



May 10, 2024

TO: CADA Board of Directors

SUBJECT: **May 17, 2024 Board Meeting**
AGENDA ITEM 9

MIDDLE INCOME HOUSING PROGRAM – BUDGET ADJUSTMENT

CONTACT: Danielle Foster, Executive Director
Noelle Mussen, Finance Director

RECOMMENDED ACTION:

Staff is recommending the Board adopt the attached resolution (Attachment 1), authorizing the Executive Director, or her designee, to: create a new Middle-Income Housing Program Fund, reducing the existing FY 22-23 Middle Income Housing Project Support Development budget line item to zero and increasing this new Fund by \$350,000, combining CADA's \$250,000 allotment and the City of Sacramento's \$100,000 grant assistance for this program.

BACKGROUND

In June 2023, CADA created the Middle-Income Housing Program and adopted program guidelines and a \$250,000 budget after initiating its first project agreement for 1901 8th Street that resulted in 65 units at 80% of Area Median Income (AMI) and below and 7 units at 120% of Area Median Income (AMI) and below. Subsequent to this initial project approval, CADA decided to open up dialogue and an opportunity for developers to hear more about this new program and have an equal opportunity to access the remaining \$150,000 CADA budgeted for the program through a Notice of Funding Availability (NOFA) before offering the funds through "over the counter" applications as potential projects apply.

At the end of September 2023, CADA issued a NOFA that had a submittal deadline of October 30, 2023. The NOFA information was distributed broadly amongst the development community, CADA partners, and posted on CADA's BID and RFP Opportunities website. As a result of this NOFA process, CADA received three additional applications which the Board approved for funding in early 2024. The following projects have currently been awarded funding through the Middle-Income Housing Program:

- The Kind Project – 72 Units at 1901 8th Street (Urban Elements and Fulcrum Properties)
- Studio30 – 30 Units at 16th and E Streets (Urban Capital)
- Esperanza – 132 Units at 12th and E Streets (Urban Capital)
- Grace – 41 Units at 15th and G Streets (Urban Capital)

After disbursement of these commitments, CADA continues to have \$75,000 of its own funding available for this program and anticipates timely repayment of these loans to the above projects within one to three years. The funds will then be available for reuse in this program.

As CADA was initiating this Middle-Income Housing Program, the City expressed interest in partnering to further the program throughout the downtown and in other high-priority City areas as well. Other high-priority areas for the City might include its commercial corridor reinvestment initiatives on Stockton Boulevard and Del Paso Boulevard. With the additional \$100,000 in program funding, CADA will have expanded capacity to assist additional middle-income housing projects. And the City funds will continue to be recycled in the program also, continuing to provide future loans.

ANALYSIS

Staff is excited to expand the continued offering of this housing affordability level that is not currently being served by typical affordable housing development nor by conventional market rate development. Existing and future loans to middle-income projects will provide a half unit credit back to CADA for each apartment unit assisted. So, for 268 the low-income units currently committed to, CADA will receive a 134-unit credit for the R Street Project Area. And even better, will be addressing an otherwise unmet need in our city that can also be paired with vouchers and provide even greater affordability.

Creating a new fund for this program makes sense in order to segregate the funding and ensure its continued use through ongoing use of recycled funding. This fund creation also aligns with the City grant fund agreement to ensure the ongoing use of its funds and related interest accrued back to this Middle-Income Program.

FINANCIAL IMPACT

Currently the Middle-Income Housing Project Support program is budgeted in the FY 22-23 Development CIP Budget for \$250,000 funded through R Street Tax Increment. Staff is requesting the creation of a new Fund for this program's revolving fund, closing out the current Development CIP Budget and moving the \$250,000 to the new Fund. Staff also proposes a \$100,000 increase to this new Fund, bringing it to \$350,000 total, in order to recognize the receipt of grant funding from the City of Sacramento for additional loan capacity to support this program. These loans will be repaid within one year of their issuance to each project, with interest, and returned to the Middle-Income Housing Program fund where it can be used for a subsequent middle-income project or projects through CADA's over-the-counter application process that will now be first-come, first served and reviewed for funding.

POLICY

Provision of these loans and regulatory agreements through the Middle-Income Housing Program supports CADA's work in building and serving a vibrant Capitol Area Neighborhood, R Street Corridor, and downtown, supporting the work on the City, and leading the way in community development innovation. Having a variety of housing types and affordability levels within the Central City benefits the commercial and residential stability of downtown and city commercial corridors, including existing CADA project areas, and furthers the community health by broadening the available range of household types and income levels that the housing is able to serve.

STRATEGIC PLAN

The Middle-Income Housing Program fulfils the following components of the CADA Strategic Plan:

1. Ensure Fiscal Strength and Operational Excellence. This program uses a small amount of funding to leverage significant community benefit.

2. Deliver Community Development Leadership. This program demonstrates a creative path for more housing types and overall housing stock. Utilizing partnerships in the completion of our mission has been and continues to be a hallmark of CADA's work. This proposal further combines environmental sustainability with housing development by weaving together local workforce needs and housing options.
3. Provide Policy and Innovation Leadership. This program innovates through creation of a new housing product that is not otherwise being provided or supported in the market. This program is also spurring conversation about creative development options locally and regionally.

ENVIRONMENTAL IMPACT

This action is exempt under the California Environmental Quality Act (CEQA) as it involves only the provision of funding for a program. CEQA reviews of related project developments would be completed by the City of Sacramento through the planning entitlement review process.

CONTRACT AWARD CONSIDERATIONS

Not applicable.

Attachments:

1. Resolution 24-24

RESOLUTION NO. 24 – 24

Adopted by the Capitol Area Development Authority

May 17, 2024

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO CREATE A MIDDLE-INCOME HOUSING PROGRAM FUND AND BUDGET \$350,000 INTO THE FUND COMPRISED OF CADA'S \$250,000 BUDGET ALLOTMENT AND THE CITY OF SACRAMENTO \$100,000 GRANT TO THE PROGRAM

WHEREAS, CADA created a middle-income housing model in June 2023 that relies upon the welfare tax exemption and cost-efficient housing design to provide housing affordability;

WHEREAS, to date, CADA is providing loans and regulatory agreements to assist 268 units affordable to low-income and moderate-income households at or below 80% and 120% of the Area Median Income;

WHEREAS, provision of middle-income housing units addresses a significant community need, supports community diversity and provides a stable workforce downtown and within high priority areas that will support the economic vitality of the Capitol Area, commercial corridors, and the City overall; and

WHEREAS, the City is providing \$100,000 in grant funds to CADA for the Middle-Income Housing Program, to be recycled back into the program as project loans are repaid, in conjunction with CADA's funds in the program.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Capitol Area Development Authority that:

The Executive Director, or her designee, is authorized to: create a new Middle-Income Housing Program Fund, reducing the existing FY 22-23 Middle Income Housing Project Support Development budget line item to zero and increasing this new Fund by \$350,000, combining CADA's \$250,000 allotment and the City of Sacramento's \$100,000 grant assistance for this program.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors