
<p>Good faith effort (2)</p>	<p>Owner must show evidence that all elements of relocation plan were followed in application for conversion certificate, which is submitted through SHRA; SHRA makes recommendation to City Council.</p>	<p>Concern. Too easy for owner to claim that comparable units are not available for SRO tenants. Owners may not maximize efforts to locate comparable units if given the option to demonstrate that a relocation plan has been implemented.</p>	<p>Concern. There may not be enough comparable units in the market place.</p>
<p>Payment of relocation assistance</p>	<p>80% of relocation assistance goes directly to rent and deposits in housing accepted by tenant.                      20% paid to tenant for moving expense. If tenant rejects housing (two offers), or if tenant is not offered a unit, owner pays tenant full relocation amount.</p>	<p>Concerned that owners could undermine relocation housing intent by encouraging cash payment in lieu of offering comparable unit.</p>	<p>Concern. Comparable units may not be available and thus owners may not be able to meet the standard necessary to receive a conversion certificate.</p>

<b>Ordinance Provision</b>	<b>Staff Recommendation</b>	<b>Housing Advocates</b>	<b>Hotel Owner Representatives</b>
<p>Replacement housing: "no net loss"</p>	<p>City is responsible for maintaining 712 SRO or efficiency units citywide. 712 is the number of existing units in SROs covered by 1986 ordinance.                      City's goal of having 1,013 SRO or efficiency units should be amended into the Housing Element. 1,013 is the number of SRO units downtown in 1986.</p>	<p>The city must create a means to ensure that the 712-unit SRO inventory will be maintained. SHRA programs have expanded that inventory to 897 today and it should be further expanded and maintained to at least 1,013. City must become more aggressive in locating and approving sites. SHRA must offer rent subsidies (project-based vouchers) to make projects work. Well-managed and publicly regulated SROs are integrated into the community, as SHRA's experience shows.</p>	<p>The city's replacement housing program is an important part of its downtown revitalization policies since it is likely that some SROs will be withdrawn in the future.</p>

1. "Comparable unit" is a residential hotel unit, an efficiency unit, or a one-bedroom apartment that is decent, safe, and sanitary, that is similar in the amount of habitable living space, and that has a listed rent that is similar to the unit being withdrawn. The Comparable Unit should also be in close proximity to public transit.
2. "Relocation assistance plan" is a written document that includes the owner's responsibility to 1) inform eligible tenants of the program's benefits, as provided in this chapter; 2) meet with eligible tenants to determine any specific needs; 3) locate Comparable Units that are available for lease; 4) offer rental leases for up to two Comparable Units to each eligible tenant if first offer rejected; 5) allocate relocation assistance to the owner(s) of the Comparable Units and eligible tenants, making relocation payments as appropriate; and 6) produce a schedule for implementation of the plan, including the proposed date of withdrawal of the residential hotel units.

## **BACKGROUND INFORMATION ON THE CITY'S RELOCATION ORDINANCE FOR DOWNTOWN RESIDENTIAL HOTELS**

In October 1986, the Sacramento City Council adopted an ordinance requiring that relocation benefits be paid to residents of downtown residential hotels, often called single room occupancy (SRO) hotels, upon their withdrawal or conversion to other uses. These older residential hotels, many of which were built in the 1920s, were defined as buildings with six or more rooms that lack either or both a self-contained kitchen or bathroom, and that are rented out for sleeping purposes. Other than these physical characteristics, residential hotels primarily house persons who have no other residence, distinguishing them from transient hotels.

The purpose of the relocation benefits in the 1986 ordinance was to mitigate the effects of displacement on the very low-income persons who were the hotels' primary residents. The Council adopted the ordinance at a time of great concern about the rate at which the residential hotels were being converted or demolished in downtown Sacramento. Adoption of the 1986 relocation ordinance followed a moratorium on residential hotel conversion passed in 1983 in response to the loss of six hotels from the late 1970s to 1983.

The 1986 relocation ordinance limited its purview to residential hotels in the Uptown Redevelopment Area, which in general extended from 7<sup>th</sup> Street to 18<sup>th</sup> Street, and from I Street to L Street. (The Uptown Redevelopment Area subsequently became part of the Merged Downtown Sacramento Redevelopment Area.) Sixteen residential hotels operated in the redevelopment area at that time, renting 1,013 units.

Over the past 20 years, six downtown residential hotels have been withdrawn or demolished. (Please see the table of residential hotels, below.) The Californian made way for the new central library, the Flagstone and Royal were declared unsafe to occupy, the Clinton withdrew for health and safety code violations, and the Biltmore closed to prepare for a new use. (No information is available on the closure of the Hull.)

During the same period, two single room occupancy projects were developed with public funds outside of the Uptown/Merged Downtown redevelopment area - The Terraces and the Midtown Motel – and one, Pensione K, was constructed within the downtown redevelopment district. The Midtown Motel is no longer covered by an affordable housing regulatory agreement.

In addition, five residential hotels in the downtown redevelopment area were rehabilitated with public funds: The Shasta/Argus, Sequoia, YWCA, Ridgeway and Berry. These additions and improvements to the residential hotel inventory were in part a result of the Residential Hotel Construction and Rehabilitation Program, adopted by City Council in May 1990.

The chart below shows the change from 1986 to 2006 in the inventory of SROs in the downtown redevelopment area – the only area covered by the City relocation ordinance.

**Residential Hotel Inventory 1986 - 2006**  
**Hotels Covered under the 1986 Ordinance**

TABLE A

Residential Hotel	Units in 1986	Units in 2006
Berry Hotel, 729 L Street	105	105
Biltmore Hotel, 1009 ½ J Street	38	0
Californian, 801 I Street	112	0
Capital Park, 1125 9 <sup>th</sup> Street	180	180
Clinton Hotel, 17 <sup>th</sup> and I Streets	15	0
Congress Hotel, 906 12 <sup>th</sup> Street	30	30
Flagstone, 1111 7 <sup>th</sup> Street	42	0
Golden Hotel, 1010 ½ Tenth Street	27	27
Hull, 16 <sup>th</sup> and I Streets	9	0
Marshall Hotel, 1122 7 <sup>th</sup> Street	95	95
Ridgeway Hotel, 914 12 <sup>th</sup> Street	58	58
Royal Hotel, 1121 7 <sup>th</sup> Street	82	0
Sequoia Hotel, 911 K Street	87	87
Shasta Hotel, 1021 Tenth Street	83	80
Wendell Hotel, 1208 J Street	18	18
YWCA, 1122 17 <sup>th</sup> Street	32	32
<b>Total Residential Hotel Units</b>	<b>1,013</b>	<b>712</b>

Note: Unit numbers vary slightly due to the counting of a manager's unit.

**Residential Hotels Added to the Inventory from 1986 – 2006**

TABLE B

Residential Hotel	Units Added
The Terraces, 1615 O Street	60
Pensione K, 1100 17 <sup>th</sup> Street	125
<b>Total Additional Units</b>	<b>185</b>

Recommended Amendments to the 1986 SRO Relocation Ordinance

The 1986 residential hotel relocation ordinance contained the following major provisions:

- A 60-day notice to hotel residents and the Sacramento Housing and Redevelopment Agency of the owner's intent to withdraw or demolish a hotel or any of its units (other than for temporary rehabilitation);
- Payment of \$1,500 to each resident who had lived in the hotel more than 32 consecutive days prior to withdrawal (\$2,500 total for two or more persons occupying the same room);
- Protection from tenant evictions during the period of withdrawal; and
- A requirement to request a conversion certificate from City Council upon completion of the relocation obligations.

The chart on the following page describes the major changes to the 1986 ordinance recommended by staff.

### Comparison of Major Provisions of 1986 SRO Ordinance and Amendments

Provision	1986 Ordinance	2006 Recommendations
Coverage	SROs in Uptown Redevelopment Area (16 hotels – 1,013 units)	Ten remaining SROs covered in 1986 ordinance – 712 units
Eligible Tenant	Resident for at least 32 consecutive days prior to Notice to Tenants	Resident for at least 30 consecutive days prior to Notice to Tenants
Relocation Payment Amount	\$1,500 per tenant; \$2,500 total for 2 or more tenants in 1 room	\$2,400 per tenant; \$4,000 total for 2 or more tenants in 1 room
Owner Obligation	Notice tenants, pay relocation amount	Notice tenants, prepare relocation plan, find and offer comparable housing, pay appropriate relocation benefit
Distribution of Relocation Payment	Payment to eligible tenant	80% to comparable housing rent and deposits; 20% to eligible tenant for moving expenses. Payment (100%) to eligible tenant if comparable housing not accepted or if not offered comparable housing
Noticing	Notice of Withdrawal to SHRA; Notice to Tenants includes withdrawal schedule, benefits, process	Notice of Withdrawal to SHRA includes relocation plan; Notice to Tenants includes withdrawal schedule, benefits, process
Conversion Certificate to City Council	Application to be submitted if owner complied with ordinance; filed after 60 days from Notice to Tenant; lists relocation payments	Same provisions with addition of lists of comparable units offered and eligible tenants who have relocated

Replacement Housing (3)	None	City to maintain, or cause to be maintained, to the extent feasible, 712 SRO or efficiency units citywide ("no net loss"); provide replacement housing plan
Pre-emption by State and Federal Relocation Law (4)	Not mentioned	Federal and state relocation requirements, applicable when public funding used, have precedence over local relocation requirements

## Notes:

1. "Comparable unit" is a residential hotel unit, an efficiency unit, or a one-bedroom apartment that is decent, safe, and sanitary, that is similar in amount of habitable living space, and that has a listed rent that is similar to the unit being withdrawn. The Comparable Unit should also be in close proximity to public transit.
2. "Relocation assistance plan" is a written document that includes the owner's responsibility to 1) inform eligible tenants of the program's benefits, as provided in this chapter; 2) meet with eligible tenants to determine any specific needs; 3) locate Comparable Units that are available for lease; 4) offer rental leases for up to two Comparable Units to each eligible tenant if first offer rejected; 5) state the amount of relocation assistance to the tenant and the owner of the Comparable Unit; and 6) produce a schedule for implementation of the plan, including the proposed date of withdrawal of the residential hotel unit.
3. The cost of SRO replacement housing may not be imposed on the residential hotel owner. California courts have recently held that the Ellis Act (Government Code Sec. 7060 et seq.) precludes local entities from requiring an owner seeking to remove units from the rental market to construct replacement housing, or to pay a substantial in-lieu fee for the construction of replacement housing.
4. State or federal relocation requirements prevail over the city's ordinance if state, federal, or local redevelopment funds are part of the transaction, either on the owner's or seller's side. Existing SROs with such public funds include the Berry, Pensione K, Ridgeway, Sequoia, Shasta, and the YWCA. In addition, these hotels are subject to the state's housing preservation ("opt-out") statutes, which regulate their sale. The Midtown Motel, which was converted and rehabilitated with federal funds that included project-based vouchers, is also subject to federal and state housing preservation statutes.

Relocation Timetable

The proposed amendments project the following sequence of events:

- Owner notices SHRA of intent to withdraw or convert SRO units
- Owner notices tenants (at least 60 days prior to applying for a conversion certificate)
- Owner offers tenants comparable units
- Owner applies for conversion certificate
- Owner pays relocation benefits and/or documents previous payments
- Last day for tenants to leave the hotel is 60 days after City Council approves conversion certificate

## **City Code Chapter 18.20 modifications recommended by the Sacramento Housing and Redevelopment Commission**

### **At their meeting of September 6, 2006**

18.20.060 C.2. Good Faith Effort. In the last sentence, omit the phrase "against existing and relevant market data" so that the sentence reads: "The Director shall review the information provided and make a recommendation to the Council on whether the owner has satisfied the good faith effort obligation."

18.20.160 A. Replacement Housing. Omit the phrase "to the extent financially feasible and practicable" in the first sentence so that the sentence reads: "The City shall maintain or cause to be maintained an inventory of not less than 712 residential hotel or Comparable Units; and to this end shall replace or cause to be replaced the residential hotel units subject to this chapter that are to be withdrawn, converted or demolished."

18.20.160 B.3. Residential hotel units. Modify the sentence to add the phrase "nor regulated by this chapter" so that the sentence reads: "Acquisition or purchase of covenants of existing housing that is neither currently regulated for affordability nor regulated by this chapter."

18.20.160 C.2. Add "Sacramento Metropolitan" to "area median income" throughout the paragraph.

18.20.160 D. Add to this section the following or similar language: "The Director may permit time extensions to the replacement schedule required in this section if he or she determines, upon sufficient documentation, that delays in the production of replacement housing units have been caused by the unavailability of expected financing and/or infrastructure and other development problems that were not under the control of the developer."

Public meetings. The Commission requested that the ordinance include public meetings before the Commission during the residential hotel withdrawal process and at the time of the annual report to Council on the residential hotel program as described in 18.20.160. E. The public meeting during the withdrawal process could be added to the section 18.20.070 Notice of Withdrawal by adding a paragraph C or similar language: "The Director shall schedule a public meeting before the Sacramento Housing and Redevelopment Commission to be informed of the planned withdrawal of residential hotel units."

### **At their meeting of September 20, 2006**

18.20.160 A The replacement units shall be provided within three years of the date that the conversion certificate is approved for the units to be replaced; provided that the time may be extended by up to one year upon determination by the Council that the production of the replacement units is delayed due to the unavailability of anticipated financing or other circumstances beyond the City's or SHRA's control.

## ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING CHAPTER 18.20 OF TITLE  
18 OF THE CITY CODE RELATING TO RESIDENTIAL  
HOTEL UNIT CONVERSION OR DEMOLITION

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO

Section 1

Chapter 18.20 of Title 18 of the City Code is amended to read as follows:

### **Chapter 18.20 RELOCATION BENEFITS PERTAINING TO RESIDENTIAL HOTEL UNIT CONVERSION OR DEMOLITION**

#### **18.20.010 Purpose.**

It is the purpose of this chapter to mitigate the adverse effects on displaced low income, elderly and disabled persons caused by withdrawal from rent or lease of residential hotel units in the downtown area by:

- A. Regulating the withdrawal, demolition and/or conversion of those residential hotels listed in Section 18.20.040
- B. Ensuring the provision of relocation assistance to tenants, in the event of withdrawal, conversion or demolition.
- C. Ensuring the provision of replacement housing when the residential hotels listed in Section 18.20.040 are withdrawn, converted, or demolished.

#### **18.20.020 Findings.**

A. There is a shortage of decent, safe, sanitary and affordable rental housing for very low-income persons in the city. Residential hotels have historically provided affordable rental housing of last report for those persons.

B. In 1961, there were approximately seventy-eight (78) hotels in the downtown area. Most of these were residential hotels. Sixty-eight (68) of these hotels have been demolished or converted to commercial uses. The majority were residential hotels.

C. In 1960, residential hotels provided three thousand five hundred fifty-eight (3,558) housing units. By 1986, there were only one thousand thirteen (1,013) of these original residential hotel units left, and by 2006 the number of residential hotel units

covered by the 1986 ordinance had decreased to seven hundred twelve (712) units, distributed among ten residential hotels.

D. Residential hotels provide permanent housing for very low-income persons, many of whom are elderly or disabled. Most of these residential hotel units are occupied by persons who are not transient; the residential hotel is their only residence.

E. There is a mounting market pressure to demolish or convert the remaining residential hotels.

F. Loss of the remaining residential hotel units, without relocation assistance, would have an adverse effect upon the displaced residents, most of whom have very low incomes. The costs of moving and locating comparable accommodations would be a financial hardship, increasing the chances that the displaced persons would become homeless.

G. Low-income housing in the downtown area is a diminishing resource.

H. It is in the public interest that demolition and/or conversion of residential hotels be regulated in order to protect the resident tenants.

I. It is in the public interest to ensure that at least 712 residential hotel or comparable units remain within the city of Sacramento.

#### **18.20.030 Definitions.**

"Comparable unit" means a residential hotel unit, an efficiency unit, or a one-bedroom apartment that is decent, safe, and sanitary, that is similar in amount of habitable living space, and that has a listed rent that is similar to the unit being withdrawn. The Comparable Unit should also be accessible to public transit.

"Director" means executive director of the Sacramento Housing and Redevelopment Agency, or the executive director's designee.

"Efficiency unit" means efficiency unit as defined in the Sacramento City Code Sec. 17.16.010.

"Just cause" means failure to pay rent after service of a three-day notice; failure to comply with reasonable terms of a lease or rental agreement; committing waste or creating a nuisance; using the premises for an illegal purpose.

"Posting." Where posting of a notice is required by this chapter, the notice shall be posted in a conspicuous location at the front desk in the lobby of the hotel, or if there is no lobby, in the primary public entrance way.

"Relocation assistance plan" means a written document that sets forth the owner's plan to accomplish the following: 1) to inform eligible tenants of the program's benefits, as provided in this chapter; 2) to meet with eligible tenants to determine any specific needs; 3) to locate Comparable Units that are available for lease; 4) to offer rental leases for up to two Comparable Units to each eligible tenant, the second unit being offered if the first is rejected; 5) to allocate relocation assistance to the owner(s) of the Comparable Units and eligible tenants, and make relocation payments, as appropriate; and 6) to provide a schedule for implementation of the plan, including the proposed date of withdrawal of the residential hotel unit.

“Residential hotel” means any building containing six or more rooms intended or designed to be used, or which are used, rented, or hired out, to be occupied, or which are occupied, for sleeping purposes by tenants, which is or may be the primary residence of such tenants, provided that a majority of these rooms are residential hotel units. Residential hotels are not buildings containing six or more guestrooms which are primarily used by transient guests who do not occupy the hotel as their primary residence. Residential hotels are also known as single room occupancy (SRO) hotels.

“Residential hotel unit” means a room in a residential hotel intended or designed to be used, or which is used, rented, or hired out, to be occupied, or which is occupied for sleeping purposes by a tenant, and which lacks either or both a self-contained kitchen or bathroom. (As of 1998, residential hotels may contain efficiency units. (Sacramento City Code Section 17.16.010.)

“Withdrawal of residential hotel unit from rent or lease” means changing the use of any residential hotel unit, whether occupied or vacant, to a use which is not a residential hotel unit; the demolition or destruction of any residential hotel unit, whether occupied or vacant; or the failure to offer publicly and in good faith a residential hotel unit for rent or lease to persons desiring to occupy the unit as a permanent residence; provided, however, that the temporary failure to offer a unit for rent or lease in order to accomplish needed maintenance or repairs shall not be considered a withdrawal.

#### **18.20.040 Application of Chapter.**

A. This chapter shall apply to the following residential hotels:

Berry Hotel, 729 L Street  
Capital Park, 1125 9<sup>th</sup> Street  
Congress, 906 12<sup>th</sup> Street  
Golden, 1010 ½ 10<sup>th</sup> Street  
Marshall, 1122 7<sup>th</sup> Street  
Ridgeway, 914 12<sup>th</sup> Street  
Sequoia, 911 K Street  
Shasta, 1021 10<sup>th</sup> Street  
Wendell, 1208 J Street  
YWCA, 1122 17<sup>th</sup> Street

B. This chapter shall apply to every residential hotel unit within a subject building.

#### **18.20.050 Requirements upon Withdrawal.**

Upon withdrawal from rent or lease of any residential hotel unit subject to this chapter, the owner shall comply with the notice requirements of Section 18.20.070 and 18.20.080 of this chapter, and the relocation benefits requirements of Section 18.20.060 of this chapter.

## **18.20.060 Relocation Benefits.**

Upon withdrawal of one or more residential hotel units from rent or lease, the owner shall provide a Relocation Assistance Plan that includes a description of the relocation benefits provided in this section.

A. Eligible Tenant. Relocation benefits shall be paid to the current occupant of each unit withdrawn if the occupant occupied the withdrawn unit, or another unit within the same building, for thirty (30) consecutive days or more immediately prior to the Notice to Tenants (Section 18.20.080).

If the current occupant is not eligible, or if the unit is vacant, relocation benefits shall be paid to the most recent past eligible tenant of the unit if:

1. Such tenant occupied the unit within one year prior to the withdrawal, and
2. The tenancy of such tenant was terminated without Just Cause or the tenant voluntarily vacated the premises within sixty (60) days after receiving a notice of rent increase.

No relocation benefits shall be payable to any person who becomes a tenant of a unit after a Notice to Tenants required by Section 18.20.080 of this chapter is given to that unit, and if the owner personally serves a copy of the notice on the tenant prior to occupancy. The owner shall obtain written acknowledgement of service of the notice on the tenant.

### **B. Relocation Payments**

1. Amount of Payment. The owner shall set aside a cash amount for relocation benefits to each eligible tenant in the amount of Two Thousand Four Hundred Dollars (\$2,400.00) per person, or Four Thousand Dollars (\$4,000.00) for two or more persons occupying the same room, to be divided proportionately among and between the occupants.

The amount of relocation benefits payable shall be adjusted annually by the Director by the annual average percentage increase in the consumer price index for all urban consumers, western region, all items, as published by the U.S. Bureau of Labor Statistics.

2. Purpose of Payment. Of the relocation benefit amount, the owner shall pay up to eighty (80) percent of the payment directly to the landlord of the Comparable Unit for the first and last month's rent and security deposit for the Comparable Unit accepted by the eligible tenant or tenants. The remaining twenty (20) percent of the relocation benefit amount shall be paid directly to the eligible tenant or tenants occupying one room for moving expenses and miscellaneous expenses. If less than eighty (80) percent of the relocation benefit amount is needed for the first and last months' rent and security deposit for the Comparable Unit, the balance shall be paid to the eligible tenant or tenants.

3. Timing of Payment. Twenty (20) percent of the relocation benefit amount shall be paid to current eligible tenants at least thirty (30) days before the tenants are required to vacate the units. If there is no current tenant, payment shall be

made to an eligible past tenant within thirty (30) days after the issuance of the conversion certificate.

4. Payment to Relocation Assistance Fund. In the event that there is a tenant eligible for relocation benefits who cannot be located by the owner, a sum equal to eighty (80) percent of the relocation benefits shall be deposited with the Sacramento Housing and Redevelopment Agency. If not claimed by the eligible tenant within one year after deposit, the funds shall be deposited in the city housing trust fund.

5. Tenant Rejection of Comparable Unit. If an eligible tenant rejects the owner's offers of Comparable Units, the owner shall request the tenant to sign a statement verifying the rejection and if the tenant refuses, the owner shall document the rejection of the offers. An eligible tenant who rejects the offers of Comparable Units shall be directly paid the full relocation benefit amount within thirty (30) days after the issuance of the conversion certificate.

6. Adequate Guarantees. Issuance of a conversion certificate shall be conditional upon the provision of adequate guarantees for payment of all relocation benefits, such as the posting of an irrevocable letter of credit, performance bond, or comparable security.

C. Relocation Units. Any residential hotel owner issuing a Notice to Tenants in accordance with Section 18.20.080 must locate Comparable Units that are offered for rent to eligible tenants. The Comparable Units will be offered prior to the owner's submitting an application for a conversion certificate. That application shall include a list of units offered to each tenant, their addresses, and current rents.

1. Rejection of Comparable Units. Should a Comparable Unit be rejected by an eligible tenant, the residential hotel owner shall be obligated to locate a second Comparable Unit offered for rent to the eligible tenant. Should the second Comparable Unit be rejected by the eligible tenant, the residential hotel owner has no further obligation under this chapter with regard to the offering of Comparable Units.

2. Good Faith Effort. If the residential hotel owner has not offered Comparable Units to every eligible tenant in accordance with this subsection, the conversion certificate shall issue only upon a finding that the owner made substantial and reasonable good faith efforts to locate and offer the requisite Comparable Units. The burden shall be on the owner to demonstrate substantial and reasonable, good faith efforts, and the owner shall provide information to the Director, as part of the application for conversion certificate, regarding the number of eligible tenants to whom Comparable Units were offered, with copies of lease proposals or other documentation evidencing offers to rent; the efforts made to locate Comparable Units, including the identity of, and contact information for, persons, firms and agencies contacted; such other information as the owner deems relevant to the issue of whether the owner has made substantial and reasonable good faith efforts. The Director shall review the information and make a recommendation to the Council on whether the owner has satisfied the good faith effort obligation.

D. Technical Relocation Assistance. At the residential hotel owner's request, the Sacramento Housing and Redevelopment Agency shall provide a list of relocation services and real estate firms or housing organizations experienced in the affordable

rental market. It will also provide a list of vacant units in properties owned by the housing authority and information on public housing applications.

**18.20.070 Notice of Withdrawal.**

A. Prior to withdrawing from rent or lease any residential hotel unit covered by this chapter, the owner shall give written notice of the planned withdrawal to the Director. The Notice of Withdrawal shall include the Relocation Assistance Plan and the following additional data:

1. A schedule by which the conversion steps will occur, including the delivery of the Notice to Tenants, the expected date of application for a conversion certificate, and the expected date of withdrawal of the residential hotel units;

2. The name of the current tenant and the date of the tenant's occupancy in any room of the hotel; and, if the current tenant is not an eligible tenant, the name and last-known address of the most recent eligible tenant, the dates of occupancy, the reason for termination of the tenancy, and whether the owner had given a notice of rent increase within sixty (60) days prior to termination of the tenancy;

3. A copy of the Notice to Tenants, which shall not be posted or delivered prior to the Notice of Withdrawal; and

4. A copy of the current rent schedule for residential hotel units.

B. The Director shall monitor the owner's compliance with the owner's Relocation Assistance Plan.

C. The Director shall schedule a public meeting before the Sacramento Housing and Redevelopment Commission on the planned withdrawal of residential hotel units.

**18.20.080 Notice to Tenants.**

At least sixty (60) days prior to applying for a conversion certificate, the owner shall post in a prominent location and provide individual notices to each eligible tenant of the building, to the last eligible tenant of each vacant unit, and to each unit not occupied by an eligible tenant.

The notice shall be dated and include:

A. A statement that the owner is applying for a conversion certificate;

B. A statement that the tenant or former tenant may be eligible for relocation benefits pursuant to this chapter, and a description of those benefits;

C. A statement that a tenant occupying a residential hotel unit after the issuance of the notice to tenants is not eligible for relocation benefits;

D. The expected date that the unit will be withdrawn;

E. A statement that tenants have the right to occupy a residential hotel unit for sixty (60) days after issuance of a conversion certificate;

F. A statement that tenants will receive notice of the hearing on the conversion certificate to be held by the City Council and will have the right to appear at or be represented at the hearing; and

G. A local phone number of the owner or the owner's representative.

#### **18.20.090 Application for a Conversion Certificate.**

No building permit, demolition permit, special permit or other land use entitlement which would result in withdrawal from rent or lease of one or more residential hotel units shall be issued for a building subject to this ordinance unless the city council issues a conversion certificate indicating that the owner has complied with all requirements of this chapter, or has provided satisfactory guarantees of future compliance. An owner who has demonstrated substantial and reasonable, good faith efforts within the meaning of Section 18.20.060 shall be considered to have complied with the requirements of this Chapter.

The application for conversion certificate shall be made to the Director and shall contain:

A. A tenant list or lists, including:

1. The name of each eligible tenant currently residing in the building at the time the Notice to Tenants was issued;

2. A list of units not currently occupied by eligible tenants;

3. A list of names and last-known addresses of the last eligible tenants to reside in each vacant unit or in a unit with an ineligible tenant, including the dates of occupancy, whether the tenancy was terminated by the owner or the tenant, the reason for termination, and whether a notice of rent increase had been given to the tenant within sixty (60) days prior to termination.

4. A list of any new tenants occupying a residential hotel unit after the Notice to Tenants was issued, for whom relocation benefits are not provided.

B. Evidence that the Notice to Tenants required by Section 18.20.080 of this chapter was given at least sixty (60) days prior to submission of the application and posted for at least sixty (60) days prior to submission of the application.

C. A listing of the relocation benefits paid or to be paid by the owner in compliance with this chapter, indicating the recipient, amount, and date of actual or proposed payment.

D. A list of the Comparable Units provided to each tenant.

E. A list of tenants who have relocated.

F. If the Owner has not offered Comparable Units as called for by this Chapter, but is claiming to have made good faith efforts pursuant to Section 18.20.060-C-2, information specified in that Section shall be provided.

The Director will review the information submitted in the application for a conversion certificate and forward the application to City Council with a recommendation on whether the owner has complied with all requirements of this chapter.

#### **18.20.100 Consideration of Application—Issuance of Conversion Certificate.**

The application shall be considered at a hearing of the city council. Notice of the hearing shall be posted by the owner for at least fifteen (15) days prior to the hearing and shall be mailed at least fifteen (15) days prior to the hearing to each tenant and former tenant to whom the Notice to Tenants was required to be given under Section 18.20.080 of this chapter. Notice of the hearing shall be mailed by the Director at least fifteen (15) days before the hearing to anyone who has submitted a written request to the Director at least twenty (20) days prior to the hearing for notices of hearings held pursuant to this section

The council shall issue a conversion certificate if it finds that the applicant has complied with all requirements of this chapter.

A conversion certificate shall provide that tenants occupying the building on the date of issuance shall have the right to continued occupancy for at least sixty (60) days at the same rental rate in effect on the date of issuance, subject to eviction for Just Cause. The owner may withdraw a unit within this 60-day period if the tenant has relocated.

#### **18.20.110 Effect of Noncompliance.**

The failure of the owner to comply with any condition imposed upon the conversion certificate or any obligation imposed by this chapter shall be grounds for revocation, suspension, or cancellation of any permit or land use entitlement which required prior or contemporaneous issuance of a conversion certificate.

#### **18.20.120 Preservation of Historic Structures.**

This chapter does not supersede the requirements of Chapter 15.124 (Historic Preservation) of this code.

#### **18.20.130 State and Federal Relocation Assistance**

This chapter does not supersede federal and state relocation requirements or property disposition or notice requirements that pertain to any residential hotel as a result of public financing.

#### **18.20.140 Involuntary Withdrawal or Abatement.**

The requirements of this chapter shall apply to the withdrawal of units as the result of abatement by public authorities or other involuntary circumstances, unless the condition causing the withdrawal was beyond the control of the owner.

### **18.20.150 Complaints of Noncompliance.**

The Director shall establish a procedure for accepting complaints of noncompliance with the requirements of this chapter from tenants and other interested persons.

### **18.20.160 Replacement Housing Plan**

A. The City shall maintain or cause to be maintained an inventory of not less than 712 residential hotel or Comparable Units; and to this end shall replace or cause to be replaced the residential hotel units subject to this chapter that are to be withdrawn, converted or demolished. The replacement units shall be provided within three years of the date that the conversion certificate is approved for the units to be replaced; provided that the time may be extended upon determination by the Council that the production of the replacement units is delayed due to the unavailability of anticipated financing or other circumstances beyond the City's control.

B. To assist in the accomplishment of this requirement, the Director shall recommend for city approval replacement housing plans for residential hotel units regulated by this chapter that are the subject of an application for a conversion certificate. The city may replace units prior to the approval of conversion certificates.

C. Residential hotel units may be replaced through any of the following methods:

1. Construction of new housing;
2. Rehabilitation of existing non-regulated property, including conversion of commercial property into residential units or residential mixed-use; and
3. Acquisition or purchase of covenants of existing housing that is neither currently regulated for affordability nor regulated by this chapter.

D. Replacement units shall meet the following requirements:

1. Comparable, as defined in Section 18.20.030.
2. Rental costs not exceeding forty (40) percent of the Sacramento metropolitan area median income, adjusted for household size. Project-based rental assistance shall qualify as meeting the rent affordability standard. If an entire project consists of comparable units, all units whose rents are regulated at or below fifty (50) percent of the Sacramento metropolitan area median income may count as replacement units so long as the average rents of those units does not exceed forty (40) percent of the Sacramento metropolitan area median income.
3. Located in close proximity to transportation and services.
4. Recorded affordability covenants for the longest feasible time, but not less than 55 years.

E. Within 90 days of the approval of a conversion certificate, the City shall adopt a replacement housing plan which includes the following:

1. If the units have been replaced, a description of their location, unit type(s), rent levels, occupancy income limits, and any project-based rental assistance, if available.

2. If some or all of the units have not been replaced, the following information is required:

- a. Description of the type of project through which the replacement units will be provided (Paragraph C. above).
- b. A schedule for replacing the units indicating that they will be available no later than three years after the adoption of the replacement housing plan.
- c. Proposed financing plan(s).
- d. Location of replacement units.
- e. Survey of rents and incomes of the Eligible Tenants in the residential hotel units being converted or withdrawn. This information may be taken from the Notice of Withdrawal (Sec. 18.20.070).
- f. Proposed rents and occupancy limits.

3. A draft of the City's replacement housing plan shall be made available to the general public at least 30 days prior to the City Council's adopting the replacement housing plan.

F. The director will report yearly to the Sacramento Housing and Redevelopment Commission and City Council on the number of residential hotel units withdrawn, the number of new units expected based on approved replacement housing plans, and units constructed in anticipation of conversions or withdrawals.

## **RESOLUTION NO. 2006 -**

**Adopted by the Sacramento City Council**

on date of

**A RESOLUTION DIRECTING CITY STAFF TO PREPARE FOR COUNCIL CONSIDERATION AN AMENDMENT TO THE HOUSING ELEMENT OF THE GENERAL PLAN TO ADD A PROGRAM FOR PRESERVATION AND DEVELOPMENT OF SINGLE ROOM OCCUPANCY AND EFFICIENCY APARTMENTS FOR VERY LOW AND EXTREMELY LOW INCOME PEOPLE.**

### **BACKGROUND**

- A. Since 1986 the City of Sacramento has lost 301 residential hotel units due to conversion and/or demolition. This loss of units, which are affordable to very low income people, continues a trend which has been ongoing since the 1960s, with cumulative losses of over 2,500 units.
- A. The City of Sacramento 2002 Housing Element Update identified a need to construct 697 new units and rehabilitate 433 units affordable to very low income individuals (less than 50% Area Median Income).
- C. In March 2006 the City Council approved \$15 million in Merged Downtown Tax Allocation Revenue Bond funds for preservation of existing residential hotel housing and development of new efficiency apartments to provide housing with social services for very low and extremely low-income people.

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

Section 1. The Planning Department is directed to prepare for Council consideration an amendment to the Housing Element to add a program and action plan for preservation and/or development of SRO/efficiency apartments in sufficient numbers to maintain a total inventory of at least 1,013 single-room occupancy units city-wide.

# RESOLUTION NO. 2006 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

## SINGLE ROOM OCCUPANCY (SRO) PRESERVATION AND EFFICIENCY APARTMENT REPLACEMENT ACTION PLAN

### BACKGROUND

- A. In March 2006, the Redevelopment Agency of the City of Sacramento approved a resolution establishing a \$15 million budget for loans to preserve 100 existing Downtown SRO units and to assist the construction of 200 new efficiency apartment units for very low income tenants.
- B. In March and April 2006, Redevelopment Agency staff released a Request for Applications (RFA) and held a briefing attended by development firms who expressed interest in developing units under the RFA. Agency staff has had numerous meetings since April 2006 in which developers have noted the difficulty and excessive cost involved in acquiring suitable sites for this type of development.
- C. Since April 2006, Redevelopment Agency staff has held meetings with owners of downtown SRO hotels to encourage their participation in the Agency's RFA.
- D. In order to encourage existing owners and stimulate new development, staff recommends an action plan for preservation of downtown SRO housing and for replacement of units lost through conversion or demolition.

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

- Section 1. The Agency adopts the SRO Preservation and Efficiency Apartment Replacement Action Plan, attached as Exhibit A to this Resolution.

#### **Table of Contents:**

Exhibit A: (TEXT) – 2 Pages

**SINGLE ROOM OCCUPANCY PRESERVATION AND EFFICIENCY APARTMENT  
REPLACEMENT ACTION PLAN**

<b>Property/Location</b>	<b>Scope of Work</b>	<b>Timeline</b>	<b>Challenges</b>
Ridgeway Hotel 914 12 <sup>th</sup> Street	Gut rehabilitation and conversion to efficiency apartments	RFA response - October 2006; SHRA funding commitment – February 2007; tax credit submittal in March 2007	Restructure of ownership and existing financing, temporary/permanent relocation, addition of services
YWCA 17 <sup>th</sup> and L Streets	Rehabilitation to achieve 15 year life on all major building components	RFA response – September 2006; SHRA funding commitment – December 2006	Existing financing pay-off/restructure, temporary relocation, addition of services
Sequoia Hotel 911 K Street	Replacement and/or renovation of all flooring, common kitchens and bathrooms; new roof and surveillance system	RFA response – December 2006; SHRA funding commitment – February 2007	Ownership restructure, addition of services
New construction site to be identified	New construction of 75-100 unit efficiency apartment development	Site to be identified by December 2006; release RFP for site by March 2007	Neighborhood concern/opposition to tenant population.

## Criteria for Efficiency Apartment Housing

### Location Criteria

- Near public transit
- Near community-based services available to tenants
- Near commercial amenities
- Sensitive to adjoining land uses

### Social Services Criteria

- Developer must partner with non-profit service provider and experienced property manager
- Social services plan tailored to meet the needs of very low and extremely low income tenants
- Development plan that includes sufficient common area for delivery of services.

### Financial Criteria

- Maximize leverage of non-Agency capital funding sources, particularly the Low Income Housing Tax Credit Program
- Maximize leverage of sources of operating subsidy, such as Project-Based Housing Choice Vouchers and Mental Health Services Act funding
- Encourage developers to seek sources of service subsidies available through the Mental Health Services Act and other sources such as McKinney-Vento funding administered by the County Department of Health and Human Services

