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**File ID:** 2022-01553

10/25/2022

**Discussion Item 14.**

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**Update to the Comprehensive Siting Plan to Address Homelessness Workplan and Corresponding Funding Recommendations [Two-Thirds Vote Required]**

File ID: 2022-01553

**Location:** Citywide

**Recommendation:** 1) Receive updates to the Comprehensive Siting Plan to Address Homelessness workplan, further aligning it with the adopted regional Local Homeless Action Plan; 2) pass a **Motion** by two-thirds vote waiving the requirements of Sacramento City Code section 4.04.020.C and Council Rules of Procedure section 7.E.2.d relating to agreements greater than \$1,000,000; and 3) adopt a **Resolution:** a) establishing the FY2022/23 Affordable Housing Project (I02189050) as a new Multi-Year Operating Project; b) authorizing the City Manager or the City Manager's designee to make the budgetary adjustments to available fund balances and projects as outlined in Exhibit A; c) authorizing the City Manager or the City Manager's designee, following appropriate environmental review, to negotiate, enter into, execute, and amend the necessary funding agreements that provide loans or grants in the amounts specified for the projects outlined in Exhibit B; d) authorizing the City Manager or the City Manager's designee to perform all other actions related to the Projects including executing related affordability agreements, amending the HHAP 2 budget, and other documents; e) directing future loan repayments from the Projects to be returned to the Revolving Loan Fund (Fund 2029); and f) authorizing the City Manager or the City Manager's designee to increase the expenditure budget in the FY2022/23 Affordable Housing Project (I02189050) by up to \$12,443,880 with a transfer from remaining FY2021/22 year-end resources included in available fund balance in the General Fund/Measure U Fund (Fund 1001/ Fund 2401) to be used for full repayment of expenses from the Reduced Residential Development Impact Fees for Affordable Dwelling Units (Zero Dollar Impact Fee) Program.

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**Presenters:** Nick Golling, Homeless Services Program Manager, (916) 808-7816, ngolling@cityofsacramento.org, Department of Community Response; Danielle Foster, Housing

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**Attachments:**

- 1-Description/Analysis
- 2-ARPA Reinvestment Fund Programs
- 3-Resolution
- 4-Exhibit A - Budgetary Adjustments
- 5-Exhibit B - Affordable Housing Projects
- 6-Background on Reduced Residential Development Impact Fees for Affordable Dwelling Units (Zero Dollar Impact Fee) Program

**Description/Analysis**

**Issue Detail:** With the City's adoption of the Region's Local Homeless Action Plan (LHAP), also adopted by the County of Sacramento and Sacramento Steps Forward (SSF), staff recommended and Council approved future discussion on steps to further align the City's existing Comprehensive Siting Plan to Address Homelessness (CSP) and the policies within the LHAP. The main shift with the LHAP policies is an increased focus on prevention and permanent housing. Both the State and Federal governments agree that increasing opportunities for affordable permanent housing is the key step towards reducing and preventing homelessness. A recent book by Gregg Colburn and Clayton Page Aldern of the University of Washington, demonstrates through data that vulnerabilities (e.g. fixed income, mental health, substance use, etc.) do not cause homelessness- they can put people at higher risk but the cause of homelessness is a lack of housing stock. The book, aptly titled "Homelessness is a Housing Problem," describes that when market forces compete, individuals with the highest number of vulnerabilities typically lose housing opportunities to households with higher incomes, better credit, good rental history, etc. An inadequate supply results in individuals losing housing and remaining homeless. Colburn compares it to musical chairs, with housing units being the chairs and as quantity is unavailable, someone loses.

Over the past few years with the COVID-19 pandemic, all households, especially vulnerable households, have had to weather many economic challenges. However, it's likely that the link to increased homelessness has more to do with the increased demand on Sacramento's housing stock than anything else. With increased ability to work from home paired with the City's more-affordable housing market, proximity to Lake Tahoe, and overall community appeal, more households have relocated from the Bay Area, seeking a better quality of life. In 2022, the Sacramento area had a 12% increase in median income, four-fold the average annual increase. This is not due to changes in the local economic conditions as much as a substantial relocation of households. Over the past two years, Sacramento has been seen as one of the hottest housing markets in the country.

On April 12, 2022, staff updated the City Council on the Comprehensive Siting Plan and discussed the infeasibility of many sites for a variety of reasons. At that time staff outlined a work plan that included the following eight sites: Larchwood (Joshua's House); Miller Park; Auburn Blvd. Service Hub; N. 5<sup>th</sup> Street Shelter; Downtown Service Hub; Colfax Yard; Roseville Road RT Station; and the 102-acre Job Corps Site. In addition, Councilmember Harris had requested that staff evaluate purchase of Evergreen site. This site has not been made available for purchase and the timeline of this process is unclear, but staff will continue to monitor it. Of these sites, three are operational and five remain in planning/evaluation stages leaving approximately \$19 million available in unobligated funds, including CSP, Measure U and HHAP II sources. Given the high cost of developing and operating these shelter and safe ground sites, including annual operating costs, as well as other challenging factors related to infrastructure, insurance, and capacity limits, staff recommends redirecting the unobligated funds associated with these sites, and the previously discussed Colfax and Eleanor sites, not yet in operation, towards permanent affordable housing projects. Housing was always identified as another response also supported in the plan. By redirecting the unobligated funds towards affordable housing projects and prevention the city could more effectively leverage public-private partnerships, HHAP, former Redevelopment funds, and state and federal programs to increase the inventory of affordable housing units quickly, providing permanent options for unsheltered individuals. This course would be in better alignment with the Local Homeless Action Plan and at a lower cost per person served. When comparing the known costs of operating existing shelter beds, tiny homes and safe parking with the remaining sites identified for safe grounds/parking compared to an average cost of developing the identified housing units, here's an overview of the cost comparison:

Project	Operational Cost Per Space	Cost Duration
City Motel Program	\$24,455 per bed or \$42,705 per room per year	Annual, FEMA reimbursement off-sets
X Street/Meadowview Shelter	\$35,000-\$38,540 per bed per year	Annual
Grove Tiny Homes	\$66,578 per bed per year	Annual
Miller Park	\$30,563 per tent per year	Annual
Front Street Safe Parking	\$23,700 per space per year	Annual
Colfax Safe Parking (estimate)	\$61,125 per space per year	Annual
Roseville Road Safe Parking (estimate)	\$44,000 per space per year	Annual
Average City Cost of Recommended Housing	\$26,804 per unit	One-time cost for construction

With the cost and time it takes to bring some of the larger safe parking sites/project concepts online, staff is recommending housing development that can provide long-term solutions, the first of which could be available for occupancy by June 2024. Future funds could be provided to further identified

program and project opportunities but utilizing existing funds towards prevention and housing efficiently brings online options to address homelessness without requiring ongoing operational costs.

**Policy Considerations:** While there continues to be a need for existing sheltering and services programming, without new permanent housing options, those programs have slower turnover and are unable to serve as many individuals as otherwise possible. The LHAP data showed that if more permanent affordable housing could come online, no additional shelter beds would be necessary. Given this update based on the LHAP and the cost per space in developing and operating remaining sites in the plan, staff is recommending a shift towards permanent housing construction with most of the remaining CSP budget. These Project recommendations utilize both CSP and other available funding that can be used for affordable housing construction:

Project Name	Project Description*	Amount & Source
Paratransit The Kind Project South- 7141 Woodbine Avenue	216 low-income units to be developed in partnership with Paratransit and private equity. Utilizes partnership programs (Transition-Aged Youth, RIL, City Year, etc.) to address rent subsidies and on-site services. 10 homeless set-aside units for City referral	CSP: \$7,966,713 Measure U: \$459,500 Total: \$8,426,213 \$39,010 per unit subsidy
BRIDGE Affordable Housing- 440 Arden Way	124 units on state surplus property combined with city surplus property. Includes extremely low to low-income units, 21 homeless set-aside units	CSP: \$243,290 HHAP II: \$3,456,710 Total: \$3,700,000 \$29,839 per unit subsidy
CADA/Mutual Affordable Housing- 805 R Street	242 units on state surplus property. Includes extremely low to low-income units, 15 homeless set-aside units	CSP: \$3,000,000 \$12,397 per unit subsidy
Eden Housing Donner Field Affordable Housing- 4501 9 <sup>th</sup> Avenue	67 units on Redevelopment-Housing surplus property. Includes extremely-low to very-low income senior units in the Stockton Boulevard area. 35 homeless set-aside units. Conditioned upon timely execution of Disposition & Development Agreement with Eden.	Redevelopment: \$692,000 Measure U: \$558,000 Total: \$1,250,000 \$18,657 per unit subsidy
Oak Park Affordable Single-Family Lots- Scattered	10 affordable ownership units on Redevelopment-Housing surplus property. Includes very-low to low-income units in the Oak Park area. Additional funding to accelerate construction of lots.	Redevelopment: \$500,000 \$50,000 per unit subsidy Subject to Match of SHRA \$1,000,000 that covers project soft and hard costs.

Home Repair in Oak Park Area (Habitat Rock the Block Program)	Estimated 70-100 low-income homeowners with potential code and health & safety repairs are assisted in maintaining their housing. Expands program to year-round.	Redevelopment: \$500,000 \$7,143 per unit subsidy Subject to Match of Habitat \$500,000
<b>TOTAL</b>	659 new construction units, 729 to 759 new construction and repair	\$29,981 per unit construction subsidy/ \$18,562 per unit combined

\*Additional project details are included in the Background section of this report.

The other unobligated operating costs in the budget will be utilized to continue the City's Zero Dollar Impact Fee Program, allowing deed-restricted affordable housing units to pay no City-controlled development impact fees, a transitional housing contract with Salvation Army, and other related housing programming.

**Economic Impacts:** The City investment in these projects is estimated to infuse the economy with a minimum of 299 jobs, 171 direct and 128 indirect, with the construction of these housing units. The greater economic impact will be stabilizing housing costs for 659 households, reducing rent burden and other community costs for homeless and at-risk individuals, and providing a platform for additional income and spending capacity amongst these community residents. DCR contracts for community storage and clean-up support will provide additional local jobs.

### Environmental Considerations:

**California Environmental Quality Act (CEQA):** The City Council found the Comprehensive Siting Plan exempt from CEQA pursuant to Government Code section 65660(b) and CEQA Guidelines sections 15061(b)(3), 16269(c), 15332, 15301, 15303, 15304, 15331; approved the Comprehensive Siting Plan on August 10, 2022 (Comprehensive Siting Plan Notice of Exemption ("NOE"), August 12, 2021). The current Council action includes the commitment of funds to both State Projects (BRIDGE Affordable Housing and CADA/Mutual Affordable Housing), where the state is the lead agency, as well as to projects initiated by local non-profits and developers (The Kind Project South, Donner Field Affordable Housing, Oak Park Affordable Housing, collectively "Local Projects"). The State Projects already have been approved by the Department of General Services and are infill projects exempt from CEQA pursuant to CEQA Guidelines section 15332 (Bridge Affordable Housing, Notice of Exemption filed January 14, 2022; CADA/Mutual Affordable Housing, Notice of Exemption filed September 14, 2022).

The City's establishment of a funding mechanism for the Local Projects is not a project pursuant to CEQA Guidelines section 15378(b)(4) because it does not constitute the commitment to or approval of any particular project. The City retains the sole and independent

discretion as the lead agency to decide whether to approve the Local Projects. As currently described, the Local Projects will be single family units exempt from CEQA pursuant to CEQA Guidelines sections 15268 and 15303 and multi-unit projects subject to the City's Ministerial Housing Ordinance and exempt from CEQA pursuant to CEQA Guidelines section 15268. However, the City retains sole discretion to review the applications for the Local Projects, determine whether they continue to fall within these exemptions, conduct further environmental review if required by law, and, if required by further environmental review, approve appropriate alternatives and/or mitigation measures and, balance the benefits of the project against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, and determine not to proceed with approval of the project. The City requires funding from any Local Projects not ultimately approved by the City be returned to the City. The City honors the State's role in this same process for projects on state land. The Home Repair Program Project dedicates funds to the repair of existing private structures and is exempt from CEQA pursuant to CEQA Guidelines section 15301 as maintenance of existing City facilities. The same exemption applies to the transitional housing contract and other programming.

The allocation of funding to the City's Zero Dollar Impact Fee Program is the creation of a government funding mechanism that does not involve commitment to any specific project and therefore is exempt from CEQA under 15378(b)(4).

**Sustainability:** The recommendations in this report will result in increased affordable housing opportunities within the city that promote the increased connection of housing, workforce centers, and other amenities and services. Further linkage of these community components will result in reduced impact on the environment by unsheltered individuals, fewer vehicle miles traveled, and increased all-electric housing construction more quickly.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Housing supply, especially affordable housing supply will have the most direct impact on the reduction of homelessness. Recommendations in this report seek to produce 659 units at an average subsidy of \$38,206 per unit. Some of these housing units would be available as soon as March/April 2024 for rent. Investments in housing is necessary to reduce homelessness.

**Financial Considerations:** The funds being recommended for the Projects detailed in this report are currently available for reallocation in accordance with this policy shift. This report seeks approval to establish the FY2022/23 Affordable Housing Project (I02189050) and transfer \$11,210,003 (ARPA Reinvestment Fund, Fund 1003) from the Comprehensive Siting Plan, \$3,456,710 (Operating Grants Fund, Fund 2702) from the HHAP 2 Program (G02000960), \$246,354 from the available fund balance of the 2005 TAB Taxable Oak Park CIP Fund (Fund 3816), \$445,646 (2005 TAB Taxable Oak

Park CIP Fund, Fund 3816) from the Oak Park Broadway Project (I02180300), \$1,000,000 (2005 TAB Tax-Exempt Oak Park CIP Fund, Fund 3817) from the Oak Park Broadway Project (I02180300), and \$4,167,500 (Measure U Fund, Fund 2401) from the Homeless Housing Initiative (I02000200) to the FY2022/23 Affordable Housing Project (I02189050) for a total of \$20,526,213.

Sufficient funding is available in the applicable project budgets and available fund balances to support the recommended budgetary transfers.

**Local Business Enterprise (LBE):** Not applicable.

**Background:** Additional detail on each of the affordable housing developments being recommended is provided in this section.

Paratransit The Kind Project South: 216 low-income fully accessible units to be developed in partnership with Paratransit and Fulcrum Properties/Urban Elements, Inc. private equity. Utilizes partnership programs (Transition-Aged Youth Collaborative- Waking the Village, LGBT Center, Lutheran Social Services, Resources for Independent Living, City Year, etc.) to address rent subsidies and on-site services. Restricted to low-income and complies with voucher and rent subsidy programs. 10 homeless set-aside units for City referrals.

Recommendation: \$8,426,213      Subsidy per unit: \$39,010

Estimated Construction Completion Date: June 2024

Affordability: 216 at low-income, 10 homeless set-aside units

BRIDGE Arden Way Project: 124 units on state surplus property combined with city surplus property. Property includes childcare services open to the community. 21 homeless set-aside units.

Recommendation: \$3,700,000      Subsidy per unit: \$29,839

Estimated Construction Completion Date: Fall/Winter 2024

Affordability: 31 at extremely low-, 33 at very-low, 60 low income, 21 homeless set-aside units

CADA/Mutual 805 R Street Project: 242 units on state surplus property. Includes extremely low- to low-income units, 15 homeless set-aside units

Recommendation: \$3,000,000      Subsidy per unit: \$12,397

Estimated Construction Completion Date: Winter 2024

Affordability: 24 extremely low-, 49 very low-, 167 low-income units, 15 homeless set-aside units

Eden Donner Field Senior Project: 67 units on Redevelopment-Housing surplus property. Includes extremely low- to very low-income senior units in the Stockton Boulevard area. 35 homeless set-aside units. Conditioned upon execution of the Disposition and Development Agreement.

Recommendation: \$1,250,000      Subsidy per unit: \$18,657

Estimated Construction Completion Date: Fall 2024

Affordability: 35 extremely low- and 32 very low- income units, 35 homeless set-aside units

Oak Park Affordable Single-family Lots: 10 affordable ownership units on Redevelopment-Housing surplus properties. Includes very-low to low- income units in the Oak Park and Stockton Boulevard area. Required match with SHRA \$1,000,000 funding for project soft and hard costs.

Recommendation: \$500,000      Subsidy per unit: \$50,000

Estimated Construction Completion Date: Winter 2023

Affordability: Estimated to be very low- and low-income units.

Oak Park Home Repair Program- Habitat Rock the Block: 70-100 low-income homeowners get assisted with home repairs that ensure ongoing housing quality, code compliance, and overall health & safety to keep families stably housed and improve overall neighborhood conditions. Required match with Habitat \$250,000. Expands program to year-round.

Recommendation: \$500,000      Subsidy per unit (average): \$7,143

Estimated Construction Completion Date: March 2023 and 2024

Affordability: Estimated to assist very low- and low-income households

Reduced Residential Development Impact Fees for Affordable Housing Units (Zero Dollar Impact Fee) Program- On October 30, 2018, the City Council passed a resolution reducing development impact fee rates for new qualified affordable housing units to a zero-dollar rate. This program applies to deed-restricted rental units up to moderate income and deed-restricted ownership units up to low-income levels. This program has furthered development of affordable housing and requires an estimated \$3,000,000 annually to continue. This funding will ensure ongoing availability of this program. On August 9, 2022, staff presented a 3.5-year evaluation of the fee reduction program to the City Council. During that meeting, Council requested staff evaluate two potential program modifications: 1) Changing unit eligibility for the program, and 2) Geographical limits on eligibility. After further evaluation, staff recommends maintaining the current program. Attachment 6 provides additional background.

Recommendation: \$3,000,000\*      Subsidy per unit (average): \$5,000

\*And resources to address program costs to date and upcoming budget.

Estimated Construction Completion Date: varies by project

Affordability: Extremely low- to moderate- income units

Salvation Army Transitional Housing Program: 12 to 25 beds at any time for direct referral of program participants to the 6-month to 24-month transitional housing program, Next Step Transitional Living Center, through The Salvation Army. The program fee is \$500 per month. The City will cover costs for the first two months for each participant, or \$1,000 per participant, until participants are able to achieve income for the program fees.

Recommendation: \$150,000      Subsidy per participant: \$1,000 per person for 6-24-month stay.

Estimated Availability: Available now.

Affordability: Extremely low- income, exiting homelessness.



# American Rescue Plan Act (ARPA) Reinvestment Fund Programs

(reflects Council actions through 10/18/2022)

ARPA Reinvestment Fund (Fund 1003)		\$112,313,331
Program Description	Approved Expenditure	Category
Aggie Square Job Center	1,000,000	3
Al Fresco Dining Program Development	189,139	1
Animal Services for the Homeless (ASHR) Response Team	753,230	2
ARPA Grant Liaison Consulting Services	530,490	5
Arts and Cultural Nonprofits	250,000	4
Arts and Cultural Nonprofits Grant Matching Funds	2,000,000	4
Arts Journalism Grant Program	250,000	4
Business Compliance Unit (BCU) Night Team	1,656,101	5
Center for Workers' Rights	550,000	3
Childcare Services	1,500,000	3
Citywide Equity Study	250,000	1
Code Enforcement	205,683	2
Community Response Staffing Expansion	1,025,157	2
Comprehensive Siting Plan - Location Buildout	3,776,900	2
Comprehensive Siting Plan - Meadowview Acres Tree Removal	224,999	5
Comprehensive Siting Plan - Property Acquisition	12,783,299	2
Continuation of Existing Homelessness Programming	6,283,277	2
COPS Hiring Program Grant Matching Funds	4,057,327	5
COVID-19 Homeless Response Program	1,650,000	2
Creative Businesses	1,750,000	4
Creative Economy Focused Youth Workforce Development	1,500,000	4
Direct Investment Program	750,000	3
Downtown Core and Old Sacramento Revitalization	3,675,000	1
Food Justice Task Force	1,000,000	3
Forensiclean Extended Services	1,000,000	2
Gang Prevention and Intervention	1,500,000	3
Grove Emergency Bridge Housing	92,500	2
Homeless and Housing Commitment	8,530,664	2
Illegal Dumping Support	787,000	2
Individual Artists and Creatives	2,750,000	4
K Street Lighting	619,150	1
Labor Negotiations	9,893,510	5
Lighting and Safety Enhancement	1,325,000	1
Local Food Bank Provider Support	500,000	3
Northgate Boulevard Economic Recovery Plan	5,000,000	1
North Sacramento Code Enforcement and Outreach	450,000	1
North Sacramento Economic Recovery Plan	5,000,000	1
Public Records Staffing	3,639,334	5
Public Works Support of Homelessness Programming	572,000	2

<b>Program Description</b>	<b>Approved Expenditure</b>	<b>Category</b>
Respite Centers Program	2,240,290	2
Sacramento Inclusive Economic Development Collaborative	3,500,000	1
Sacramento Native American Health Center	100,000	1
#SacYouthWorks Summer 2022 Program	720,000	3
Small Business Priorities	7,391,711	1
Substance Use Respite and Engagement Program	1,300,000	2
Tourism Recovery through Iconic Event Production	1,500,000	4
Towing Administration Fee Reform	200,000	1
Vaccine Outreach and Education	1,000,000	1
Workforce Training Programs	2,750,000	3
Youth Pop-Up Program	1,300,000	3
	<b>\$111,271,761</b>	
<b>ARPA Balance</b>	<b>\$1,041,570</b>	

<b>Allocation of ARPA by Mayor/Council Priorities</b>	<b>Category</b>	<b>Funding</b>
Small Business and Commercial Corridor Revitalization	1	28,700,000
Homeless and Housing Commitment	2	41,000,000
Youth, Workforce Training, and Gang Prevention	3	11,570,000
Arts, Creative Economy, and Tourism	4	10,000,000
Citywide Organizational Needs	5	20,001,761
	<b>Total</b>	<b>\$ 111,271,761</b>

## **RESOLUTION NO. 2022-**

Adopted by the Sacramento City Council

October 25, 2022

### **Resolution Approving Allocations of Funds to Affordable Housing Projects and Programs**

#### **BACKGROUND**

- A. Homelessness is an existential threat to the individuals living without quality housing and to the public health and safety of the residents and businesses in Sacramento. The right to an adequate standard of living for every resident of the City is one that must be protected and advanced by the actions and commitment of all levels of government, including the City of Sacramento. The interconnectedness of homelessness, housing, and public health must inform the current and future policy, partnerships, prioritization of work programs, and budget allocations to prevent homelessness and reduce the number of people experiencing it.
- B. On January 5, 2021, the City Council unanimously approved the preparation of a siting, operations, programmatic, and financing plan and committed to a Council-led process to engage the community, identify public and private properties for shelter and housing, identify funding sources, and provide authority to the City Manager to implement it. The resulting Comprehensive Siting Plan to Address Homelessness was approved on August 10, 2021 and a substantial workplan update was approved on April 12, 2022.
- C. According to the 2019 Point-in-Time Homeless Count released by the Sacramento Steps Forward, which is Sacramento's Continuum of Care, the County of Sacramento had a homeless population of 5,570 individuals, a majority of whom are sheltered and unsheltered on any given night in the City of Sacramento. The 2019 Point-in-Time Count also estimates that in 2019 between 10,000 and 11,000 individuals would be unsheltered at some point over the year. In 2022, the Point-in-Time Count increased to 9,278 homeless individuals in Sacramento County. A disproportionate share of these homeless individuals are people of color. There has been an increase in local homelessness as a result of the COVID-19 pandemic, population relocation, and further housing market constraints, finding that approximately 16,500 to 20,000 experience homelessness over the course of a year in Sacramento County.
- D. Since 2019, housing affordability in the state has worsened with rising rents and limited new construction of affordable and permanent supportive housing. The City Council declared a Shelter Crisis annually since January 14, 2020 under chapter 7.8

of division 1 of title 2 of the California Government Code and directed the City Manager to take action to streamline the provision of homeless shelters (Resolution 2020-0017). While the City has made great progress in ensuring 1,100 spaces for sheltering and notable increases in the production of affordable and workforce housing, more housing is needed.

- E. Recent increases in higher-income households relocating from the Bay Area have placed further demand on the local housing market. Regionally, over the last year, median household income increased by twelve percent, far outpacing the typical three percent average. It is estimated that these increases are primarily resulting from new residents, making the housing market more competitive than ever.
- F. The City Council has also acknowledged that to reduce the number of persons experiencing homelessness for the first time and persons who return to homelessness after previously experiencing it, homeless-prevention, diversion, workforce-training and job-placement resources are a priority and those resources have been allocated accordingly.
- G. Since March 2020 when the COVID-19 pandemic was declared a public health emergency in California, the City Council has allocated significant funding from one-time funding sources to provide shelter and emergency housing.
- H. In an effort to provide a systematic and comprehensive approach to address the humanitarian crisis of homelessness, staff from the City, County, SHRA, and Sacramento Steps Forward have been collaborating in the implementation of a Coordinated Access System (funded by the City Council and partners) and in the creation and adoption of a Sacramento Local Homeless Action Plan to implement a regional response to homelessness. The Local Homeless Action Plan includes prevention/diversion programs, shelter and housing options, and necessary supportive services, as directed by the City Council, the County Board of Supervisors, and the Continuum of Care Board and Committees.
- I. The recommended actions in this report are consistent with the 2021-2029 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2021-0259); the City Council's adopted Housing Trust Fund Framework from January 28, 2020; and the Council's efforts under the Comprehensive Siting Plan and the Local Homeless Action Plan to further affordable housing and reduce local instances of homelessness. On June 28, 2022, the City Council directed staff to bring back recommendations to further alignment of the Comprehensive Siting Plan and the Local Homeless Action Plan.

The recommendations include commitment of funds to both State Projects (BRIDGE

Affordable Housing and CADA/Mutual Affordable Housing) and to projects initiated by local non-profits and developers (The Kind Project South, Donnerfield Affordable Housing, Oak Park Affordable Housing, collectively "Local Projects"). The State Projects have already been approved by the Department of General Services and are infill projects exempt from CEQA pursuant to CEQA Guidelines section 15332 (Bridge Affordable Housing, Notice of Exemption filed January 14, 2022; CADA/Mutual Affordable Housing, Notice of Exemption filed September 14, 2022). The City's establishment of a funding mechanism for the Local Projects is not a project pursuant to CEQA Guidelines section 15378(b)(4) because it does not constitute the commitment to or approval of any particular project. The City retains the sole and independent discretion as the lead agency to decide whether to approve the Local Projects. As currently described, the Local Projects will be single family units exempt from CEQA pursuant to CEQA Guidelines sections 15268 and 15303 and multi-unit projects subject to the City's Ministerial Housing Ordinance and exempt from CEQA pursuant to CEQA Guidelines section 15268. The Home Repair Program Project dedicates funds to the repair of existing private structures and is exempt from CEQA pursuant to CEQA Guidelines section 15301 as maintenance of existing City facilities. The same exemption applies to the transitional housing contract and other programming.

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

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved.
- Section 2. In accordance with updates to the Comprehensive Siting Plan and with the Local Homeless Action Plan, the City is focusing increased resources on the implementation of homeless prevention and the production of more permanent affordable housing.
- Section 3. The FY2022/23 Affordable Housing Project (I02189050) is established as a new Multi-Year Operating Project.
- Section 4. The City Manager or the City Manager's designee is authorized to make the budgetary adjustments to available fund balances and projects as outlined and attached as Exhibit A to this Resolution.
- Section 5. The City Manager or the City Manager's designee is authorized, following appropriate environmental review if necessary, to negotiate, enter into, execute, and amend the necessary funding agreements, subject to legal review and approved as to form by the Office of the City Attorney, that provide loans or

grants in the amounts specified for the projects outlined and attached as Exhibit B to this Resolution. Such funding agreements shall require the immediate return of funds to any projects subject to City review and not approved by the City.

- Section 6. The City Manager or the City Manager's designee is authorized to perform all other actions related to the Projects listed above, including conducting any legally required environmental review, executing related affordability agreements, approved as to form by the Office of the City Attorney, amending the HHAP 2 budget with the State, and producing other Project documents.
- Section 7. Future loan repayments from these Projects are to be returned to the Revolving Loan Fund (Fund 2029) as payments are received. Any additional interest collected by the City in the Housing Trust Fund can be used to cover the City's administrative costs of servicing the loans and for additional affordable housing development.
- Section 8. The City Manager or the City Manager's designee is authorized to increase the expenditure budget in the FY2022/23 Affordable Housing Project (I02189050) by up to \$12,443,880 with a transfer from remaining FY2021/22 year-end resources included in available fund balance in the General Fund/Measure U Fund (Fund 1001/Fund 2401) to be used for full repayment of expenses from the Reduced Residential Development Impact Fees for Affordable Dwelling Units (Zero Dollar Impact Fee) Program.

Resolution Exhibits:

Exhibit A – Budgetary Adjustments

Exhibit B – Affordable Housing Projects

Exhibit A

Budgetary Adjustments

Project Number/ Dept ID	Project Name	ARPA Reinvestment (1003)	Operating Grants (2702)	Fund		Measure U (2401)	Total
				2005 TAB Oak Park CIP Taxable (3816)	2005 TAB Oak Park CIP Tax-Exempt (3817)		
C15001400	Property Acquisition for Siting Locations	(470,675)					(470,675)
C15001500	Siting Plan Location Buildout	(2,208,664)					(2,208,664)
G02000960	HHAP II Program		(3,456,710)				(3,456,710)
I02000200	Homeless Housing Initiative					(4,167,500)	(4,167,500)
I02180300	Oak Park Broadway			(445,646)			(445,646)
I02180300	Oak Park Broadway				(2,185,756)		(2,185,756)
I80611000	ARPA Reinvestment Funds	(8,530,664)					(8,530,664)
60001015	Available Fund Balance			(246,354)			(246,354)
60001015	Available Fund Balance				1,185,756		1,185,756
I02189050	FY2022/23 Affordable Housing Project	11,210,003	3,456,710	692,000	1,000,000	4,167,500	20,526,213

## Affordable Housing Projects

Project Name	Project Description	Amount & Source
Paratransit The Kind Project South- 7141 Woodbine Avenue	216 low-income units to be developed in partnership with Paratransit and private equity. Utilizes partnership programs (Transition-Aged Youth, RIL, City Year, etc.) to address rent subsidies and on-site services. 10 homeless set-aside units for City referral	CSP: \$7,966,713 Measure U: \$459,500 Total: \$8,426,213  \$39,010 per unit subsidy
BRIDGE Affordable Housing- 440 Arden Way	124 units on state surplus property combined with city surplus property. Includes extremely low to low-income units, 21 homeless set-aside units	CSP: \$243,290 HHAP II: \$3,456,710 Total: \$3,700,000  \$29,839 per unit subsidy
CADA/Mutual Affordable Housing- 805 R Street	242 units on state surplus property. Includes extremely low to low-income units, 15 homeless set-aside units	CSP: \$3,000,000  \$12,397 per unit subsidy
Eden Housing Donner Field Affordable Housing- 4501 9 <sup>th</sup> Avenue	67 units on Redevelopment-Housing surplus property. Includes extremely-low to very-low income senior units in the Stockton Boulevard area. 35 homeless set-aside units. Conditioned upon timely execution of Disposition & Development Agreement with Eden.	Redevelopment: \$692,000 Measure U: \$558,000 Total: \$1,250,000  \$18,657 per unit subsidy
Oak Park Affordable Single-Family Lots- Scattered	10 affordable ownership units on Redevelopment-Housing surplus property. Includes very-low to low-income units in the Oak Park area. Additional funding to accelerate construction of lots.	Redevelopment: \$500,000  \$50,000 per unit subsidy Subject to Match of SHRA \$1,000,000 that covers project soft and hard costs.
Home Repair in Oak Park Area (Habitat Rock the Block Program)	Estimated 70-100 low-income homeowners with potential code and health & safety repairs are assisted in maintaining their housing. Expands program to year-round.	Redevelopment: \$500,000  \$7,143 per unit subsidy Subject to Match of Habitat \$500,000
<b>TOTAL</b>	659 new construction units, 729 to 759 new construction and repair	\$29,981 per unit construction subsidy/ \$18,562 per unit combined



Background on Reduced Residential Development Impact Fees for Affordable Dwelling Units (Zero Dollar Impact Fee) Program

On August 9, 2022, staff presented a 3.5-year evaluation of the Reduced Residential Development Impact Fees for Affordable Dwelling Units Program (program) to City Council. During that meeting, Council requested staff evaluate two potential modifications to the program: 1) Changing Income Eligibility for the Program; and 2) Geographical Limits on Eligibility. After further evaluation, staff recommends maintaining the current income eligibility and maintaining it as a citywide program. Below is background on staff's recommendation as well as a summary of the impact fees not collected since the inception of the program.

Changing Income Eligibility for the Program: Staff recommends maintaining the current income eligibility of the Reduced Residential Development Impact Fees for Affordable Dwelling Units program.

The program is currently available to rental housing units offered at rents affordable to low- or moderate-income households (80-120% of Area Median Income (AMI)) and for-sale housing units offered at rents affordable to low-income households (0-80% of AMI) for at least 30 years. One of the options identified in the August 9, 2022, staff report was to revise the program to reduce the income eligibility for rental housing units from 120% AMI to a maximum of 80% AMI.

To inform staff's recommendation, an analysis of the percent of participating dwelling units at or below 80% AMI was conducted. The table below provides a breakdown of the percentage of housing units that fall into the California Housing and Community Development (HCD) income limits. One of the challenges in conducting this analysis is that the income ranges of the HCD categories overlap. Due to the overlap of "Lower Income" and "Moderate Income", it is not possible to know the exact percentage of affordable dwelling units at or below 80%. However, at least 20% of participating dwelling units were above 80% AMI. If the program were revised to limit income eligibility to lower-income households (0-80% AMI), the amount of impact fees not collected would be reduced. However, this financial incentive program would no longer be available to moderate-income housing and there are very few funding sources or financial tools available to encourage production of this much needed housing type.

HCD Income Limits Category	Percent Area Median Income (AMI)	Percent of Affordable Dwelling Units in Program	At or Below 80% AMI
Acutely low income	0-15%	1%	Yes
Extremely low income	15-30%	5%	Yes
Very Low income	30-50%	45%	Yes
Lower income	50-80%	25%	Unknown
Moderate income	80-120%	20%	No

Geographical Limits on Eligibility: Staff recommends maintaining the Reduced Residential Development Impact Fees for Affordable Dwelling Units program as a citywide program.

If reducing the geographic applicability is desired to reduce the amount of impact fees not collected, staff recommends continuing the programs in the areas of the city that are experiencing or at-risk for displacement and gentrification or in high resource areas of the city. Increasing the amount of deed-restricted affordable housing in areas at-risk of displacement can help keep low-income households in their neighborhoods. High resource areas offer low-income children and adults the best chance at economic advancement, high educational attainment, and good physical and mental health.

As noted during the August 9, 2022, City Council meeting, another option would be to limit the program to commercial corridors. If, for example, the program had been limited to the key commercial corridors included in the 2040 General Plan Key Strategies report that went to Council on January 19, 2021, only 357 of 2,076 dwelling units that benefited from the program over the last 3.5-year period, would have qualified. The key commercial corridors in this report included Freeport Boulevard, Northgate Boulevard, Broadway, Franklin Boulevard, Truxel Road, Del Paso Boulevard, Stockton Boulevard, Folsom Boulevard, and Florin Road.