



# Folsom City Council Staff Report

<b>MEETING DATE:</b>	10/14/2025
<b>AGENDA SECTION:</b>	New Business
<b>SUBJECT:</b>	Resolution No. 11467 - A Resolution Approving Reimbursement of General Fund Subsidy Toward Affordable Housing by Transferring \$615,000 from the Folsom Housing Fund (Fund 238) to the Capital Facilities Fund (Fund 602) Relating to the Discounted Sale of 300 Persifer Street Property to Habitat for Humanity of Greater Sacramento and Appropriation of Funds
<b>FROM:</b>	Community Development Department

**RECOMMENDATION / CITY COUNCIL ACTION**

Staff respectfully recommends that the City Council approve Resolution No. 11467- A Resolution Approving Reimbursement of General Fund Subsidy Toward Affordable Housing by Transferring \$615,000 from the Folsom Housing Fund (Fund 238) to the Capital Facilities Fund (Fund 602) Relating to the Discounted Sale of 300 Persifer Street Property to Habitat for Humanity of Greater Sacramento and Appropriation of Funds

**BACKGROUND / ISSUE**

The City of Folsom purchased the property located at 300 Persifer Street in 1961. In the 50 years that followed, the nearly one-acre site located on the northeast corner of Persifer and Coloma Streets was developed and used as a Fire Station, City Hall Annex, City Library, then offices for the Army Corps of Engineers during construction of Folsom Lake Crossing.

In January 2017, after the building on the property sat vacant for six years, the City Council approved the demolition of the building on the Persifer site, along with land use changes from commercial to residential. City Council action on land use changes included direction to subdivide the property into five single-family residential parcels in keeping with the previous Theodore Judah historic lotting pattern in the area and to sell the parcels for residential development.

On January 1, 2020, the Surplus Land Act was amended to address California's shortage of affordable housing by requiring local agency prioritization of affordable housing development when selling or leasing public lands no longer necessary for agency use. The Surplus Land Act requires agencies to take formal action in a regular public meeting to declare land surplus. Furthermore, under the Surplus Land Act, local agencies are required to notify housing sponsors registered with the State Department of Housing and Community Development (HCD) of the surplus land availability once the surplus declaration is made. Local agencies are also required to follow specific guidelines that ensure good faith negotiations occur with interested parties and that proposals with the greatest affordability targets are given priority for land disposition. Following the 90-day negotiation period, the agency must provide HCD with materials and process to ensure compliance with written findings and noticing requirements before the agency can sell or otherwise dispose of the property.

On September 22, 2020, City Council adopted Resolution No. 10531 declaring 300 Persifer Street as surplus land with the specific purpose of creating at least five for sale affordable housing units. This action was intended to help the City meet its Regional Housing Needs Allocation and to target for-sale affordable housing opportunities in Folsom. Specific findings associated with that action and reference to Surplus Land Act requirements are listed below:

1. The land will be subdivided into five individual residential lots in keeping with the historic Theodore Judah lotting pattern each with 7,000 square foot lot size, 50-foot lot width, and 140-foot lot depth; and
2. The land will be transferred for the purpose of creating at least one for sale affordable housing unit on each of the five lots with consideration for a smaller secondary or accessory dwelling unit along the adjoining alley consistent with local zoning and State housing laws; and
3. Consistent with the Surplus Land Act, the City will notify housing sponsors registered with the State Department of Housing and Community Development of the surplus land availability; and
4. The City will submit relevant materials and process to the State Department of Housing and Community Development to determine compliance with the requirements of the Surplus Land Act.

On September 24, 2020, a Notice of Availability (NOA) was sent to all required entities. During the mandatory 60-day noticing period, two housing providers (Habitat for Humanity of Greater Sacramento and Retraining the Village) expressed interest in purchasing the property for the purposes of subdividing the property into five individual lots and developing affordable, for-sale housing. City staff met with each of the interested housing providers during the 90-day negotiation period, and proposals from Habitat for Humanity of Greater Sacramento (Habitat) and Retraining the Village were provided to the City.

On April 7, 2021, the City provided HCD with a summary of the City's Surplus Land process for disposition of surplus property at 300 Persifer Street. The City also provided HCD with the two proposals from Habitat and Retraining the Village. The State's Surplus Land Team reviewed the documentation and confirmed compliance with required process. Furthermore, HCD informed the City that priority preference should be given to the Habitat proposal given that it included the

deepest average level of affordability. City staff thereafter moved forward with negotiations with Habitat with respect to its project proposal and purchase offer.

As part of the 300 Persifer Street land negotiations, the City solicited land valuation prior to subdivision of the parcel. Based on comparisons in the area at that time, the estimated value of the 0.91 acre site zoned for residential development was \$625,000. On December 14, 2021, City Council adopted Resolution 10777 approving the sale of surplus land at 300 Persifer Street to Habitat for the discounted sale price of \$10,000 with the following conditions:

1. The vacant surplus property will be subdivided by the City into five individual residential lots in keeping with the historic Theodore Judah lotting pattern each with 7,000 square foot lot size, 50-foot lot width, and 140-foot lot depth.
2. The vacant surplus property will be sold to Habitat for a total sum of \$10,000 for the purpose of creating at least one for-sale affordable housing unit on each of the five lots, with an additional smaller secondary or accessory dwelling unit on each lot along the adjoining alley consistent with local zoning and State housing law.
3. Transfer of ownership of the Property to Habitat is subject to Habitat entering into a Regulatory Agreement and Declaration of Restrictive Covenants to ensure affordability of the units for 55 years as required by law.
4. The City will support Habitat's efforts to secure future grant funding and/or fee reductions for off-site infrastructure improvements, design and permitting.

To repay the General Fund for subsidizing the Habitat affordable housing project, the proposed Resolution No. 11467 authorizes the one-time transfer of \$615,000 from the Folsom Housing Fund (Fund 238) to the Capital Facilities Fund (Fund 602) for the estimated land value of the 300 Persifer site (\$625,000) less the sale price of \$10,000 as a qualifying expenditure of the Folsom Housing Fund.

### **POLICY / RULE**

The City Council has the authority to approve the sale of surplus City-owned property (FMC Section 2.36.270). Surplus City-owned land is subject to the requirements set forth in the Surplus Land Act (Government Code sections 54220-54234). Specifically, Government Code Section 54226 establishes that a local agency may sell or lease surplus land at or less than fair market value as a way of providing additional subsidy to build more deeply income-targeted projects.

### **ANALYSIS**

The City's current Housing Element was adopted in 2021 and establishes the local plan to implement the City's "fair share" of the regional affordable housing needs allocated to the City by SACOG. The Housing Element calls for 2,226 very low-income units and 1,341 low-income units over the eight-year period from 2021 to 2029. The Housing Element assumes that the vast majority of affordable housing opportunities in Folsom will be multifamily rental units. The Habitat for Humanity project on the City's land at 300 Persifer creates ten for-sale affordable housing units in

Folsom. In fact, the project implements Housing Element Program H.16 to Facilitate Affordable Housing Development on City-Owned Land.

August 2025, staff presented to City Council mid-term report on the implementation of the City's Housing Element. As part of that update, staff reported on the City's progress in meeting its Regional Housing Needs Allocation and outlined approved and qualifying expenditures for the various housing funds. The Folsom Housing Fund (Fund 238) has a current cash balance of approximately \$22 million. Since 2019, the City Council has approved \$13.7 million in long-term low-interest loans to help with gap financing for over 550 deed restricted affordable units in six multifamily affordable housing projects in the City of Folsom. In addition to affordable housing loans, the Folsom Housing Fund (Fund 238) can be used for programs, policy implementation, and the purchase and/or sale of land for affordable housing purposes. At that meeting, the City Council stated their interest in utilizing the Folsom Housing Fund (Fund 238) to reimburse the General Fund for the lost revenue related to the discounted sale price (\$615,000) for the Habitat for Humanity project at the 300 Persifer Street site.

Unlike other housing loans funded in Folsom for affordable rental housing, Habitat's land acquisition model relies on obtaining land for its projects at little to no cost to produce affordable homeownership opportunities for low-income families. Habitat homes are constructed as "sweat equity" projects with each purchasing partner family required to contribute 500 hours of sweat equity building their home and the homes of other partner families. Upon completion, each of the homes will be purchased by the partner family qualified by Habitat with a zero-interest equivalent 30-year mortgage with a monthly payment that is structured at no more than 30% of their monthly income. Under Habitat's model, the sales price of each home is based on the appraised value of the home at the time of sale, and "the gap" between the sales price of the home and the homeowner's "affordable" first mortgage is made up from a combination of grant funding and a forgivable affordability subsidy. Under this model, Habitat provides an equity share provision that allows the homeowners to build and capture equity over time.

City Council took the unique Habitat model into consideration when deciding on the initial discounted sale price of \$10,000 for the 300 Persifer Street site, which was well below the estimated land value of \$625,000. The Surplus Land Act (Government Code Section 54226) establishes that a local agency may sell or lease surplus land at or less than fair market value as a way of providing additional subsidy to build more deeply income-targeted projects. This action simply utilizes the Folsom Housing Fund (Fund 238) for that qualifying discounted land sale by transferring \$615,000 from Fund 238 to the Capital Facilities Fund (Fund 602) to be used for general capital projects and facility improvements

### **FINANCIAL IMPACT**

Initial proceeds of \$10,000 from the sale of the City property at 300 Persifer Street to Habitat were deposited into the General Fund (Fund 010). Resolution No. 11467 authorizes the one-time transfer of \$615,000 from the Folsom Housing Fund (Fund 238) to the Capital Facilities Fund (Fund 602) for the estimated land value of the 300 Persifer site (\$625,000) less the sale price of \$10,000 as a qualifying expenditure of the Folsom Housing Fund. There are sufficient funds in the Folsom Housing Fund (Fund 238) for this transfer.

## **ENVIRONMENTAL REVIEW**

The sale of surplus city-owned property is categorically exempt from environmental review under Section 15312 (Surplus Government Property Sales) of the CEQA Guidelines.

## **ATTACHMENTS**

1. Resolution No. 11467 - A Resolution Approving Reimbursement of General Fund Subsidy Toward Affordable Housing by Transferring \$615,000 from the Folsom Housing Fund (Fund 238) to the Capital Facilities Fund (Fund 602) Relating to the Discounted Sale of 300 Persifer Street Property to Habitat for Humanity of Greater Sacramento and Appropriation of Funds

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal line extending to the right.

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Pam Johns, Community Development Director