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July 15, 2004

City Council of the City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: APPROVAL TO REPEAL THE CITY OF SACRAMENTO'S
AFFORDABLE HOUSING MEASURE ON NOVEMBER 2, 2004 BALLOT**

LOCATION & COUNCIL DISTRICT: Citywide

RECOMMENDATION

Staff recommends the approval of the attached resolution to repeal Resolution No.2004-571, which authorized the City Clerk to forward to the County for placement on the November 2, 2004 ballot a measure to ask for voter approval for the development of up to 3,000 dwelling units of affordable housing pursuant to Article XXXIV of the Constitution of the State of California. The proposed Article XXXIV authority for the City will now be included as part of a County ballot measure in order to place just one Article XXXIV measure before the voters.

CONTACT PERSONS

Shirley Concolino, City Clerk, 808-5442
Anne Moore, Executive Director, 440-1319

FOR COUNCIL MEETING OF July 27, 2004

SUMMARY

Article XXXIV of the California Constitution requires voter approval before public funds are used to acquire, construct, or develop affordable housing if at least 50 percent of the units are set aside for low-income persons, and the nonprofit or public owner, under state law, is exempt from property taxes for those assisted units. The authority for 3,800 dwelling units that the City of Sacramento has received since 1968 is running out. Therefore, voter approval is needed to continue its funding assistance for certain types of affordable housing, thereby benefiting working families, seniors, and the disabled. Article XXXIV refers to this type of housing as "low rent housing."

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COMMISSION ACTION

At its meeting of July 7, 2004, the Sacramento Housing and Redevelopment Commission recommended approval of placement of the Article XXXIV ballot measures for the City and the County. The Commission will be informed of the proposed change to have one consolidated measure.

BACKGROUND

Article XXXIV was added to the California Constitution in 1950 to require voter approval of public housing projects. Although the public housing program ended over 20 years ago, Article XXXIV elections have been applied to other types of publicly funded affordable rental housing. Voters are asked to approve a certain number of dwelling units prior to their being assisted by a public agency if a majority of the units in the development will house lower income households, defined as those with incomes below 80 percent of the area median income (currently \$51,300 for a family of four).

Article XXXIV applies to affordable housing owned by private nonprofit organizations as well as public entities, because nonprofits can qualify for a property tax exemption. While there are a number of exemptions created by the State legislature, the typical development today in the City of Sacramento subject to Article XXXIV is newly constructed nonprofit-owned housing in which more than 49 percent of the units are restricted to lower income persons, and which carries a below market rate loan from SHRA subordinate to private financing, and/or bond financing issued by the City Housing Authority.

Since 1968, City and County of Sacramento voters have approved the development of 7,800 dwelling units in four ballot measures, all approved by a majority vote of the electorate. After Congress terminated the public housing program, private nonprofit and for-profit organizations became the major providers of affordable housing for low and moderate income persons, including seniors, men and women in the workforce, and the disabled. Two nonprofit examples are Mercy Housing California's senior housing on Bruceville Road near Kaiser Hospital (new construction) and the Sacramento Mutual Housing Association's Evergreen Estates, once a boarded and vacant apartment complex, now turned into attractive housing for working families.

As a result of these and many other developments, the number of units approved by previous Article XXXIV ballot measures is running out. At an annual production rate of approximately 200-300 units in the City subject to Article XXXIV, the new allocation will extend the authority to produce affordable housing for an estimated 20 years. Placing a new measure on the November 2, 2004 general election ballot is a prudent step because it is most cost-effective to place a measure on a ballot as part of a general election.

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With rapidly escalating housing costs in Sacramento, the demand for affordable workforce housing has increased. Similarly, the City's senior population will grow dramatically in the next ten years, and a large portion of this population will require safe, affordable, and sustainable rental housing.

As a result, at the June 29, 2004 meeting, staff requested that the City of Sacramento place a separate measure on the November 2, 2004 ballot. Since that time, it has been determined that the City's allocation can be included as part of a countywide measure. On July 21, 2004, the County of Sacramento Board of Supervisors will be requested to approve placement of the following measure on the November 2, 2004 ballot:

Do the qualified electors of the County of Sacramento approve the development, construction, or acquisition of affordable housing within the unincorporated area and within the cities in the County for households such as seniors, working families, and the disabled, referred in statute as low rent housing, not to exceed 3,000 dwelling units in the City of Sacramento, not to exceed 500 dwelling units in each of the Cities of Citrus Heights, Elk Grove, Folsom, Galt, and Rancho Cordova; and not to exceed 4,000 dwelling units in the County unincorporated area over the next 20 years?

FINANCIAL CONSIDERATIONS

Since the consolidated measure will be placed on the ballot by the County, the City should not be required to incur any cost.

POLICY CONSIDERATIONS

The City of Sacramento's Housing Element of the General Plan, Mixed Income Housing Ordinance, and 2002 – 2007 Consolidated Plan evidence the City's commitment to the provision of housing for all of its citizens. Not having Article XXXIV authority affects the financial feasibility of rental housing serving lower income people and restricts nonprofit owners from accessing State and local housing funds. However, Article XXXIV does not mandate that the housing subject to its authority be developed.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under the California Environmental Quality Act per the Guidelines Section 15378(b)(4), nor is the action a federal undertaking under the National Environmental Protection Act. No environmental review is required.

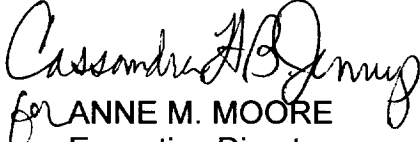
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M/WBE CONSIDERATIONS

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

Respectfully submitted,


for ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION REPEALING RESOLUTION NO. 2004-571
RELATING TO PLACEMENT OF AN AFFORDABLE
HOUSING MEASURE ON THE NOVEMBER 2, 2004
BALLOT BY THE CITY OF SACRAMENTO**

WHEREAS, on June 29, 2004, the City Council approved Resolution No. 2004-571 to place a measure on the November 2, 2004 ballot to permit the development of up to 3,000 affordable housing units within the City of Sacramento over the next 20 years in accordance with the requirements Article XXXIV of the State Constitution;

WHEREAS, the Board of Supervisors of the County of Sacramento have approved placement of a similar measure on the November 2, 2004 ballot, which reads as follows:

Do the qualified electors of the County of Sacramento approve the development, construction, or acquisition of affordable housing within the unincorporated area and within the cities in the County for households such as seniors, working families, and the disabled, referred in statute as low rent housing, not to exceed 3,000 dwelling units in the City of Sacramento, not to exceed 500 dwelling units in each of the Cities of Citrus Heights, Elk Grove, Folsom, Galt, and Rancho Cordova; and not to exceed 4,000 dwelling units in the County unincorporated area over the next 20 years?

WHEREAS, since the County measure includes the same 3,000 affordable housing unit authorization within the City of Sacramento, it is no longer appropriate to place a duplicate measure on the same ballot.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. Resolution No. 2004-571 is hereby repealed.

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

Section 2. The City Clerk is hereby directed to take no further action to place the Article XXXIV Affordable Housing Measure on the November 2, 2004 ballot.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____