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File ID: 2024-01781

11/12/2024

Public Hearing Item 1.

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**(City Council) Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Villa Jardin/Coral Gables Affordable Housing Development (Project) (Noticed on 10/4/2024)**

File ID: 2024-01781

**Location:** Coral Gables: 49,63,81 Coral Gables Court Villa Jardin: 2621 Meadowview Road, Sacramento 95832, District 8, Represented by Councilmember Vang

**Recommendation:** Conduct a public hearing, and upon conclusion, adopt: 1) a **City Council Resolution** indicating the City Council has conducted a Re-Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to Villa Jardin/Coral Gables affordable housing development (Project).

**Contact:** Whitney Hinton, Program Manager, (916) 440-1325, whinton@shra.org; Christine Weichert, Director, (916) 440-1353; Sacramento Housing and Redevelopment Agency

**Presenter:** Whitney Hinton, Program Manager, (916) 440-1325, whinton@shra.org, Sacramento Housing and Redevelopment Agency

**Attachments:**

- 1-Description/Analysis
- 2-City Council Resolution
- 3-Vicinity Map
- 4-Picture
- 5-Residential Project Summary

**Description/Analysis**

**Issue Detail:** On September 21, 2021, City Council authorized the issuance of mortgage revenue bonds and other financing for the rehabilitation of 44 existing units and construction of 38 new units at Villa Jardin/Coral Gables (Project). Construction began in November 2021 and the project was scheduled to be completed by the end of February 2023, however, due to construction delays, the project was not completed until June 2023. The delay added an additional \$3 million in construction costs.

The increased cost was a result of 1) extended mitigation of water intrusion that was discovered during the rehabilitation, 2) addition of fire sprinklers in the existing units, 3) increased construction

loan interest, and 4) increased temporary relocation expenses.

On September 12, 2023, supplemental bonds in the amount of \$1 million were approved to cover the increased construction costs. In addition, \$2 million consisting of increased tax credit equity, conventional loan, and deferred developer fee covered the remaining expenses.

Although construction was completed in June 2023, stabilized rents were not achieved until Spring 2024. The Project is now ready to close permanent financing; however, three years have elapsed since the original TEFRA hearing in September 2021; therefore, a new TEFRA hearing is required.

This report serves as the required public Re-TEFRA hearing.

Development: The Project is a permanent supportive/homeless and workforce housing development on an aggregate 2.32-acre site in the Meadowview area of the City of Sacramento. The Project consists of 81 one- and two-bedroom units and one two-bedroom exempt management unit. It is a combination of rehabilitation and new construction of fifteen (15) one, two- and three-story wood-frame buildings. Construction is now completed. The Project Vicinity Map and Photo are provided as Attachments 3 and 4.

Developer: The John Stewart Company (JSCo) is an experienced owner and manager of affordable rental housing projects. JSCo has more than 40 years of experience in affordable housing and has partnered with SHRA on many other affordable housing developments. JSCo has developed over 5,000 units of housing throughout California, the majority of which are affordable.

Property Management: JSCo currently manages the Project and has over 40 years of property management experience. There are over 420 properties in California consisting of more than 31,600 affordable and market rate residential units in their portfolio. JSCo is qualified to manage this permanent supportive and workforce housing development given its experience with managing Hotel Berry, Shasta Hotel, Cannery Place Apartments, and many others.

Supportive Services: LifeSTEPS, Inc. (LifeSTEPS) is providing and coordinating mental health supportive services and other permanent supportive services to the residents of the Project, while BHS will provide 1 on-site case manager for the MHSA clients and 1+ full-time case manager for the rest of the PSH units.

Resident Services: Resident services are also provided by LifeSTEPS, which currently provides resident services to over 250 affordable housing communities and more than 80,000 residents in California. LifeSTEPS is required to provide a total of at least 15 hours of on-site resident services per week, including 8 hours of after school programs. Programs will be tailored to residents' needs.

Project Financing: The financing structure of the Villa Jardin and Coral Gables development includes

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Sacramento Housing and Redevelopment Agency (SHRA) loan funds, California Department of Housing and Community Development (HCD) Multifamily Housing Program funds, tax-exempt mortgage revenue bonds, four percent Low Income Housing Tax Credits, supplemental tax-exempt bonds, Housing Authority Seller Carryback loan, SHRA HOME Investment Partnerships Program (HOME) loan, conventional loan, deferred developer fee, general partnership capital contribution and fee waivers. Funding sources and uses for Villa Jardin/Coral Gables are included in Attachment 5.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 60 percent of Area Median Income (AMI). SHRA further requires that 15 percent of the units be restricted to households with incomes no greater than 50 percent AMI and at least 5 percent of the units be restricted to households with incomes no greater than 30 percent AMI. The affordability restrictions will be specified in regulatory agreements with the Developer.

**Policy Considerations:** The recommended actions are consistent with a) SHRA's approved Multifamily Lending and Mortgage Revenue Bond Policies (Policies), Priority 2(i) - New Construction of Permanent Supportive Housing and Homeless Housing, Priority 2(iii) - Workforce Housing and Priority 3 - Rehabilitation of Existing Housing; and b) the 2021-2029 Housing Element, Goals H-1.4 Facilitate Infill Housing Development; H-2.3, the City and SHRA shall Assist in the Development of Affordable Housing; H-7.4 the City support and facilitate Permanent Supportive Housing including those experiencing chronic homelessness; H-6.6, H-7.9 Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies (Resolution No. 2013-415).

**Economic Impacts:** This multifamily residential project was expected to create 169.46 total jobs (95.14 direct jobs and 74.33 jobs through indirect and induced activities) and create \$14,865,082 in total economic output (\$9,135,455 of direct output and another \$5,729,627 of output through indirect and induced activities).

*The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

**Environmental Considerations:** California Environmental Quality Act (CEQA): The Project has been reviewed pursuant to the California Environmental Quality Act (CEQA), and it has been determined that the project is exempt from CEQA pursuant CEQA Guidelines §15332, "infill

development projects”.

National Environmental Policy Act (NEPA): An Environmental Assessment has been prepared pursuant to the National Environmental Policy Act, and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**Sustainability:** The Project has been reviewed for consistency with the goals, policies, and targets of the 2040 General Plan. The Project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2040 General Plan: a) LUP-A-7: Sustainability and Decarbonization standards, the City shall evaluate best practices to guide development of more prescriptive sustainability and decarbonization standards for City buildings, infrastructure, and facilities.; and b) Infill Development in Corridors and Centers, Table 2-1; Corridors and centers provide prime opportunities for infill development, promoting a diverse mix of housing, employment, and amenities. This interconnected network supports affordable housing, boosts local businesses, and encourages sustainable transit and car-free mobility in cities.

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

**Rationale for Recommendation:** The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and are consistent with SHRA’s approved Multifamily Lending and Mortgage Revenue Bond Policies and the City of Sacramento’s 2021-2029 Housing Element.

**Financial Considerations:** SHRA received a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and an annual payment for monitoring the regulatory restrictions and administration of the bonds and the affordable units for the 55-year term.

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

## **RESOLUTION NO. 2024 -**

### **Adopted by the Sacramento City Council**

November 12, 2024

#### **Villa Jardin/Coral Gables: Reapproval of Plan of Finance Including Issuance and Reissuance of Multifamily Housing Revenue Bonds by the Housing Authority of the City of Sacramento on Behalf of Villa Jardin/Coral Gables, L.P.**

#### **BACKGROUND**

- A. The Housing Authority of the City of Sacramento, a housing authority organized and existing under the laws of the State of California (the "Authority"), has proposed a plan of financing providing for the issuance and/or reissuance of multifamily housing revenue bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (the "Code") in one or more series issued from time to time, including bonds issued to refund such multifamily housing revenue bonds, and at no time to exceed \$16,500,000 (the "Obligations") and to loan the proceeds thereof to Villa Jardin/Coral Gables, L.P., a California limited partnership, of which JSCo Villa Jardin/Coral Gables LLC, a California limited liability company, and PacH Lancaster Holdings, LLC, a California limited liability company, are the general partners, which loan is being used to finance and refinance the acquisition and rehabilitation of a 44-unit multifamily rental housing facility located at 2621, 2625, 2629, 2633, 2637, 2641, 2701, 2705, 2693 and 2697 Meadowview Road in the City of Sacramento, and the acquisition, construction and development of a 38-unit multifamily rental housing facility to be located at 41, 57, 65 and 73 Coral Gables Court in the City of Sacramento, and to be commonly known as Villa Jardin/Coral Gables; and
- B. Section 147(f) of the Internal Revenue Code of 1986, as amended (together with related regulations and official guidance, the "Code"), requires the issuance or reissuance of the Obligations to be approved by the City Council of the City (the "City Council"), as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice; and
- C. A public hearing was held by the City Council on November 12, 2024, following duly published notice thereof, and all persons desiring to be heard have been heard; and
- D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations.
- E. After a duly noticed public hearing, the City Council, as the elected representative of the City of Sacramento, previously adopted its Resolution No. 2021-0295 on September 21, 2021, thereby approving the issuance and reissuance of the Obligations for the Project, but such prior approval has expired by the terms of Section 147(f) of the Code, necessitating this reapproval.

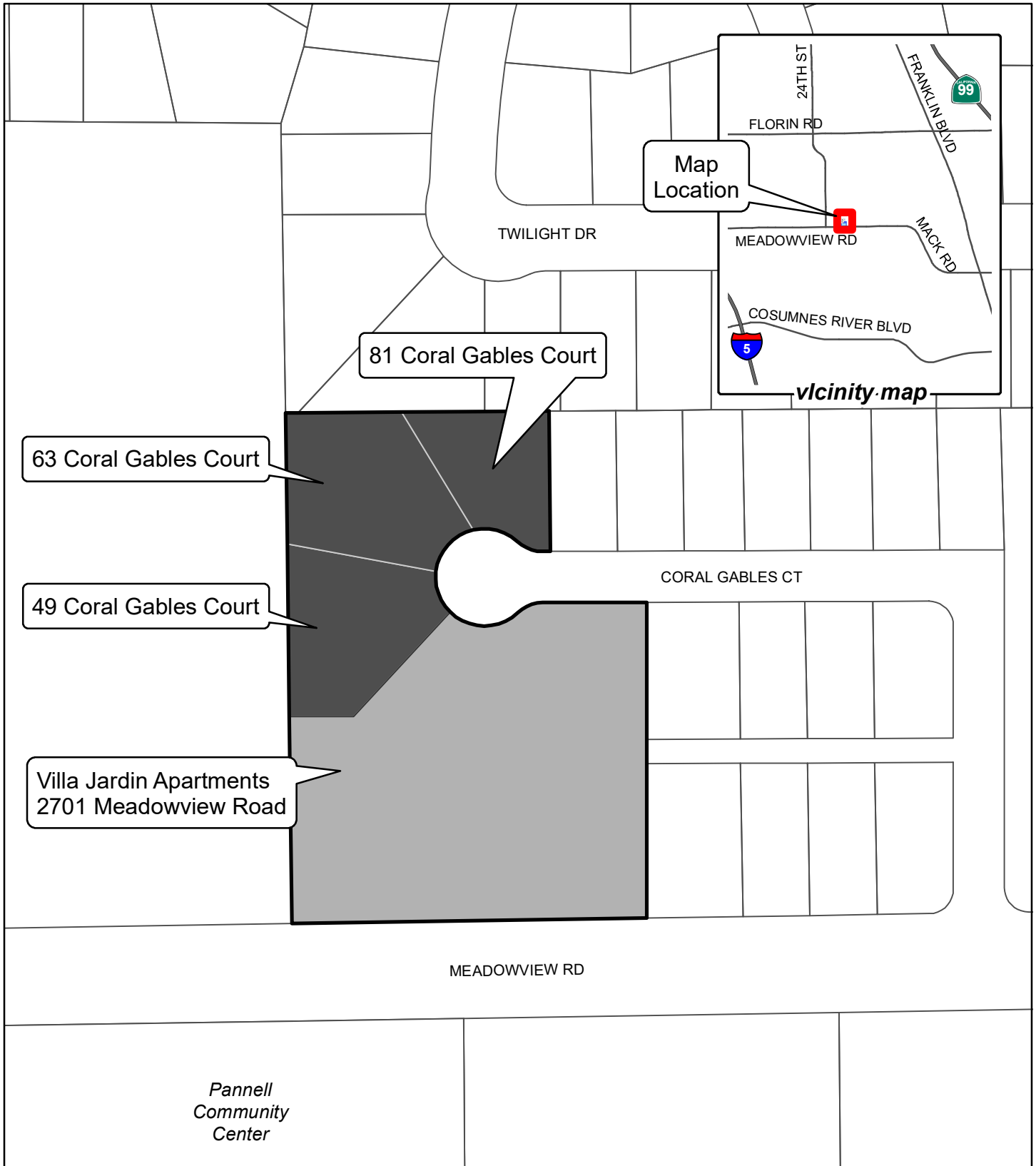
**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**




**SECTION 1.**

The City Council of the City of Sacramento hereby finds, determines and declares that the plan of finance for the issuance and/or reissuance by the Authority of the Obligations in the maximum principal amount of \$16,500,000 for the purposes described above is hereby approved.

**SECTION 2.**

This resolution shall take effect immediately upon its adoption.



-  Project Area
-  Villa Jardin (Existing Affordable Housing Development)
-  49, 63, and 81 Coral Gables Court (Vacant)



**Coral Gables and Villa Jardin**

Pictures of Coral Gables (New Construction Site on Vacant Lot)





Villa Jardin/Coral Gables  
Residential Project Summary

|                              |                                    |   |                      |                         |                               |              |
|------------------------------|------------------------------------|---|----------------------|-------------------------|-------------------------------|--------------|
| <b>Addresses</b>             |                                    | 2701 Meadowview Rd #2, Sacramento, CA 95832   |                      |                         |                               |              |
| <b>Number of Units</b>       |                                    | 82  |                      |                         |                               |              |
| <b>Project Type</b>          |                                    | Rehabilitation  |                      |                         |                               |              |
| <b>Acreage</b>               |                                    | 2.32  |                      |                         |                               |              |
| <b>Unit Mix and Rents</b>    |                                    | <u>25% AMI - Supportive</u>   | <u>30% AMI</u>       | <u>50% AMI</u>          | <u>Exempt Management Unit</u> | <u>Total</u> |
|                              | 1BR                                | 17  | 0                    | 1                       | 0                             | 18           |
|                              | 2BR                                | 27  | 22                   | 14                      | 1                             | 64           |
|                              | Total Units (43 PBV)               | 44  | 22                   | 15                      | 1                             | 82           |
| <b>Square Footage</b>        |                                    | <u>Unit Size (sq.ft.)</u>   |                      | <u>Total (sq. ft.)</u>  |                               |              |
|                              | 1BR                                | 600   |                      | 10,800                  |                               |              |
|                              | 2BR                                | 875   |                      | 0                       |                               |              |
|                              | Total Gross                        |   |                      | 10,800                  |                               |              |
| <b>Resident Facilities</b>   |                                    | LifeSTEPS will offer a suite of enhanced social services to all residents including 15 hours of resident social services per week, to be spread among the following categories: Service coordination, case management, educational classes, |                      |                         |                               |              |
| <b>Permanent Sources</b>     |                                    | <u>Total</u>  | <u>Per Unit</u>      | <u>Per Square Foot</u>  |                               |              |
|                              | Senior Loan                        | \$ 3,150,000.00   | \$ 38,415            | \$ 291.67               | sq. ft.                       |              |
|                              | Federal Tax Credit Equity          | \$ 15,291,096.00  | \$ 186,477           | \$ 1,415.84             | sq. ft.                       |              |
|                              | SHRA Loan                          | \$ 1,900,000.00   | \$ 23,171            | \$ 175.93               | sq. ft.                       |              |
|                              | Building Hope Loan                 | \$ 2,120,000.00   | \$ 25,854            | \$ 196.30               | sq. ft.                       |              |
|                              | SHRA Existing Loan                 | \$ 1,800,000.00   | \$ 21,951            | \$ 166.67               | sq. ft.                       |              |
|                              | HACS Seller Carryback Loan         | \$ 80,750.00  | \$ 985               | \$ 7.48                 | sq. ft.                       |              |
|                              | HCD MHP                            | \$ 11,500,000.00  | \$ 140,244           | \$ 1,064.81             | sq. ft.                       |              |
|                              | Deferred Developer Fee             | \$ 1,319,494.00   | \$ 16,091            | \$ 122.18               | sq. ft.                       |              |
|                              | GP Contribution                    | \$ 932,709.00   | \$ 11,375            | \$ 86.36                | sq. ft.                       |              |
|                              | Net Operating Income               | \$ 26,185.00  | \$ 319               | \$ 2.42                 | sq. ft.                       |              |
|                              | Fee Waivers                        | \$ 185,000.00   | \$ 2,256             |                         |                               |              |
|                              | <b>TOTAL SOURCES</b>               | <b>\$ 38,305,234</b>  | <b>\$ 467,137</b>    | <b>\$ 3,546.78</b>      | <b>sq. ft.</b>                |              |
| <b>Permanent Uses</b>        |                                    | <u>Total</u>  | <u>Per Unit</u>      | <u>Per Square Foot</u>  |                               |              |
|                              | Acquisition                        | \$ 2,379,862  | \$ 29,023            | \$ 220.36               | sq. ft.                       |              |
|                              | Construction Costs                 | \$ 20,927,018   | \$ 255,208           | \$ 1,937.69             | sq. ft.                       |              |
|                              | Architecture & Engineering         | \$ 1,398,843  | \$ 17,059            | \$ 129.52               | sq. ft.                       |              |
|                              | Permits/Fees                       | \$ 1,083,863  | \$ 13,218            | \$ 100.36               | sq. ft.                       |              |
|                              | Hard Cost Contingency              | \$ 1,809,772  | \$ 22,070            | \$ 167.57               | sq. ft.                       |              |
|                              | <b>TOTAL HARD COSTS</b>            | <b>\$ 27,599,358</b>  | <b>\$ 336,578</b>    | <b>\$ 2,555.50</b>      |                               |              |
|                              | Soft Cost Contingency              | \$ 90,236   | \$ 1,100             | \$ 8.36                 | sq. ft.                       |              |
|                              | Financing Cost                     | \$ 2,294,474  | \$ 27,981            | \$ 212.45               | sq. ft.                       |              |
|                              | Relocation Expenses                | \$ 1,200,903  | \$ 14,645            | \$ 111.19               | sq. ft.                       |              |
|                              | Operating Reserves                 | \$ 1,162,629  | \$ 14,178            | \$ 107.65               | sq. ft.                       |              |
|                              | Transitional Operating Reserves    | \$ 118,591  | \$ 1,446             | \$ 10.98                | sq. ft.                       |              |
|                              | Legal Fees                         | \$ 416,681  | \$ 5,081             | \$ 38.58                | sq. ft.                       |              |
|                              | Developer Fee                      | \$ 3,552,991  | \$ 43,329            | \$ 328.98               | sq. ft.                       |              |
|                              | Third Party Fees, Marketing, Other | \$ 1,869,371  | \$ 22,797            | \$ 173.09               | sq. ft.                       |              |
|                              | <b>TOTAL SOFT COSTS</b>            | <b>\$ 10,705,876</b>  | <b>\$ 130,559</b>    | <b>\$ 991.28</b>        |                               |              |
|                              | <b>TOTAL USES</b>                  | <b>\$ 38,305,234</b>  | <b>\$ 467,137</b>    | <b>\$ 3,546.78</b>      |                               |              |
| <b>Leverage</b>              |                                    | <u>SHRA \$ per Unit</u>   | <u>Per Unit Cost</u> | <u>Leverage</u>         |                               |              |
|                              |                                    | \$ 70,976   | \$ 467,137           | SHRA<br>\$1.00 : \$6.58 |                               |              |
| <b>Management / Expenses</b> |                                    | John Stewart Company/HOPE Cooperative   |                      |                         |                               |              |
|                              | Proposed Developer                 | John Stewart Company  |                      |                         |                               |              |
|                              | Property Management Company        | John Stewart Company  |                      |                         |                               |              |
|                              | Operating Expenses                 | \$ 415,355  | \$ 5,065             | per unit                |                               |              |
|                              | Property Management Fee            | \$ 74,200   | \$ 905               | per unit                |                               |              |
|                              | Resident Services                  | \$ 175,702  | \$ 2,143             | per unit                |                               |              |
|                              | Taxes and Insurance                | \$ 75,122   | \$ 916               | per unit                |                               |              |
|                              | Replacement Reserves               | \$ 41,000   | \$ 500               | per unit                |                               |              |