



January 10, 2025

**TO:** CADA Board of Directors

**SUBJECT: January 17, 2025 Board Meeting  
AGENDA ITEM 5  
AUTHORIZATION FOR CADA TO RECEIVE GRANT FUNDING FROM THE  
CITY OF SACRAMENTO FOR THE 805 R STREET AFFORDABLE HOUSING  
PROJECT**

**CONTACT:** Danielle Foster, Executive Director  
Todd Leon, Development Director  
Jack Barnes, Development Manager

### **RECOMMENDED ACTION**

Staff recommends the CADA Board of Directors adopt the attached Resolution (Attachment 1) granting CADA staff the authority to receive grant funding of up to \$3,500,000 from the City of Sacramento for the 805 R St Affordable Housing Project (Monarch).

### **BACKGROUND**

In October 2018, the City Council passed a resolution reducing certain development impact fee residential rates for new deed-restricted affordable dwelling units to a zero-dollar rate for building permit applications accepted on or after December 30, 2018. This impact fee reduction program is subject to funding availability at the time of building permit issuance. The City has committed to ensuring a zero-dollar impact fee for the 805 R Street Project and may provide additional funding through a secondary grant source to backfill if the primary program budget from the City's General Fund is insufficient to fully fund this project's fee requirements.

Since 2022, the Capitol Area Development Authority's (CADA) nonprofit arm, the Capitol Area Community Development Corporation (CACDC) and Mutual Housing California have been working together as partners to develop Monarch, a 241-unit mixed-use affordable housing project on state-owned land at 805 R Street, the north side of R Street between 8<sup>th</sup> and 9<sup>th</sup> Streets. Monarch is fully funded and will be closing on its construction financing in the next couple of months, beginning construction shortly thereafter.

In October 2022, the City of Sacramento committed \$3 million in American Rescue Plan Act (ARPA) dollars to Monarch to support the construction of affordable housing units and assist in further leveraging of state funding sources.

As part of the current building permit review process, the City's Department of Utilities recently inspected the sewerline conditions under Quill Alley directly north of Monarch and determined that the sewerline would need to be replaced, and that Monarch would be required to cover 40% of those replacement costs.

As part of the City commitment to ensure the zero-dollar impact fee on this project for the development impact fees, the City's Office of Innovation and Economic Development is providing State Homeless Housing, Assistance and Prevention (HHAP) funds to assist with any potential shortfalls of the General Fund funding for the zero-dollar impact fee program and to mitigate additional costs associated with the sewerline replacement requirement and increasing projected interest rate expenses on the projects. These HHAP funds will be provided with the ARPA funding as a grant to CADA for CADA to include in its funding to the project. CADA will be ensuring development of the project and monitoring of the Regulatory Agreement on behalf of the City.

## **ANALYSIS**

Possible costs resulting from shortfalls in the fee waiver program, the precise cost of the sewerline replacement, and increased costs due to interest rate changes each represent dollar figures that are yet to be finalized and will determine the precise amount of the grant CADA will receive from the City. Current estimates put this total under \$500,000.

The City's grant will come from two sources: the \$3 million from federal ARPA funds, plus a few hundred thousand dollars of HHAP funds for the sewerline replacement, increased costs due to fluctuating interest rates, and any gaps in funding for project development impact fees. Though the ultimate amount will likely be less, granting CADA the authority to receive up to \$3,500,000 from the City will remove any legal challenges that could be present if the final calculations shift. This flexibility is important considering the tight closing timeline.

Once the City's Grant has been received, these funds will be combined with the existing \$8 million commitment of CADA funds and provided to Monarch as a residual receipts loan.

## **FINANCIAL IMPACT**

The \$3 million from ARPA is crucial gap funding for the project and the project would be in jeopardy without it. The additional funds of up to \$500,000, will remedy recent, previously unforeseen costs to stabilize the project at this critical juncture.

The City funds transferred to CADA will immediately be packaged with CADA's committed funds and advanced to Monarch through a residual receipt loan. The City grant funding will have no significant financial impact to CADA, but CADA will be able to reuse these funds for the purpose of affordable housing development as the project repays it over time through residual receipts with the other CADA funds.

There will be monitoring reports required from the project to the City for these funds, but these reports will be required primarily during construction until one year after initial project occupancy.

## **ENVIRONMENTAL CONSIDERATIONS**

The Department of General Services of the State of California, as the lead agency for the Project, has determined that the project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15332 (Class 32 – In-Fill Development Project). The actions requested here, which include establishment of a funding mechanism for local projects, are a fiscal activity and not a project pursuant to CEQA Guidelines section 15378 (b)(4) because they do not constitute the commitment to or approval of any project that could have a significant effect on the environment.

## **STRATEGIC PLANS**

The proposed action addresses the following 2024-2029 CADA Strategic Plan goals: "Ensure Fiscal Strength and Operational Excellence" and "Deliver Community Development Leadership."

Action #8 of CADA's Strategic Goal to "Ensure Fiscal Strength and Operational Excellence" is to "seek financial partnerships with creative funding sources that further CADA's mission." The additional HHAP funds that will come on top of the \$3 million ARPA dollars is a direct result of creative problem-solving in collaboration with the City and undoubtedly advance CADA's mission to "build and maintain vibrant, sustainable, mixed-use neighborhoods that support California's capital city."

By granting CADA the authority to receive these funds the Board would also promote actions #1 and #8 of its Strategic Goal to "Deliver Community Development Leadership" to "seek opportunities for furthering ownership housing and housing serving a range of income levels to create diverse and inclusive neighborhoods" and to "identify opportunities to bring more housing online that addresses local needs and engage in a minimum of two active development projects per year," respectively. This money meaningfully brings Monarch closer to reality for the 239 low-income households it will house.

Attachments:

1. CADA Resolution 25-01

## **RESOLUTION NO. 25 – 01**

Adopted by the Capitol Area Development Authority

January 17, 2025

### **RESOLUTION GRANTING CADA STAFF THE AUTHORITY TO RECEIVE GRANT FUNDING FROM THE CITY OF SACRAMENTO IN AN AMOUNT NOT TO EXCEED \$3,500,000 FOR THE PURPOSES OF PROVIDING FUNDING FOR THE AFFORDABLE HOUSING PROJECT AT 805 R STREET**

**WHEREAS**, Monarch is a 241-unit mixed-use affordable housing project in the Capitol Area being developed by a partnership between the Capitol Area Development Authority's (CADA) non-profit development arm, the Capitol Area Community Development Corporation (CACDC) and Mutual Housing California;

**WHEREAS**, Monarch's development team expects to close construction financing imminently;

**WHEREAS**, on October 25, 2022 the City of Sacramento committed \$3 million in gap financing to Monarch in the form of a grant when it decided to include affordable housing development as part of its approach to addressing homelessness using American Rescue Plan Act (ARPA) funds;

**WHEREAS**, the City of Sacramento's Department of Utilities has determined the sewerline under Quill Alley to Monarch's north needs to be replaced and that the project's developer shall pay 40% of the cost of its replacement; and

**WHEREAS**, the City of Sacramento's Community Development Department has agreed to provide funding from its Homeless Housing, Assistance and Prevention funds to Monarch to assist with potential shortfalls in the zero-dollar impact fee program and to mitigate additional costs and increasing interest rates.

**NOW, THEREFORE, BE IT RESOLVED**, by the Capitol Area Development Authority that the Board of Directors hereby authorizes CADA to receive up to \$3,500,000 in grant funds from the City of Sacramento to be loaned to Monarch's development partnership for the project's development.

The foregoing Resolution was duly passed and adopted at a meeting of the Board of Directors of the Capitol Area Development Authority held on January 17, 2025, by the following vote:

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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors