

Item No. 28

Supplemental Material

For

City of Sacramento

City Council

Agenda Packet

Submitted: 10/26/07

For the Meeting of: 10/30/07

Additional Material

Revised Material

Subject: Sacramento Railyards Progress Report

*** Revised Draft Inclusionary Housing Plan

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Please include this supplemental material in your agenda packet. This material will also be published to the City=s Intranet. For additional information, contact the City Clerk Department at Historic City Hall, 915 I Street, First Floor, Sacramento, CA 95814-2604 B (916) 808-7200.



DEVELOPMENT SERVICES
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

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MEMORANDUM

Date: October 26, 2007

To: Mayor Fargo
Members of the City Council

From: Greg Bitter, Principal Planner

SUBJECT: Railyards Progress Report
Revised Inclusionary Housing Plan

City and Sacramento Housing and Redevelopment Agency staff continue to work with the applicant regarding the Inclusionary Housing Plan (IHP). This effort has resulted in several improvements to the IHP which are included in the October 25, 2007 draft of this document.

In order to highlight the changes to the IHP, the attached document is a red-lined version of the October 16, 2007 draft IHP, which is included in the Council staff report (pages 10-14). The revised IHP does contain deviations from the City's Mixed Income Ordinance as follows:

- Provision for the City to consider crediting the development for affordable special needs housing at a rate of 1.5 credits for each unit constructed. The Mixed Income Housing Ordinance does not recognize special needs housing as a separate category of housing. This provision could reduce the total number of inclusionary units provided.
- Removal of 200 unit limit to allow alternative affordability percentages for condominium projects. The current Mixed Income Housing Ordinance allows for condominium projects of 200 units or fewer to meet the alternative inclusionary standard of five percent (5%) very low income units and ten percent (10%) low income units. The applicant's proposal would allow this alternative standard for all "for-sale" residential units.
- Credit for the 150 unit low income efficiency apartment project, proposed by the City and SHRA, at 7th and H Streets. This credit would cover the inclusionary requirement for the first 1,000 residential units in the Railyards. Staff has suggested this would be a

reasonable incentive to encourage early construction of residential units in the Railyards. The applicant is requesting a 12 year limit for the use of this credit. If any portion of the credit is not used, the units would be made up on a pro rata basis in later phases.

- Location of inclusionary units is at the sole discretion of the developer, in conformity with the Mixed Income Ordinance.
- Ability to locate very low income inclusionary units off-site if approved by the City.
- Use of all Housing Trust Fund revenues generated by the project must be expended within the Railyards for the provision of inclusionary units, or off-site for inclusionary units determined to meet the developer's inclusionary obligation.
- The City and the Redevelopment Agency of the City (RACS) will consider using Housing Trust Fund fees and redevelopment funds generated from other areas to subsidize the Railyards' inclusionary requirement.

[DRAFT] INCLUSIONARY HOUSING PLAN
The Railyards
October 25~~16~~, 2007

Introduction

The City of Sacramento Mixed Income Housing Ordinance, Municipal Code Chapter 17.190 ("Inclusionary Housing Ordinance"), sets forth affordable housing requirements for new growth areas (the "Inclusionary Requirement"). Pursuant to section 17.190.110 (B) of the Inclusionary Housing Ordinance, an Inclusionary Housing Plan must be approved prior to or concurrent with the approval of legislative entitlements for the Project. This document constitutes the Inclusionary Housing Plan for the Project and its approval shall obviate the need for any further permits or approvals with respect to the parameters of the Project's Inclusionary Requirement. However, future developers of residential projects shall be required to submit site-specific plans showing the location, bedroom size, and any design changes for inclusionary units, for the City's review pursuant to the Railyards Special Planning District process. Such site-specific plans shall be consistent with the affordability percentages and income levels for rental and ownership housing that are specified in this Inclusionary Housing Plan.

Subsequent approvals for the Project will be consistent with the Inclusionary Housing Plan, and development of further detail concerning such items as the siting, mix and phasing of affordable residential units shall, pursuant to section 17.190.110 of the Inclusionary Housing Ordinance, be set forth in an Inclusionary Housing Agreement(s) executed by the Developer and the City, the Redevelopment Agency of the City ("RACS"), or the Sacramento Housing and Redevelopment Agency ("SHRA"), as applicable, and recorded against all the residential land in the Project. The Inclusionary Housing Agreement(s) and any amendments to the Inclusionary Housing Plan shall be consistent with the Development Agreement and the Railyards Special Planning District.

Thomas Enterprises is the owner and developer (the "Developer") of certain real property in the City of Sacramento known as The Railyards, an urban infill mixed-use redevelopment project which will include up to 12,000 high density housing choices (the "Project"). The Project is located within the current Richards Boulevard Redevelopment Area and the proposed Railyards Redevelopment Area.

Market Analysis for Ownership Housing

The SHRA has committed to undertake a market analysis in order to make recommendations to the City Council concerning realistic income levels for affordable ownership housing, as a follow-up to a City Council housing workshop in May 2007. In the event that the Inclusionary Housing Ordinance is amended to reflect that market analysis, the City agrees that the Developer shall be entitled to modify this Inclusionary Housing Plan accordingly.

Current Standards for Rental and Ownership Housing

In the interim, the ~~—~~The Developer will comply with the current Inclusionary Housing Ordinance for the Project, as follows. The Developer acknowledges the “standard” Inclusionary Requirement of ten percent (10%) very low income units and five percent (5%) low income units, for a total of fifteen percent (15%) affordable units within the Project (the “Inclusionary Units”). Developer will meet this standard for rental units. Because the Project must also comply with the Community Redevelopment Law, California Health and Safety Code ~~section~~Section 33330, *et seq.* (the “CRL”), ~~-~~rental Inclusionary Units provided for the Project will remain affordable for 55 years pursuant to the Community Redevelopment LawCRL, rather than for 30 years as provided in the Inclusionary Housing Ordinance.

~~In recognition of the large subsidy required to meet affordability standards of “for sale” units, the current —~~The Inclusionary Housing Ordinance provides an “alternative” standard ~~for certain ownership units.~~ Pursuant to section 17.190.065 of the Inclusionary Housing Ordinance, multi-family residential condominium projects of 200 or fewer units may obtain a special permit to provide five percent (5%) very low income units and ten percent (10%) low income units. The residential development of the Railyards will be high density; the greater that density, the greater the financial subsidy will necessarily be to maintain affordability. Use of the alternative percentages provided in the ordinance is an economic necessity for the Project. The City ~~agrees~~acknowledges that condominiums within the Railyards Project of any size or density will qualify for the ratio of very low to low income units set forth in section 17.190.065, without limiting such alternative to discrete condominium projects of 200 or fewer units. Therefore, for any “for sale” residential product, the Developer will meet the alternative standard for condominiums of five percent (5%) very low and ten percent (10%) low income units. No special permits or further approvals (other than those approvals required under the provisions of the Railyards Special Planning District) shall be necessary for this alternative standard with respect to for-sale Inclusionary Units within the Project. ~~However, it is not economically feasible to provide ownership housing at the density proposed for the Project at the income levels specified in the Inclusionary Housing Ordinance. At a workshop before the City Council and the SHRA in May 2007, City and SHRA staff acknowledged that economic reality by emphasizing the need for a “modest” or moderate income homeownership program in the Central City as well as the need for increased public investment in affordable housing. Therefore, if the Developer provides ownership units, the ownership alternative is modified to require five percent (5%) Low Income Units and ten percent (10%) Moderate Income Units. Pursuant to the Community Redevelopment Law~~CRL, ownership Inclusionary Units will remain affordable for 45 years rather than the 30-year requirement in the Inclusionary Housing Ordinance. ~~No special permits or further approvals shall be necessary for the modified standard with respect to for-sale Inclusionary Units within the Project.~~

Number, Affordability Levels, and Tenure of Inclusionary Units

The total build-out of residential units in the Project has not yet been finalized. Based on current Project proposals of a total of 12,000 dwelling units, the Inclusionary Requirement

is 1800 units. Under the standard requirement, 1200 very low income units Very Low Income Units and 600 low income units Low Income Units of rental housing could be provided. If the Developer provides multi-family condominiums, the percentages and qualifying income levels will be adjusted as described above. Acceptance of this Plan constitutes approval of those adjustments. Furthermore, if the Project approvals are amended to increase or decrease the number of dwelling units in the Project, this Plan will be adjusted to reflect a number equal to the stated percentages of the adjusted number of dwelling units.

~~———— The Inclusionary Housing Plan, which offers a mix of housing products affordable to a variety of households at different income levels, is supported by strong policy considerations. The California Redevelopment Association has reported on Californians who “make decent wages as nurses, teachers, public safety workers, retail employees, and similar occupations, but still struggle . . . due to the high cost of housing.” The Project offers the potential of a significant component of for-sale Moderate Income Units, in addition to Very Low Income Units, rather than targeting one income group exclusively. Furthermore, the Project provides significant opportunities for new home ownership, which realistically cannot be offered at less than moderate income affordability levels. The City has acknowledged such market realities, not only at the May 2007 workshop, but also as evidenced by the Inclusionary Housing Ordinance’s less stringent affordability percentages for multifamily residential condominiums.~~

Special Needs Housing

The Developer seeksintends to provide affordable special needs housing as part of the Project. Sacramento Mayor Heather Fargo has noted that “affordable housing also includes an often forgotten segment of the population’s special needs housing.” The City’s Housing Element in the General Plan addresses, including housing for “individuals or households who share a common type of need due to age, disability, income or other mutual circumstance.” Government Code section 65583 includes within the definition of special needs groups the elderly, personsemancipated youth and disadvantaged young adults, and those coping with illness and disabilities, large families, and families with female heads of households, among other groups. The 2000 Census reported that Sacramento had over 150,000 special needs individuals and households.

The the California Legislature has recognized the importance of fulfilling this need, as well as the benefits provided to cities and residents s-from such housing, by including senior housing developments and special needs housing programs in legislation providing density bonuses, loan programs, or other development incentives. Several California cities, including San Francisco, Carlsbad and Novato, also have recognized this need by permitting inclusionary credit and offering density bonuses for senior and other special needs housing. In addition to granting a five percent (5%) density bonus for senior citizen housing developments of at least 35 units, the City of Burbank provides a credit against its inclusionary housing ordinance of 1.5 units for every Inclusionary Unit provided for the physically disabled. The Developer shall receive full credit toward the Inclusionary Requirement by providing senior and special needs housing. In addition to other density bonuses applicable to the Project pursuant

~~to law, the Developer shall receive a twenty-five percent (25%) density bonus for the provision of senior and special needs housing.~~

In recognition of the greater cost of constructing such units, the City will consider a credit for affordable special needs housing within the Project at a rate of 1.5 credits for every one (1) unit of affordable special needs housing as defined. Assistance for senior housing units shall be subject to the Community Redevelopment Law requirement that a redevelopment agency may not spend a disproportionate amount of its Low and Moderate Income Housing Fund on age-restricted housing.

Density Bonus

The Developer shall receive a density bonus pursuant to Government Code section 65915 and section 17.190.040 of the Inclusionary Housing Ordinance. In addition, should any City, State or Federal program or law permit the award of additional density bonuses, whether for provision of affordable housing, special needs housing, or otherwise, Developer shall have the right to apply for such bonuses and to receive them if awarded.

Proposition 1C Grant Requirements

Effective August 24, 2007, the Infill Incentive Grant Program of 2007, Health and Safety Code section 53545.12, *et seq.*, permits funds approved pursuant to State Proposition 1C to be used for capital outlay grants to qualifying urban infill residential and mixed-use projects. The program requires that fifteen percent (15%) of the dwelling units be affordable.- Rental units must be affordable to households earning no more than sixty percent (60%) of area median income, and ownership units must be affordable to households earning no more than one hundred twenty percent (120%).- In the event that Developer receives a capital outlay grant, this Inclusionary Housing Plan will be amended as necessary to ensure compliance with the Infill Incentive Grant Program requirements as well as continued compliance with the Inclusionary Housing Ordinance and the CRL.

Transit Oriented Development Housing Program

Health and Safety Code section 53560, *et seq.*, provides low-interest loans, grants, or a combination of the two, to qualifying housing developments and infrastructure projects to stimulate production of housing near transit stations. -Threshold requirements for application include the provision of at least fifteen percent (15%) of the total residential units as affordable rental and/or ownership units with affordability covenants lasting 55 years.- During the application process points are awarded for the affordable units, among other items.- The number of points awarded depends on the affordability level, which can range from twenty percent (20%) up to one hundred twenty percent (120%) of area median income.- The TOD Housing Program regulations are still being promulgated and may be revised before they are adopted. In the event that the Developer adjusts the number, type, or affordability level of the Inclusionary Units pursuant to the adopted TOD Housing Program, this Inclusionary Housing Plan will be amended as necessary to reflect the adjustments.

Unit Size

The sizes of Inclusionary Units have not yet been determined, but will accommodate households of diverse sizes, in conformity to the Inclusionary Housing Ordinance.

Location

The Inclusionary Units will be provided on the Project site, in either free-standing buildings or in buildings containing market rate units, to be determined at the Developer's sole discretion but in conformity to the requirements of the Inclusionary Housing Ordinance. However, the City and the Developer may agree to locate certain of the Very Low Income Units outside the Project Site, in a location identified by the SHRA as suitable sites for affordable housing and approved by the City, including but not limited to potential sites within the Central City and Richards areas. Siting of the on-site units and their buildings shall be at the Developer's discretion, in compliance with City Municipal Code section 17.190.050 (A) (2).

Phasing

The Inclusionary Housing Ordinance provides for development of the Inclusionary Units concurrently with the phasing of the Project unless otherwise provided in the Inclusionary Housing Plan. The City and SHRA have agreed to make available to ~~However, the Developer~~ the housing set aside funds generated by the terms of the Redevelopment Plan. In as much as these funds will not be available until after the completion of the initial phases of the Project, it is desirable to provide for the first 150 units of affordable housing by other means. The City and the SHRA have proposed to construct one hundred fifty (150) very low income efficiency apartments ("SRO Project"), to be subsidized by the SHRA with no Developer contribution, at 7th and H Streets, within the boundaries of the Railyards Project Area and adjacent to the Railyards Property. Such construction meets the City's goals under its Residential Hotel Ordinance and Developer agrees that this is a reasonable location and accommodation. ~~The City and the SHRA have offered a credit to the Developer of -the 150~~ affordable units toward the first residential phase 1,000 residential units of the Project, which Developer accepts. If the SRO Project is greater than 150 units, the credit will be extended pro rata. Accordingly, Developer shall have no obligation to develop Inclusionary Units in the first residential phase of 1,000 units (or more), and the units so constructed by the City and the SHRA shall be credited against Developer's total Inclusionary Requirement. In the event none of the 1,000 residential units are constructed within twelve years from the date of the Development Agreement or the date upon which the SHRA receives tax increment from the proposed Railyards Project Area, whichever is later ("First Residential Phase"), the SRO Project credit shall expire. In the event that fewer than 1,000 residential units are constructed within the First Residential Phase, the SRO Project credit will be reduced pro rata.

Marketing

The Inclusionary Housing Ordinance does not provide specific requirements for marketing of the affordable units. The Developer will comply with applicable Federal and State laws with respect to marketing of the Inclusionary Units, and will cooperate with the City and the RACS or SHRA as applicable to ensure that eligibility requirements are met. Developer shall use newspaper and Internet advertising, a toll-free telephone number, and signage to market the Inclusionary Units. Information about Inclusionary Units will also be available in the on-site marketing office. Developer will comply with any marketing requirements that may be imposed pursuant to State law.

Financing

The Developer is dependent upon use of the RACS SHRA Low and Moderate Housing Fund to produce Inclusionary Housing, including a commitment by the RACSSHRA to utilize housing set-aside funds from outside the Project Area, and all available public funding sources and incentives pursuant to the Community Redevelopment Law, the City Mixed Income Housing Ordinance, the Housing Trust Fund, and other Federal, State, and local law. The City and the RACS SHRA shall dedicate all tax increment generated from the Project Area and set aside for housing exclusively to finance projects built to satisfy the Inclusionary Requirement for the Project Area, until such time as all required Inclusionary Units for the Project, whether on or off-site or within or without the Project Area, have been completed.- The City and the RACSSHRA will also consider providing provide available funds from other redevelopment project areas and Housing Trust Fund Fees if necessary to assist the Developer in meeting the Inclusionary Requirement.

Pursuant to the 2004 First Amendment to the Memorandum of Understanding between the City and Developer's predecessor in interest, the City agreed to favorably consider offsetting any City Housing Trust Fund Fees otherwise applicable to non-residential portions of the Project against the inclusionary housing provided by the Project as a whole. AllAccordingly, no Housing Trust Fund Fees will be assessed on the non-residential portions of the Project. In the event that the City Housing Trust Fund Fee is modified, in any amount and is imposed in the Project Area, all revenue generated from such fees shall be used to provide Inclusionary Housing within the Project Area or, if outside the Project Area, housing that is deemed to satisfy the Project's Inclusionary Housing Requirement.

Waiver of Development, Financing, and Administrative Fees

Pursuant to City Municipal Code section 17.190.040, the Developer has requested inclusionary incentives as defined therein to offset the cost of the Inclusionary Requirement. Pursuant to the Inclusionary Housing Ordinance, theThe City shall make available to the Developer a program of waiver of development fees, administrative fees and financing fees for the Inclusionary Units, including without limitation school facility fee reimbursements from the California Housing Finance Agency to offset any school fees paid for the Project and waiver and/or deferral of regional sanitation impact fees, and waiver of or credit for City Housing Trust

Fund Fees. Pursuant to the ordinance, in-~~in~~ the event that any applicable fees are not waived outright, City shall reduce the amount or defer the payment of such fees to the fullest extent possible in order to offset the Developer's cost of the Inclusionary Requirement.

Amendment and Administration of Housing Plan

This Inclusionary Housing Plan shall be administered by the City Planning Director with the advice of the Executive Director of the SHRA. -The Planning Director may make minor administrative amendments to the text of this Plan as provided in City Municipal Code section 17.190.110 (B) (3) (d).

Developer's assignees that provide affordable housing as part of the Project's Inclusionary Requirement shall be subject to this Inclusionary Housing Plan, as the same may be amended.

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