

REPORT BACK FROM MEETING OF NOVEMBER 28th
REGARDING AGENCY LOAN PROGRAMS AND
LOAN PROCESSING STRUCTURE

ECONOMIC DEVELOPMENT WORKSHOP

Thursday, February 7, 1985
7:30 p.m.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
First Floor Conference Room
630 "I" Street
Sacramento, California

REPORT BACK FROM MEETING OF NOVEMBER 28th
REGARDING AGENCY LOAN PROGRAMS AND
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ATTACHMENTS

- 1 - Status of Work Programs - Watt Avenue and Auburn Boulevard
- 2 - Facade Rebate Program Guidelines
- 3 - Commercial Rehabilitation Guidelines
- 4 - Direct Loan Guidelines
- 5 - Loan Processing Alternative Budgets
- 6 - Letters: City to SBA, Chamber of Commerce to City
- 7- OEDPC Report



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February 7, 1985

Participating Members, Sacramento County Board of Supervisors
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Honorable Members in Session:

SUBJECT: Report Back from Meeting of November 28th Regarding
Agency Commercial Loan Programs and Loan Processing
Structure

SUMMARY

This report recommends several significant modifications to the City and County commercial rehabilitation and direct commercial loan guidelines, and presents several options for the geographical targeting of the program, for the administrative processing of those loans and for the leveraging of additional resources into the program.

BACKGROUND

I. Introduction

Beginning in 1978, the County, and later the City, elected to devote a portion of their Community Development Block Grant funding to commercial revitalization activities. The proportion of funds devoted to this effort has remained proportionately small, in keeping with the traditional "residential" orientation of the program.

Nevertheless, the commercial program has grown to the point where almost \$1 million annually is devoted in combined City/County funding. Additionally, within the City, there is growing interest in devoting tax increment funding to economic development programs similar to those funded under CDBG, with the potential that significant additional resources might be devoted to the program.

(1)

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In the context of this report, it is important to note that we are not speaking of the large, singularly significant commercial redevelopment projects such as the Hyatt Hotel, the "Docks", or the Capitol Bank of Commerce. These must be individually negotiated and structured. Rather, we are speaking of the smaller new construction or rehabilitation jobs typical of our commercial strip areas. It is in this arena that we would like to develop simple, effective, standardized loan programs which meet the needs identified, provide for ease of processing, and for a quick definitive underwriting decision.

It is also important to note that, as a CDBG funded activity, the program must meet one of the primary objectives of that program. This means that it must be devoted to either the prevention or elimination of slums and blight (pursuant to an adopted strategy) or principally benefit low- or moderate-income persons (e.g., through job creation or the provision of services to that group).

Based on our experiences to date in the program, as well as testimony and concern expressed by our strip coordinators and business persons located along our identified commercial strips, it has been determined that some modifications to our existing program are appropriate at this time in the interest of making it more accessible to small businesses and a better fit with identified needs.

II. Current Operations

Before presenting any options or recommendations on modifications to the existing loan structure or loan processing system, however, it might be useful to once again summarize our current programs and administrative situation.

A. Loan Structure - Current Situation

Since 1979, we have developed and offered two standardized loan programs in our commercial strip revitalization areas. In addition, since June of 1984, a third program for facade improvements has also been adopted.

1. The Facade Rebate Program. This program matches, on a dollar-for-dollar basis, City/County grant funds with private funds from the business person/owner for the improve-

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ment of the building facade and/or other portions of the property visible to the street. The maximum grant amount is \$5,000 per storefront.

2. The Commercial Rehabilitation Loan Program. Through an agreement with Crocker Bank (we are about to change to First Interstate), the City/County "writes-down" or subsidizes the interest rate on commercial rehabilitation loans 6 3/4 percent below the prevailing market rate for similar loans. The loans are for amounts up to \$100,000, which would cost the City/County roughly \$30,000 in subsidy on a 15 year loan. Bank underwriting standards are applied and the bank retains absolute control of whether or not a loan is funded.
3. The Direct Loan Program. Under this program, direct loans for rehabilitation over \$100,000 and/or new construction are available up to \$200,000. The loans are made at a flexible interest rate, up to a maximum of nine percent. This program carries with it a 3:1 (private:public) leveraging ratio and a requirement that one new job be created for each \$10,000 in public funds expended.

To date, the following loans/grants have been made:

	Loans/grants Made	Total Project Costs	Public Subsidy Injected
Facade Grants	3*	\$ 16,418	\$ 8,209
Rehab Loans	12	569,605	143,897
Direct Loans	17	3,774,870	1,248,759

*31 applications have been received.

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B. Geographical Targeting - Current Situation

The CDBG loan/grant programs are currently being offered in six commercial strip areas:

Auburn Blvd. (Walnut Drive to the County line)

Watt Avenue (Karl Drive to between McClellan and Wings Way
Main Street, Isleton

Stockton Blvd. (Broadway to Fruitridge Road)

Del Paso Blvd. (Highway 160 to Evergreen)

12th Street (Railroad Underpass to G Street)

Additionally, loans/grants will be offered along Franklin Boulevard (from Sutterville to Fruitridge) as soon as the improvement plan currently under preparation, is completed.

In addition, the program, using tax increment funds, is offered along Broadway and 35th Street in Oak Park.

Active consideration is also being given to extending the program to the following areas:

Meadowview Road/24th Street (CDBG)

Elk Grove Boulevard (CDBG)

Old Florin Town (CDBG)

Marysville Boulevard (Del Paso Tax Increments)

Walnut Grove (CDBG)

Downtown - J/K Streets (Downtown Tax Increments)

Preliminary talks have also begun with merchants along N Street in Rio Linda.

Ideally, in each area selected, we have tried to provide a market analysis, physical improvement plan and rehabilitation

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design guidelines prior to making loan funds available.*
Additionally, over the past year, we have begun providing
staff assistance, in the form of contract "strip coordina-
tors", to help the business persons along each of the strips
organize and develop their own improvement strategy and to
assist them with loan/grant application and processing.
During 1984, we had coordinators on Watt Avenue, Auburn
Boulevard, Del Paso Boulevard, Stockton Boulevard, and
Franklin Boulevard. (The PAC staff has been attempting to
market the program along 12th Street, and Isleton has had its
own redevelopment consultant.)

C. Loan Processing/Leveraging - Current Situation

With respect to the existing procedures for loan processing,
the facade grants are being processed by in-house Agency per-
sonnel. The underwriting decision on rehabilitation loans
continues to be a bank responsibility. The direct loans have
been processed, reviewed and approved/denied by Agency staff.
We have relied on the coordinators to bring in all loan/grant
applications. Where possible, Agency funds are combined with
private and/or other governmental programs (e.g., Small Busi-
ness Administration) in a total loan package.

III. Short Term Plans

In 1985, we envision continuation of the program along Del Paso
Boulevard, 12th Street, Broadway, Stockton Boulevard, Franklin
Boulevard, and Main Street, Isleton. Additionally, the program
will probably expand to Marysville Boulevard, J/K Streets, and
Meadowview Road/24th Street, and potentially to Elk Grove Boule-
Boulevard, M Street in Rio Linda, and Walnut Grove, depending on
the culmination of planning efforts currently underway in those
areas. (The new County areas are being closely scrutinized to
determine whether they are eligible target areas under recently

*Not each area has each component mentioned.

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revised federal CDBG economic development criteria. Due to these changes, although there may be interest for designation in some of these new areas, restrictions placed upon the program may not allow designation.)

We are simultaneously recommending, as planned, termination of the program along Watt Avenue and Auburn Boulevard. The reasons for this are as follows:

- A. Watt Avenue is our longest standing commercial target area. We have now made a total of ten loans in that area and have also provided \$187,500 Economic Development Administration grant for capital improvements there. Additionally, a Special Planning Area ordinance has been adopted for the area and significant private investment has occurred. In our opinion, the time has come to devote our limited resources elsewhere. There are two, or perhaps three remaining loans which should be processed there, however, to close out the project.
- B. Along Auburn Boulevard, the most significant remaining task is the installation of street frontage improvements (landscaping, etc.). The coordinator for that area has determined that there is little support for formation of an assessment district to finance these improvements either in whole or in part. Given this lack of support, and the overall improvement in the economic vitality of that area anyway, we believe that a close-out is appropriate.

(Attachment 1 contains the 1984 work program for each of these areas and a status report on each.)

IV. Problems with the Existing System

A. Loan Structure

At the November 28th meeting, testimony was received that certain aspects of the existing loan programs were not well suited to meeting the commercial development needs along our targeted commercial strips. The problems identified revolved primarily around getting bank participation in very small commercial development loans (less than \$50,000) and bank underwriting procedures, especially when the applicants had businesses in troubled areas, or were tenants, as opposed to owners.

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Some comment was also received regarding the need for working
Capital loans, in addition to real estate related loans.

B. Geographical Targeting

Substantial testimony was received from Meadowview residents
that their area deserved increased attention. Staff indicat-
ed that \$10,000 had been allocated for a commercial market
study in the area and that a loan for a market at the corner
of Meadowview Road and 24th Street was being actively consid-
ered (despite the fact that no commercial improvement plan
has been adopted for the area). Additionally, it was noted
that a strip coordinator for Meadowview would be hired in
1985, but that the retention of the coordinator would have to
be tied to the resolution of the conditions of approval of
the Delta Shores Planned Unit Development. It was likely
that the Meadowview coordinator would have to be more
involved in job training than commercial revitalization since
there is, in fact, so little commercial area there.

With respect to the overall issue of geographic targeting,
staff reminded the committee about the overall need to meet
CDBG criteria (e.g., Elk Grove will have this problem) and
cautioned about the over-designation of areas, given limited
resources. In that vein, the continuing need to aggressively
leverage private and other governmental resources was men-
tioned as well.

C. Loan Processing and Leveraging

Staff was particularly concerned about these aspects of the
program for several reasons:

1. Loan application review has been a continuing and time
consuming problem area for us. We do not have an experi-
enced commercial loan review staff and have had to rely on
outside consultants to help us in the review of the tech-
nical merits of several applications. We have been work-
ing to develop our skills in this area and have recently
completed a training program in project review and under-
writing criteria. (Our discussions with the National
Association of Housing and Redevelopment Officials indi-
cates that this is not an unusual situation for community
development agencies to be in and that, in fact, we may be

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ahead of many jurisdictions in this regard.) Nevertheless, we are the first to admit our own weaknesses in this area. Frankly, we would like to spend more time working with the coordinators and business associations in developing and implementing plans and improvement strategies for the various strip areas, and less time debating the merits of individual loan applications.

2. Agency staff is in a poor position to say no. Despite the lack of technical merit, variance with program guidelines, or conflict with CDBG goals, we routinely experience considerable political pressure to fund this, or that loan. This is particularly difficult for us because a few loan applications have absolutely no merit or no relationship to established goals and their qualities in that regard can always be argued. The problem comes in when, given scarce resources, all loans may not be funded and a prioritization decision must be made, or when established guidelines and/or federal regulations are being severely tested. While political concerns may be important, and perhaps should prevail in certain instances, we do not feel that the existing situation is in the best, long run interests of the program. We would much prefer some kind of arms-length review process, with an "overt" appeal process to political channels, where the political decision to override technical grounds for denial is stated and open to public criticism.
3. Leveraging has occurred, but has been haphazard at best. Given declining public resources and an expanding number of targeted areas, this element becomes more and more critical. We believe that an effective leveraging effort will require a "full time - dedicated" staff willing and able to devote the effort and resources required to our primary client group (the small "strip" business person in troubled commercial areas).

We wish to make clear that this comment is not meant in any sense as a criticism of the efforts of existing small business assistance organizations operating in Sacramento. We are very glad that they are here, interested in our program, and willing to help.

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What we do wish to state, however, is that there is a necessity for a dedicated loan staff which can assist our targeted client group full-time in packaging their proposals and applying for Agency funds as well as arranging for other financial resources to be brought to bear. Ideally, this should include professional assistance in applying for bank funds and the ability to access Small Business Administration, state and other governmental business support assistance. This would imply that the staff be part of a Local, or preferably a Certified Development Corporation. It also implies that the corporation itself should be dedicated to the specific goals, with adequate assurances to that effect built into the board of directors and corporate membership. The staff should also be able to access or provide other forms of technical assistance as well.

V. Program Alternatives

A. Loan Structure Alternatives

On December 12th, and again on January 23rd, Agency staff met with the strip coordinators to go over potential modifications to the existing loan programs. Emphasis was placed on modifying the programs to make them more serviceable to the client group.

The following recommendations came out of those meetings:

1. Facade Rebates - This program was recommended to stay in its existing form with the exception of including parking lot improvements, sidewalks, curbs and gutters as eligible activities. (See attached guidelines, Attachment 2).
2. Commercial Rehabilitation - Change this to a flat six percent interest rate program and increase the loan maximum to \$200,000. This would make the program easy to understand and market, and much more appealing to prospective users. (However, it would also be more expensive to the City/County. For example, given a 15 percent market rate, a 15 year, \$100,000 rehabilitation loan would cost the City/County \$30,684 under the existing program, but would cost \$39,707 under the six percent program.) Loans

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would be made for structural rehabilitation and real prop-
erty improvements, in designated commercial strip areas,
as under the existing program. (Proposed guidelines are
attached, see Attachment 3.)

3. Direct Loans - This program should also be changed to a flat loan rate (nine percent is recommended). For owner occupants (or future owner occupants), however, the leveraging requirements should be modified to allow direct loans of up to \$50,000 with no leveraging, with only a one for one match after that. The maximum loan amount should remain at \$200,000, thus requiring greater leverage for the bigger deals. Maximum loan term should be 15 years. All loans will be made at a nine percent fully amortized rate, however, a portion of the payments may be deferred down to an "apparent" three percent fully amortized rate.

Priorities will be established within the program as follows:

- 1: Rehabilitation of owner-occupied structures which have been rejected by the bank under the commercial rehabilitation program;
- 2: New construction of (to be) owner-occupied structures;
- 3: Purchase with rehabilitation (rehabilitation expenses must constitute a minimum of 20 percent of the loan proceeds) of (to be) owner-occupied structures;
- 4: New construction of (to be) non owner-occupied structures. (These Priority 4 loans which will not be made until after July 1st of each year, will require a 3:1 leverage for the entire loan amount, a preleasing commitment of 75 percent of the floor space at the time of loan approval, a complete hiring plan, a maximum term of ten years, and a 9 percent interest rate, fully amortized with no deferral option.)

With respect to job creation, the absolute 1:\$10,000 ratio should be substituted as a goal versus a mandatory requirement. In addition, a hiring plan should continue to be a requirement for each loan and become part of the loan agreement. Job retention should also be given meritorious consideration.

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Funds should be made available for construction, as well as take-out financing. (Proposed guidelines are attached - see Attachment 4.)

4. Working Capital Loans - There was general consensus that the Agency, given its limited resources, should stay out of this arena. Technical assistance in establishing a line of credit for this purpose should be a goal of the program, however.

B. Geographical Targeting Alternatives

For 1985, the matrix on the following page identifies our recommendations for activities on the various commercial strips. We will also be surveying the County for other potential areas.

	Continue	Initiate	Under Study	Discontinue	Continue	Initiate	Under Study	Discontinue	Comments
Auburn Blvd.				X				X	Area improved - no interest in assessment district.
Watt Avenue				X*				X	Area Improved - two/three closeout loans possible.
M St., Rio Linda			X				X		Very preliminary discussion stages.
Del Paso Blvd.	X				X				Project underway now - loans/grants pending.
Marysville Blvd.			X				X		Initiation pending redevelopment plan.
12th Street	X						X**		Needs some re-thinking and added impetus.
J/K Streets		X					X**		Initiation pending redevelopment plan.
Broadway		X			X				Coordinator retained - project underway.
Stockton Blvd.	X				X				Project underway - loans/grants pending.
Franklin Blvd.		X			X				Project underway - initiate loans/grants.
Meadowview Rd./ 24th Street		X					X		Coordinate with Delta Shores Planned Unit Development - Complete market analysis.
Old Florin Town			X				X		Complete study.
Elk Grove Blvd.			X				X		Analyze eligibility for CDBG designation.
Walnut Grove			X				X**		Businesses have requested designation - study needed.
Main St., Isleton	X						X**		Project underway - loans/grants pending.

*Two potential loans pending.

**Currently being, or planned to be, handled in-house.

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C. Loan Processing and Leveraging Alternatives

In our discussions of November 28th, several alternative loan processing options were discussed. All options addressed the three concerns of:

1. "Time - dedicated" expertise
2. Arms length review
3. Leveraging capability

The joint panel requested that two options* be outlined in greater detail. Those were:

1. Establishment of an in-house loan staff and an in-house development corporation with leveraging capability.
2. Establishment of an external loan staff, development corporation and leveraging capability totally dedicated to business assistance on our commercial strip areas. (The status quo has also been included as a third option.)

Under either option one or two, it is staff's opinion that a board of directors or advisory body should be set up, which is made up of representatives from each of the affected geographical areas. This would ensure continued attention to their needs. Secondly, under either structure, an underwriting decision process should be set up which relies on professional, technical review by loan staff but which has an established procedure for an overt appeal to the political process. Finally, whatever entity is established should have the capability to access the full range of governmental business assistance programs.

*Note: Last May, the City Council wrote to the Small Business Administration asking them to hold off on any approvals of a new Certified Development Corporation in Sacramento pending adoption of our proposal (see Attachment 6).

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With these general parameters in mind, we would like to out-
line the options in greater detail.

Loan Processing Option 1 - Establish an in-house loan review,
underwriting and leveraging capability.

This option has been chosen by some other jurisdictions
(e.g., City of San Francisco, County of Fresno).

Basically, under this option, an in-house staff serves as
staff to a Local, Certified, or other Development Corporation
which has a board of directors and membership chosen from
among the interested client group and other relevant areas of
expertise.

In Sacramento, we would see such an option working as fol-
lows:

1. Board members for the corporation would be chosen by the
Board of Supervisors/City Council from amongst representa-
tives of the businesses on the various commercial strips
targeted, to ensure continued attention to the needs of
businesses located there. Also represented would be bank-
ers, members of the SHRC and members of the Board of
Supervisors/City Council, or their designees.
2. The corporation would be incorporated with application as
a Local, or preferably, as a Certified Development Corpo-
ration, able to access both private and other governmental
funding sources.
3. Professional loan staff would be hired, as Agency employ-
ees, to assist the strip businesses. Ideally, a qualified
loan officer, assistant and secretary would be hired (see
Attachment 5 - Budget). The staff would be entrusted to
judge applications for the Agency funded loans from a
technical as well as a programmatic perspective. The
strip coordinators would be responsible for bringing cli-
ents in. Existing Agency staff would be charged with
developing strip improvement plans and strategies, working
with the strip coordinators, analyzing market potential,
pursuing external grants, and reviewing other City/County
areas.

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4. For the purpose of deciding on Agency loans, a loan review committee would be established. Likely members would be a business person, commissioner, and the loan officer. An appeal process to the Commission and Board/Council could be established.
5. The loan staff would also be charged with providing assistance to strip businesses in securing other development funds, operating capital lines of credit and other kinds of technical assistance.

Loan Processing Option 2 - Establish an external Local, Cer-
tified or other Development Corporation dedicated full time
to small business assistance on our troubled commercial
strips.

This option has also been selected by some other jurisdic-
tions (e.g., Oakland, the City of Fresno). The parameters of
this option are basically the same as in Option 1, except
that the corporation would not be staffed by in-house person-
nel and that selection of the board of directors would be a
joint endeavor between the outside entity and the
City/County. The Agency would contract with the corporation
for services. Affiliation with a well-recognized, estab-
lished entity such as the Metropolitan Chamber of Commerce,
which has expressed interest in sponsoring such an effort
(see Attachment 6 - Letter) would, in our opinion, be a great
asset in this endeavor.

The attached budget (Attachment 5) compares the costs of
in-house versus external loan processing options.

Loan Processing Option 3 - Status Quo.

This option has been previously described in this report.

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VI. Analysis of Loan Processing Alternatives

There is a variety of arguments for and against each of the three options presented. Some of those are presented below:

Arguments in Favor of Option 1 - In-house loan review/underwriting and leveraging

This option retains close Agency control over the loan review/underwriting process. Agency staff, while serving the Development Corporation, would also remain under direct control of the Executive Director. Policy direction provided by the political process could be more directly applied to program administration. The benefits of having the loan underwriting expertise available would accrue directly to the Agency in that the overall Agency staff capability would be increased by the expertise of the loan officer, etc.

Arguments Against Option 1

The program would be perceived as more "public" than "private", an identity which is frequently cited as detrimental to the overall image of a commercial financing program. The overhead costs of the Agency make the program considerably more expensive to administer from within (see Attachment 5). The program would also remain "exposed" to direct political pressure, a situation which, as mentioned above, we do not believe to be in its best, long-run interest. It may also be more difficult for a "public" employee to establish the kinds of relationship with the banking industry which will be conducive to effective leveraging arrangements.

Arguments in Favor of Option 2 - Establishment of an external Development Corporation dedicated to our program

This option provides the "private sector" image which may be crucial to the program's success. Having the loan staff hired by a "private" entity may also be conducive to establishment of positive working relationships with banks, etc. This option would also provide an important, "arms length" review of applications for Agency loans which is one step removed from the political process. Affiliation with a known entity, such as the Chamber of Commerce, would also add greatly to the program's image and would "fit" well with overall efforts to create a "public-

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private" partnership for economic development in Sacramento. (Chamber affiliation would also tie into the Chamber's existing small business assistance programs.) The program could also be operated for less administrative costs than as a direct Agency staffed effort.

Arguments Against Option 2

This option removes the loan review process from direct Agency control. (However, it does retain Agency input on the loan approval committee.) It requires development and administration of a contract with an outside entity. Furthermore, it contains the potential for divergent goals over time as the outside entity becomes increasingly independent.

Arguments in Favor of Option 3 - Status Quo

This option provides for close Agency control over the processing of direct loans. The program is also less expensive in that existing Agency staff are being used to review the direct loan applications as well as plan and administer the overall commercial revitalization effort.

Arguments Against Option 3

Existing Agency planning staff is diverted from its planning/coordination role to loan review. As the demands of both these functions increases, the timeliness and quality of both functions will suffer given limited staff capability. No "professional" loan review staff is available. We would have to continue to rely on consultants for loan analysis. The program would also continue to be exposed to political pressure, making the underwriting decision process inconsistent, with each case being argued on a "de novo" basis from a policy perspective.

VII. Overall City/County Economic Development Program Considerations

As you are all aware, the Sacramento Overall Economic Development Program Committee (OEDPC) has suggested its own discontinuance in its current form. They have apparently felt ineffective for some time as an advisory body on economic development and have pointed out the problems with the disjointed situation now existent in

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the City/County with respect to economic development efforts and programs. (Their report is attached - see Attachment 7.) In lieu of the current situation, they have suggested that the City Manager/County Executive review options available and suggest a new structure. This recommendation was endorsed by the joint City/County Urban Task Force in its final meeting on November 21, 1984. Two possible options for an overall economic development program were suggested:

- A. Formation of a separate City/County office of economic development which would consolidate all governmental economic development functions to the maximum extent possible with other functions, such as the Chamber of Commerce and Sacramento Area Commerce and Trade Organization (SACTO), into a single economic development program for the City and County.
- B. Assignment of responsibility for residual governmental programs such as preparation of the annual Overall Economic Development Plan (OEDP), administration of the County's Industrial Development Bond (IDB) program, the Enterprise Zone program, etc., along with those programs already administered by the Agency, to the Agency.

While we do not wish to pre-empt the decision of the Manager or Executive in any way, we do believe that loan processing Option 2, as presented earlier in this report, involving the Chamber of Commerce, could be an important first step in bringing together the public and private economic development elements in Sacramento and would fit well with either OEDPC recommended option for an overall structure.

One final consideration is that the recent federal Treasury and Office of Management and Budget tax and budget recommendations do not bode well for governmentally financed economic development programs. The proposals call for elimination of IDBs, the Economic Development Administration, the Urban Development Action Grant (UDAG) program, and the Small Business Administration, as well as significant reductions in the Community Development Block Grant (CDBG) program.

Regardless of the outcome of those specific proposals, it is highly likely that the federal budget balancing efforts will negatively affect governmentally financed economic development

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resources significantly. While we may, in the future, be able to fund some administration, and perhaps a few highly critical loans, the leveraging factor will become increasingly important. We see the need to develop independent (i.e., non-governmentally dependent) resources, such as through the Chamber, with an interest in commercial revitalization, as a means by which to replace the reduced governmental capability.

FINANCIAL DATA

See Attachment 5.

POLICY IMPLICATIONS

See Background section.

RECOMMENDATIONS

1. Endorse the Facade Rebate, Commercial Rehabilitation and Direct Commercial Loan program guidelines as outlined in Attachments 2, 3, and 4.
2. Direct staff, upon approval by the full Board and Council, to take all actions necessary to implement those programs immediately, including execution of the Commercial Rehabilitation agreements with First Interstate Bank.
3. Endorse the geographic targeting recommendations outlined on Matrix 1, including:
 - a. Discontinuance of the program on Watt Avenue and Auburn Boulevard.
 - b. Continuance of the grant/loan program on Del Paso Boulevard, 12th Street, Stockton Boulevard and Main Street in Isleton, including strip coordinators on Del Paso Boulevard and Stockton Boulevard.
 - c. Continuance of the coordinator contracts on Broadway and Franklin Boulevard and initiation of the grant/loan programs in these areas.

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- d. Pending results of the market analysis or action on the conditions of approval of the Delta Shores PUD, initiate coordinator services and loan activity in Meadowview.
 - e. Initiate coordinator services and loan activity on Marysville Boulevard, pursuant to the Del Paso Heights Redevelopment Plan.
 - f. Initiate loan activity on the J/K Street area pursuant to adoption of the Downtown Redevelopment Plan.
 - g. Continue analysis of the Rio Linda/M Street, Old Florin Town, Elk Grove Boulevard, Walnut Grove, and other County areas for possible further action at a later date.
4. Endorse Option 2 (establishment of an independent development corporation dedicated to our objectives) as the recommended option for loan processing and leveraging and, subject to approval by the full Board and Council, direct staff to develop a contract with the Metropolitan Chamber of Commerce to implement the program.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

Contact Person: John Molloy
440-1360

Attachments

ATTACHMENT 1

ATTACHMENT 1

AUBURN BOULEVARD

Mark Briggs and Associates

<u>Work Program - Activity</u>	<u>Action</u>
1. Streetscape Improvements and Capital Improvements	Improvements were identified and quantified. An assessment formula was established. In November a public meeting was held to present the assessment district concept to the property owners. Based upon the feedback received at this meeting and subsequent direct contact with each property owner, it was apparent the area lacked the necessary support for the financing of the assessment district.
2. Rehabilitation of Existing Structures & New Development Loans	All business operators and property of the area were surveyed and personally contacted. No serious interest was received for the rehabilitation program; two loan applications were forthcoming for the direct loan program; and one application received for the facade program.
3. Occupancy of Vacant Building/Storefronts	All property owners were contacted regarding their vacancies. A listing was prepared on these vacancies (amount of square footage, cost, etc.) and distributed to leasing agents.

WATT AVENUE

Economic Development Foundation

Work Program - Activity

Action

1. To Publicize and Consolidate Support for the Adopted Improvement Plans for this Area

Completed. The SPA has been in existence since January 1981, however, the preliminary planning for this area started as early as the summer of 1979. Since the project's inception to present, the property owners and business operators have been involved in the development and implementation of the plans for this area.

2. Where Necessary, Personally Contact Each Property Owner and Business Operator to Assist Them in Obtaining Financing for Their Improvement/Expansion Needs

EDF has personally contacted each property owner and business operator who owns or occupies unimproved properties within the target area. The financing programs available were explained and assistance given to those individuals who were interested in submitting applications for financing. It is estimated that one more application for financing may be forthcoming in the near future.

3. Assist in the Development of the Area through the Attraction of New Businesses on the Vacant Parcels and Buildings within the Project Area

As part of the 1984 work program, EDF identified the vacant parcels and facilities within the target area and attempted to market these properties.

SUMMARY (Watt Avenue & Auburn Boulevard)

It is the opinion of staff that the Watt Avenue SPA and Auburn Boulevard area should be discontinued as commercial revitalization target areas. It is apparent that the public funds and assistance provided for these areas have successfully generated the private investment needed to revitalize these areas.

It is now appropriate to move on to other areas with the expectation of creating similar accomplishments in these areas.

ATTACHMENT 2

ATTACHMENT 2

COMMERCIAL FACADE IMPROVEMENT PROGRAM

I. INTRODUCTION

The Facade Rebate Program is designed to stimulate building improvements and upgrade the appearance of commercial properties in commercial revitalization target areas. The facade rebates are provided in recognition of the extremely valuable impact these investments have on the effort to maintain the vitality of the commercial areas. The objective of this program is to promote joint public/private action and investment in the targeted areas which will complement and enhance the large scale revitalization efforts planned for these areas. All facade improvements must be consistent with the design guidelines established for the target area. The administration of this program will be the responsibility of the Sacramento Housing and Redevelopment Agency through the Policy and Planning Department. The Facade Rebate Program will initially be funded with Community Development Block Grant and Tax Increment funds and subsequently by other funds when available.

These guidelines have been developed to present the basic elements of the Facade Rebate Program with specific emphasis on the eligibility criteria for selection of applicant/areas, types of improvements and reimbursable expenditures. Details of the necessary documentation for processing grants under this program are outlined in the Procedural Steps.

II. FACADE REBATE PROGRAM DEFINITIONS

For purposes of this program, the following definitions will apply:

1. Awning Canopy - A temporary shelter, sometimes retractable, that is supported entirely from the exterior wall of a building.
2. Codes - The Building Code and Zoning Code of the City or County of Sacramento, latest editions.
3. Design Review Committee - A committee consisting of property owners and business operators in the commercial revitalization area which will be responsible for plan review of exterior improvements for consistency with established Design Guidelines.
4. Design Guidelines - Architectural design guidelines developed for rehabilitation and new construction in the commercial revitalization area.

5. Economic Development Financing Committee - A subcommittee of the Sacramento Housing and Redevelopment Commission (SHRC) which will review and approve economic development financing projects.
6. Exterior Lighting - Lighting fixtures and the installation of same, attached or connected to building undergoing renovation. Exterior lighting does not include free standing lighting in the public way.
7. Facade - The entire exterior front surface of a building from grade to the roof line. Improvements above the storefront level are only eligible when performed in conjunction with storefront improvements. Where a building abuts two streets and/or an alley, empty lot, parking area, or open space, such building may have other faces considered facades at the discretion of the Economic Development Unit. Decorative fencing and landscaping of vacant parcels adjacent will also be considered on an individual basis.
8. Landscaping - Landscaping items (e.g., trees, bushes, planter boxes), are eligible when considered integral to the facade treatment of the building. Eligibility is determined at the discretion of the Economic Development Financing Committee.
9. Final Design - Detailed drawings showing the refined Preliminary Design and revised cost estimates.
10. Passive Energy Conservation Equipment - Equipment and/or materials which by their very nature and method of use and installation improve the energy efficiency of the building. Such equipment must be part of the building and may include canopies, awning, shutters, or other shading devices, and special glazing.
11. Preliminary Design - Initial conceptual sketches of improvements based on the objectives of the owner(s).
12. Professional Fees - Those expenses not spent on physical improvements, materials, equipment, or labor directly related to their installation. These costs include, but are not limited to: architectural/engineering fees, and legal expenses.
13. Shutter - Moveable cover or screen for a door or window to provide protection from the elements.
14. Sign - Any commercial sign attached to the building which is consistent with the City or County of Sacramento Sign Ordinance.
15. Working Drawings and Specifications - The drawings which show detailed methods of installation and materials, and the specifications therefrom to be followed in constructing the improvements.

III. ELIGIBLE APPLICANTS/AREAS

A. Applicants

Owners and tenants of commercial property are eligible to apply for assistance. Tenants are required to provide documentation of the property owner's consent of the improvements at the time of initial application. Written consent may either be in the form of a lease indicating the lessee's responsibility for property renovation and repair or documentation of the property owner's agreement to the proposed rehabilitation.

B. Areas

Areas which are located within commercial revitalization target areas or designated redevelopment project areas are eligible for assistance under this program. (See Attachment A for a listing of maps and eligible areas.)

IV. ELIGIBLE REIMBURSABLE EXPENDITURES

Approved property owners and merchants who install at least \$500 of improvements per storefront are eligible for a rebate up to 50% of the costs. The Agency's maximum rebate is \$5,000 per storefront for all approved improvements. If a building has several storefronts, each storefront may be eligible for a rebate of up to \$5,000.

Approved rehabilitation of upper floor facades is also eligible if first floor improvements are approved and/or performed. Professional, legal, architectural and City permit fees may be included in the total storefront improvement costs.

Rebates will be made for improvements started and completed after the Agency's acceptance of the final plans and specifications. Receipt of the rebate is subject to an inspection by Agency staff and the submission of complete documentation of project costs, including:

- 1) the applicant's cancelled checks and bills;
- 2) copies of building permits;
- 3) all contractor's waivers of liens; and,
- 4) a photograph of the building after completion of the facade improvements.

V. ELIGIBLE TYPES OF IMPROVEMENTS

Eligible improvements may include: facade renovation; signs; doors; windows; awnings; graphics; exterior lighting improvements; landscaping; decorative fencing and landscaping of vacant parcels in connection with a facade treatment; capital improvements such as surface parking lot installation and improvements, sidewalks, lighting, curbs and gutters in conjunction with facade work; and certain types of passive energy conservation improvements. All improvements must conform with the City and County of Sacramento Building Codes and the Design Guidelines adopted for the area. Participant's proposals will be subject to design review by both the local business association or Design Review Committee for the area and Economic Development Financing Committee.

VI. APPEAL PROCESS

The applicant has the right to appeal the Design Review Committee decision to the Economic Development Financing Committee (EDFC) and, in turn, appeal the EDFC decision to the full Sacramento Housing and Redevelopment Commission.

FACADE REBATE PROGRAM PROCEDURES

- Step 1: Initial contact is made with grant recipient. This step can occur with either the Commercial Revitalization Coordinator hired for the individual commercial target area or may be handled by the Sacramento Housing and Redevelopment Agency's (SHRA) Planning and Policy Development (P/PD) staff. The initial contact should determine whether the project is located within a target area and if the proposed activities are within the program guidelines. The Facade Rebate Program Guidelines will be reviewed and a copy of the Guidelines, including the application form, will be provided to the potential applicant.
- Step 2: Merchant or property owner fills out application form and sends application to the P/PD with: 1) a \$35.00 non-refundable application fee made out to the Sacramento Housing and Redevelopment Agency (NOTE: Only one fee per building is required); 2) a photograph of the storefront; and, 3) if the individual applying is not the property owner, documentation proving the individual has the authorization of the property owner to perform the facade renovation work.
- Step 3: Application is reviewed by the P/PD to determine whether the activities are within the program guidelines.
- Step 4: Preliminary plans (two copies), color samples, awning designs (if included) and a preliminary budget, should be submitted for review and approval by the Design Review Committee, the Economic Development Financing Committee and Agency staff. (NOTE: All information should be submitted together.) An environmental review of the project will occur at this stage. Decisions of the Design Review Committee can be appealed to the Economic Development Financing Committee. Decisions of the Financing Committee may, in turn, be appealed to the full Sacramento Housing and Redevelopment Commission, which shall be the final arbitrator in this program.
- Step 5: Upon approval of the preliminary plans, the applicant should prepare and submit final plans, specifications and detailed cost estimates to the P/PD. If the final plans are consistent with the approved preliminary plans, the P/PD will review and approve the final plans without an additional plan check by the Design Review Committee or the Financing Committee. The actual grant amount will be contingent upon the cost estimates submitted with the final plans.

Step 6: If improvements require building permits, applicants must submit final plans to the Building Department.

Step 7: The building permit is submitted to the P/PD. If revised cost estimates are necessary, these should be submitted along with the building permit to the P/PD. Upon submission and approval of these documents, an approval letter indicating the estimated rebate is sent to the applicant. This letter requires the applicant to complete improvements within 180 days from the date of the letter and states that partial completion of the project will void all agreements. If the facade improvement is part of an overall larger rehabilitation, the maximum time requirement will be established accordingly, and documented in this letter. (All change orders must be approved by the P/PD.)

Step 8: After completion of the work, the applicant's cancelled checks and bills, copies of the building permits, all contractor's waivers or liens, and a photograph of the storefront improvements should be sent to the P/PD. (NOTE: All information should be submitted together.)

Step 9: P/PD staff examines the finished work for compliance with the general design recommendations and any approved change orders.

Step 10: If the work is in compliance with the guidelines, a rebate check is sent to the applicant within thirty (30) days of P/PD receipt of complete documentation.

NOTE: A separate application form must be completed for each building

FACADE REBATE PROGRAM
APPLICATION FORM

Sacramento Housing & Redevelopment Agency
Economic Development Unit
440-1355

CASE NUMBER: _____
(for office use only)
DATE: _____

1. Applicant Name: _____
2. Mailing Address:
 Number Street City/State/Zip
3. Store Address:
 Number Street City/State/Zip
4. Telephone Applicant can be reached at during day _____
5. Best time to contact applicant _____
6. Total Number of Storefronts: _____
7. Addresses of Individual Storefronts: _____
8. Store Name(s): _____ Business Type: _____
9. Owner Name(s): _____ Phone Number _____
10. Tenant Name(s) _____
11. Describe Proposed Facade Improvement(s):

(Use additional sheets if necessary)

The applicant, _____, has read the guidelines for the Facade Rebate Program and agrees to carry out the work in accordance with these guidelines. The applicant further agrees to comply with the design guidelines for the area and the specific design recommendations of the Design Review Committee/Agency staff. Any changes in the approved plans or specifications must be presented to the Agency for approval.

In addition, the applicant agrees to pay a \$35.00 non-refundable fee payable to the Sacramento Housing and Redevelopment Agency to cover administrative costs. This payment must be attached to this application along with a photograph of the facade of the storefront(s) before the improvements have been performed.

I further understand that I must submit detailed cost documentation, including cancelled checks, bills, copies of Building Permits, all contractor's waivers of lien, and a photograph of the storefront(s), upon completion of Facade Rebate Program improvements.

Signature: _____

Completed form should be mailed to:

Sacramento Housing and Redevelopment Agency
ATTENTION: Economic Development Program Manager
630 I Street, C-25
Sacramento, CA 95814

ATTACHMENT 3

ATTACHMENT 3

COMMERCIAL REHABILITATION LOAN PROGRAM GUIDELINES

I. The Commercial Rehabilitation Loan Program is a below market interest rate financing program for the rehabilitation of commercial structures in selected commercial target areas which have been designated by the City Council or Board of Supervisors for special assistance. This program is made available by the Sacramento Housing and Redevelopment Agency (Agency) in conjunction with First Interstate Bank with whom it has entered into a special loan leveraging arrangement. Agency funds are used as an interest subsidy to write down the interest rate available by First Interstate. The Commercial Rehabilitation Loan Program supports the Agency's comprehensive strategy to enhance the economic vitality of neighborhood and downtown commercial areas and to remove the blighting conditions in Community Development Target Areas, Redevelopment Project Areas and specially designated target areas throughout the City and County of Sacramento.

The administration of this program will be the responsibility of the Agency through the Policy and Planning Department in concert with First Interstate Bank. The Commercial Rehabili-

tation Program will initially be funded with Community Development Block Grant and Tax Increment funds and with any other funds which the Council or Board may deem appropriate from time to time.

II. GENERAL DESCRIPTION OF THE PROGRAM MECHANISM

In order to reduce the interest rate on the rehabilitation loans made under this program, an upfront subsidy (discounted to present value over the term of the loan) will be provided by the Agency to First Interstate. This subsidy in turn makes available the financing at a below market interest rate to the borrower.

Financial qualifications of the prospective borrower are determined solely by First Interstate, which assumes all risk, duties and responsibilities with respect to the loan with the exception of the risk involved with the interest subsidy portion, which will be considered a loss to the Agency should the borrower default on the loan. No loan guarantee is provided by the Agency. First Interstate will decide what collateral, if any, is to be required, such as a second deed of trust, etc.

III. ELIGIBLE APPLICANTS/AREAS

Property owners and tenants of commercial properties located within commercial revitalization target areas or designated portions of redevelopment project areas are eligible for assistance under this program. (See Exhibit A for a listing of eligible areas and maps.)

Eligible business purposes include general commercial businesses, industrial uses and child care facilities.

Concerning mixed use structures, financing is not eligible for interior improvements to the residential portion of the property.

In the case of child care/day care facilities, the following special guidelines shall apply:

- A. A majority of the applicant's clients must come from families earning less than 80 percent of the SMSA median income.
- B. The applicant must be a 'small business' as currently defined by the U.S. Department of Commerce - Small Business Administration and must be or show evidence that it will be a licensed child day care facility

or family day care facility or family day care home under Title 22 of the California Administrative Code at the time that the work is completed.

IV. LOAN PROGRAM PARAMETERS

- A. Interest rate - The interest rate under this loan program is 6%.
- B. Loan Amount - The maximum loan amount under this program is \$200,000.
- C. Term - For loans to property owners, loan terms will not exceed fifteen (15) years. For loans to tenants, loan terms will be for a term not to exceed the lesser of five (5) years or the remaining lease period less six (6) months.

V. ELIGIBLE ACTIVITIES

Eligible rehabilitation activities will include:

- . Repairs to or replacement of a roof

- . New electrical service or other wiring changes
- . Repair or replacement of a foundation
- . Repair of broken steps
- . Replacement of broken windows and doors
- . Replacement of furnaces and water heaters
- . Repair and painting of exterior walls
- . Repair or replacement of faulty plumbing and fixtures
- . Replacement of deteriorated subfloors
- . Insulation and other weatherization repairs
- . Installation of smoke detectors
- . Installation of fire extinguishing sprinkler systems
- . Repair of elevators

Renovation/replacement of exterior advertising devices, landscaping, fencing and parking areas shall be considered eligible costs when undertaken to eliminate potentially hazardous conditions, to remove blighting influences or to comply with codes. Also eligible are the following:

- Facade improvements
- Replacement of principal fixtures and components of existing structures where directly related to code compliance
- Renovation through alterations to, or enhancement of, the interior of existing structures where directly related to code compliance
- Energy saving devices, material or equipment
- Expansion of existing structure not to exceed 20 percent of floor space
- Professional, legal, architectural, engineering, City/County permit and loan closing fees

All rehabilitation activities must conform with the City or County of Sacramento building and zoning codes.

VI. FACADE IMPROVEMENTS

If needed, facade improvements consistent with the design guidelines established for the commercial area (if applicable) must be performed on the structure as a condition of participation under this program. If funds are available, these facade improvements will be eligible for financing under the Agency's Commercial Facade Improvement Program. (The Commercial Facade Improvement Program provides a 50 percent rebate up to \$5,000 per storefront for facade improvements. The non-Agency financed portion of the activities is eligible for assistance under this Commercial Rehabilitation Loan Program. For more information on this program see the Commercial Facade Improvement Program Guidelines.)

VII. CERTIFICATION AND COMPLIANCE REQUIREMENTS

As a function of the use of different sources of public funding, the recipient will be required to certify compliance with certain regulations. For example, if Community Development Block Grant (CDBG) funds are used, Davis-Bacon wage rates must be paid to laborers for construction work over \$2,000. In addition, an environmental review of the improvements will be required and performed by Agency staff.

Furthermore, for loans which are subsidized with CDBG funds, property owners are required to provide relocation benefits and assistance to commercial tenants permanently displaced by rehabilitation activities. The relocation payment may be paid by the owner either out of pocket or as part of the loan proceeds. The payment of relocation benefits only applies to tenants displaced within one year after loan approval.

Property owners are required to pay displaced tenants a payment equal to the average annual net earnings of the business based on the prior two taxable years. Such payments shall not be less than \$2,500 nor more than \$10,000. No temporarily displaced person shall be entitled to relocation assistance. (For more detail on the eligibility and payment requirements, see the Agency's Displacement Strategy.)

Before the loan funds are disbursed, documentation providing compliance with these requirements must be submitted to the Agency.

The staff of the Agency will provide assistance to the prospective recipient to insure compliance with these requirements.

VIII. DISAPPROVAL OF LOAN BY FIRST INTERSTATE

Loan applications disapproved by First Interstate may be submitted to the Policy and Planning Department for consideration of direct funding by the Agency. (See Direct Commercial Loan Program Guidelines.)

COMMERCIAL REHABILITATION LOAN PROGRAM PROCEDURES

This section describes the step-by-step procedures for submission and review of a loan application under this program.

Step 1: Pre-Application -

Initial contact is made with the loan applicant. This step can occur with either the Commercial Revitalization Coordinator hired for the individual commercial target area or may be handled by the Sacramento Housing and Redevelopment Agency's Planning and Policy and Department (P/PD) staff. The initial contact should determine whether the project is located within a target area and if the proposed activities are within the program guidelines. The Commercial Rehabilitation Program Guidelines will be reviewed and a copy of the Guidelines, including the application forms, will be provided to the potential applicant.

Step 2: Application Submission -

Loan applicant prepares and submits a financial package to P/PD staff. The financial package shall include the following and any other materials which First Interstate may deem necessary for its review.

- a. Loan application
- b. Financial statements (Current and past three years)
- c. Income tax returns (Past three years)
- d. A list of the rehabilitation activities to be performed
- e. Cost estimate for the rehabilitation activities
- f. Loan Applicant Certification Form (Exhibit B)
- g. Preliminary Plans (for Environmental Review by Agency)
- h.
- i.
- j.
- k.
- l.
- m.

Step 3: P/PD Staff Administrative Review -

The financial package will be reviewed by P/PD strictly to determine whether the activities are within the program guidelines and whether all the material is complete. No financial analysis is completed on the materials. Once all the materials have been submitted by the loan applicant, the materials will be forwarded to First Interstate for its review. A certification form signed by the P/PD staff will also be sent to First Interstate along with the financial package, certifying the eligibility of the applicant (see Exhibit C).

Step 4: Loan Processing -

First Interstate will process the financial package referred to above. A credit evaluation will be made of each applicant in accordance with the Bank's normal procedures. First Interstate will obtain an appraisal of the property in those cases when the bank feels it is necessary.

Step 5: Loan Decision -

First Interstate will advise the applicant and the Agency if the loan application is approved or disapproved. If the loan application is approved, First Interstate will indicate the amount of the loan and any conditions of the loan. One of the conditions of the loan will be the payment of the upfront, lump sum interest subsidy by the Agency.

Step 6: Final Plans -

Loan applicant obtains approval of final plans and specifications from the Building Department. A copy of the building permit, final cost estimates and a copy of the construction contract are submitted to the P/PD.

Step 7: Loan Closing -

Loan documents will be executed between the borrower and First Interstate (e.g., Note, Deed of Trust, Security Agreement or any other loan documents which the bank feels are necessary).

Step 8:

Agency makes lump sum interest subsidy payment to First Interstate.

Step 9:

First Interstate deposits cashier's check(s) totalling the amount of the rehabilitation loan in escrow.

Step 10:

Funds for the rehabilitation activities will be disbursed through periodic payments upon inspection by the Technical Services Division

of the Sacramento Housing and Redevelopment Agency. Funds will only be disbursed upon completion of the required work and the submission of any necessary contractor documentation regarding Federal prevailing wage rates. A 10 percent retention will be withheld on all payments, payable 35 days after completion or upon full lien release, whichever occurs later.

1/29/85

SML:j

CR Loan P Guide

ATTACHMENT 4

ATTACHMENT 4

DIRECT COMMERCIAL LOAN PROGRAM GUIDELINES

I. INTRODUCTION

The Direct Commercial Loan Program is a below market interest rate financing program focused on the financing of new construction of commercial structures in designated commercial target areas. The program, however, also acts as a back-up financing source for individuals whose loans have been disapproved by the private lending institution under the Commercial Rehabilitation Loan Program.

The Direct Commercial Loan Program is made available by the Sacramento Housing and Redevelopment Agency (Agency) under the direction and authorization of the City Council or Board of Supervisors. The administration of this program will be the responsibility of the Agency through the Policy and Planning Department. The program will initially be funded with Community Development Block Grant and Tax Increment funds but may be funded by other funds which the Council/Board may deem appropriate from time to time.

II. PROGRAM GOALS

The goals of this program are:

- . To stimulate revitalization and private reinvestment in deteriorated, blighted commercial target areas

within the City and County of Sacramento.

- . To promote economic growth in the community in general as well as in specifically targeted areas of the City and County of Sacramento.
- . To assist in the removal of blighting conditions in specifically targeted areas.
- . To improve commercial facilities which provide essential services to the community in specifically targeted areas.
- . To create new and/or improved employment opportunities for low and moderate income residents of the City and County of Sacramento.
- . To retain existing employment for low and moderate income residents of the City and County of Sacramento.
- . To leverage private capital to the greatest extent possible with the limited public funds which are available.
- . To improve and increase business and employment opportunities for women, minorities, handicapped, and

socially or economically disadvantaged persons.

III. ELIGIBLE APPLICANTS/AREAS

For both new construction and rehabilitation, the property must be located within a commercial revitalization target area or designated redevelopment project to be eligible for assistance. (See Exhibit A for a listing of eligible areas and maps.) For rehabilitation activities, property owners and tenants of commercial properties whose loans were disapproved by the private lending institution under the Commercial Rehabilitation Loan Program, or who have rehabilitation loan needs which are over \$100,000, are eligible for assistance under this program. The financing of acquisition of existing structures which involves rehabilitation is limited to owner-occupied structures. Rehabilitation loans may be made to both tenants and property owners. As outlined below, the loan program parameters for developers of new construction differ from those for owner-occupied structures and property owners involved in rehabilitation activities.

IV. LOAN PROGRAM PARAMETERS

A. Owner Occupants and Property Owners of Rehabilitation Projects

1. Maximum Loan Amount

The maximum loan amount shall be determined as the lesser of the following:

- a. A maximum of \$200,000, or
- b. An amount which, when added to the outstanding indebtedness, does not exceed 90% of the after-construction appraised value of the property.

2. Maximum Term

For loans to property owners, the loan term may not exceed a maximum term of fifteen (15) years. For loans to tenants, the loan term may not exceed the remaining lease period less six (6) months.

3. Interest Rate

All loans will be structured at the rate of nine percent (9%) per year fully amortized. However, the unpaid interest and principal could be deferred until the end of the loan term or delayed for some period of time. The actual amount paid each year will be determined on a case-by-case basis and will be established at a rate that would make the project economically feasible. In no instance, however,

will the interest rate paid each year be less than three percent (3%).

4. Leverage Ratio

A 100% direct loan will be made for loans up to \$50,000. For loans over this amount, the portion over \$50,000 will have a matching 1 to 1 public to private fund requirement. This requires that 50% of the project costs over \$50,000 must come from a private source.

B. New Construction Loans for Developers

Funds for these activities will only be available after July 1st.

1. Maximum Loan Amount

The maximum loan amount shall be determined as the lesser if the following:

- a. A maximum of \$200,000, or
- b. An amount which, when added to the outstanding

indebtedness, does not exceed 90% of the after construction appraised value of the property.

2. Maximum Terms

The loan term may not exceed a maximum term of ten years.

3. Interest Rate

All loans will be provided at the rate of nine percent (9%) per year fully amortized.

4. Leverage Ratio

Funds will be provided at a 3 to 1 leverage ratio (private to public funds). This requires that 75% of the projects costs must come from a private source.

5. Pre-leasing Requirement

Pre-leasing commitments for at least 75% of the leaseable floor space must be obtained before loan approval.

V. PRIVATE INVESTMENT COMPUTATION

Private investment used by Agency staff to calculate the private leverage ratio for the project includes all funds committed to the project and spent after the date of the loan approval, INCLUDING:

- A. Investment to develop improved real property, such as land acquisition (or appraised value of land currently owned on which the building will be constructed), on-and off-site improvements and "hard" construction and renovation costs.
- B. Equipment affixed to the real property which has a depreciable life of not less than 5 years.
- C. "Soft" development costs, such as construction period interest and taxes, building permit fees, legal fees, architectural and engineering fees, if paid to independent third parties, and other customary and appropriate fees paid to third parties.

EXCLUDING:

- A. Any costs incurred prior to loan approval except

for services required for the loan application process, i.e., architectural and engineering appraisal.

- B. Equipment which is moveable or has a depreciable life of less than 5 years, such as office equipment, hotel room furnishings or minor tools.
- C. Investment in working capital, advertising, training, operating losses or start-up costs.
- D. Expenses paid to any individual or organization which is not an independent third party to the project.
- E. Developer fees, profit and overhead.
- F. Existing equity in the property.
- G. Previously incurred franchise or other business development costs.

VI. Job Creation

Recipients of new construction loans will be required

to develop a hiring plan which describes the number of jobs which will be created or retained. The plan will include an identification of the jobs created, the timeframe for hiring and description of the process which will be utilized to attempt to hire low and moderate income individuals within the target areas and will include a description of planned efforts to hire minorities, women and the handicapped. The borrower will be required to contact and work with the Private Industry Council for assistance in this area. It is the goal of this program that for every \$10,000 of public funds, one new job will be created.

VII. Loan Assignment

All loans shall become due and payable upon the transfer or sale of the borrower's interest in the property.

VIII. Loan Security

The loan will be evidenced by a promissory note executed by the borrower and will be secured by a deed of trust, security agreement, Uniform Commercial Code

#1, or other documents as appropriate. The note will:

- 1) Be for the face amount of the loan;

- 2) Bear interest per annum on the outstanding principal balance at the current approved rate;
- 3) Be repaid at such time or times, at such place or places as designated by the Agency; and,
- 4) Be subject to such other conditions of repayment as shall be fully specified in the promissory note.

IX. Includable Loan Costs

The following costs are considered to be eligible for inclusion in the loan. They include those costs attributable to the construction work of the subject property, such as construction costs, appraisal, inspection fees and any other costs associated with the preparation of the loan or construction documents.

- 1) Credit report;
- 2) Policy of title insurance;
- 3) Structural pest control report;
- 4) Inspection fees: appraisal, property inspection reports, and all building permit fees;

- 5) Architectural and/or engineering services up to a maximum of 10% of the total construction cost;
- 6) Loan contingency. An amount not less than seven and a half percent (7-1/2%) of the budgeted cost of all improvements is to be included in the budget to cover cost overruns and required construction changes during the construction period. The borrower must authorize the use of this contingency by change order and the Agency must approve the disbursement. Should funds remain in the contingency account after project completion, this excess amount will be credited against the loan principal.

IV. ELIGIBLE ACTIVITIES

A. Rehabilitation

Eligible rehabilitation activities will include:

- . Repairs to or replacement of a roof
- . New electrical service or other wiring changes
- . Repair or replacement of a foundation

- . Repair of broken steps
- . Replacement of broken windows and doors
- . Replacement of furnaces and water heaters
- . Repair and painting of exterior walls
- . Repair or replacement of faulty plumbing and fixtures
- . Replacement of deteriorated subfloors
- . Insulation and other weatherization repairs
- . Installation of smoke detectors
- . Installation of fire extinguishing sprinkler systems
- . Repair of elevators

Renovation/replacement of exterior advertising devices,

landscaping, fencing and parking areas shall be considered eligible costs when undertaken to eliminate potentially hazardous conditions, to remove blighting influences or to comply with codes. Also eligible are the following:

- . Facade improvements
- . Replacement of principal fixtures and components of existing structures where directly related to code compliance
- . Renovation through alterations to, or enhancements of, the interior of existing structures where directly related to code compliance
- . Energy saving devices, material or equipment
- . Expansion of existing structure not to exceed 20 percent of floor space
- . Professional, legal, architectural engineers, City/County permit and loan closing fees

B. New Construction/Acquisition

The financing may be used for the following:

1. The acquisition of land as part of a new development project, including buildings to be demolished. The acquisition of existing buildings is eligible only for owner occupant and when at least twenty percent of the project costs involve rehabilitation activities.
2. Demolition/site clearance costs.
3. New construction, expansion, renovation and modernization including on and off site improvements.
4. The purchase and installation of non-removable, non-personal machinery and equipment, inherent to the business to be located on the site.
5. Certain soft costs such as interim interest, loan packaging fees, and professional fees for services such as appraisals, surveying, accounting, engineering, and architectural services as may be deemed necessary.

All rehabilitation and new construction activities must conform with the City or County of Sacramento building and zoning codes.

VI. Ineligible Activities

The proceeds of any loan under the program may not be used to fund working or operating capital items such as cash for operational or compensating balance purposes, inventory, or accounts receivable. In addition, such items will not be included in computing the total project costs under this program.

Fees to related entities or development fees are also not eligible for funding and will not be considered part of the program costs.

All proceeds, except approved soft costs, must be used for items which become part of the real estate, i.e., building and improvements, or machinery and equipment which are physically attached to the property.

VII. FACADE WORK

As a condition of participation under this program, the facade of the structure must be consistent with the design guidelines established for the commercial revitalization area if applicable. In conjunction with this program, rehabilitation applicants, (not new construction applicants) are also eligible to apply for financing under the Agency's

Commercial Facade Improvement Program.

VIII. CERTIFICATION AND COMPLIANCE REQUIREMENTS

As a function of the use of different sources of public funding, the recipient will be required to certify compliance with certain regulations. For example, if Community Development Block Grant (CDBG) funds are used, Davis-Bacon wage rates must be paid to laborers for construction work over \$2,000. In addition, an environmental review of the improvements will be required and performed by Agency staff.

In addition, for loans which are subsidized with CDBG funds, property owners are required to provide relocation benefits and assistance to commercial tenants permanently displaced by rehabilitation activities. The relocation payments may be paid by the owner either out of pocket or as part of the loan proceeds. The payment of relocation benefits only applies to tenants displaced within one year after loan approval.

Property owners are required to pay displaced tenants, a payment equal to the average annual net earnings of the business, based on the prior two taxable years. Such payments shall not be less than \$2,500 nor more than

\$10,000. No temporarily displaced person shall be entitled to relocation assistance. (For more detail on the eligibility and payment requirements, see the Agency's Displacement Strategy.)

Before the loan funds are disbursed, documentation providing compliance with these requirements must be submitted to the Agency.

IX. APPEAL PROCESS

The applicant has the right to appeal the decisions of the Economic Development Committee (EDC), to the full Sacramento Housing and Redevelopment Commission.

APPLICATION PROCESS

This section describes the step-by-step procedures for submission and approval of a loan application under this program.

A. Pre-Application

A prospective applicant should first contact the Agency's Economic Development staff to discuss the proposed project and to receive an overview of the loan program. A copy of the prevailing wage rates will be distributed to the applicant at this time.

B. Application Process

Step 1. Applicant prepares and submits a financial package to the Policy and Planning Department (P/PD). (See Exhibit B for Loan Package Checklist.) The financial package shall include:

- a. A loan application form (see Exhibit C)
- b. Annual Business financial statements - last 3 years
- c. Interim Business Financial statement -

no older than 90 days

- d. Personal financial statement - each principal
- e. Resume of each principal
- f. A copy of personal and business tax returns (if corporation) - last 3 years
- g. A detailed Business Plan (see Exhibit D for outline and sample)
- h. Financial projections for business for next two years (profit and loss statements and cash pro formas - see Exhibit E for forms and samples)
- i. Hiring Plan
- j. Summary of Collateral Form (see Exhibit F)
NOTE: Before loan is approved, appraisals will need to be obtained for these items.
- k. Credit Check Authorization Form - business and personal (see Exhibit G for form)
- l. Preliminary plans and specifications

m. Construction/machinery cost estimates

In addition, the following information, if applicable, may also be required:

- a. Title report on property to be acquired or to serve as collateral
- b. If real property is to be purchased or rehabilitation performed, an appraisal of the property must be submitted. Appraiser must be pre-approved by Agency.
- c. Deposit Receipt - purchase agreement
- d. Copy of unsigned/signed lease
- e. Articles of incorporation and by-laws
- f. Partnership agreement
- g. Applicable permits and licenses
- h. Commitment letter from other funding sources
- i. A corporate resolution to borrow

Other documents or information may be required on a case by case basis and the Agency reserves the right to require that any and all of the application documents be verified or opined as accurate or reasonable by professionals who are mutually acceptable to both the applicant and the Agency.

The preparation of the construction costs breakdown must be complete taking into consideration compliance with any labor compliance or building standards requirements applicable to the project as a result of the funding source of the loan or the location of the project. The applicant will be made aware of any required labor compliance requirements at the time the initial project eligibility is discussed. A copy of the applicable wage rates will also be given to the applicant at that time.

Agency staff will be available for assistance in meeting compliance requirements prior to and during application preparation and the applicant will be provided any and all certification and forms to insure said compliance.

Step 2. P/PD staff reviews financial package and requests credit report and preliminary title report.

Staff review at this stage shall include a determin-

ation that the credit history and ability to repay are satisfactory, given pro formas, future projections, etc., and that collateral is sufficient, using an 90 percent total loan to value guideline, and a final determination that the loan is consonant with the goals and objectives of the revitalization program. The adequacy of the hiring plan and leveraging commitment(s) will also be reviewed at this time.

Step 3. Funding recommendation, maximum loan amount and loan terms established by P/PD.

Step 4. P/PD staff presentation to Economic Development Committee (EDC).

Step 5. Given approval, assist owner in bidding of work and selection of contractor. Given disapproval, assist applicant with appeal to full Commission, if desired.

Step 6. Approval or disapproval of loan by EDC.

Step 7. Prior to closing of the loan, the following information must be submitted and/or executed:

(See Exhibit H for Pre-closing checklist)

- . A copy of the construction contract between the small business and the general contractor

- . A copy of the final construction/rehabilitation plans stamped by the appropriate local agency - (e.g., city building permit department)

- . A copy of the Construction Contractors Performance Bond (100% Performance, Labor and Material Bond - owner as obligee)

- . A copy of the building permit

- . A letter from an insurance agent, stating that fire and hazard insurance will be in effect upon closing of the loan, naming the Agency as loss payee to the extent of the Agency's loan amount. Insurance should be for the total amount of the project.

- . A copy of the contractor's workers compensation and Builders Risk Policy.

- . A lien form (UCC 1) on all machinery and equipment to be held as collateral

- . A promissory note
- . A deed of trust
- . A security agreement
- . A loan agreement

Step 8. Agency sets up escrow account.

Step 9. Agency issues proceed order for construction

Step 10. Contractor/owner obtains necessary permits

Step 11. Construction inspections performed - progress payments issued. (NOTE: A ten percent retention will be withheld on all progress payments. This remaining ten percent, if unencumbered, shall be paid thirty-five (35) days after the recording of the Notice of Completion or upon full lien release, whichever occurs later.

Step 12. Assure compliance with federal labor standard provisions and equal employment opportunity requirements.

Step 13. Agency and/or City/County makes final inspection of

completed work.

Step 14. File Notice of Completion.

Step 15. Final payment issued.

SML:j

1/29/85

D Comm Loan

LOAN APPLICATION

Name of Applicant and Title _____

dba (Firm Name) _____

Address _____
(No. and Street) (City and State) Zip Code

Contact Person _____

Phone Number _____
(Area Code)

Type of Firm _____
(Partnership, Sole Proprietorship or Corporation)

Describe Service or Product _____

Years in Business _____

Current Employment _____ Projected Employment _____

If Corporation, Officers or if partnership, partners:

- | | | |
|----------|-------------|-----------------|
| 1. _____ | Title _____ | Ownership _____ |
| 2. _____ | Title _____ | Ownership _____ |
| 3. _____ | Title _____ | Ownership _____ |
| 4. _____ | Title _____ | Ownership _____ |

LOAN INFORMATION:

Proposed Amount of Loan \$ _____ Term Requested _____ Interest Rate Requested _____

- | | | | | | |
|---------------------------------------|-------------------------|--------------------------|------------------|--------------------------|---------------------|
| Use of Funds <input type="checkbox"/> | Acquisition of Land | <input type="checkbox"/> | Expansion | <input type="checkbox"/> | Rehabilitation |
| <input type="checkbox"/> | Acquisition of Building | <input type="checkbox"/> | New Construction | <input type="checkbox"/> | Machinery/Equipment |
| | | | | <input type="checkbox"/> | Soft Costs |

Proposed Uses:

Proposed Sources:

Borrower \$ _____
Bank _____
SBA _____
Other _____
Agency _____

Total Proposed Uses \$ _____

Total Sources \$ _____

Ratio of private financing to loan request _____ to 1

Source of Loan Repayment

- a) Primary Source _____

b) Secondary Source _____

READINESS OF PROJECT

Land and/or buildings acquired?	_____ Yes	_____ No
Zoning and planning approvals obtained?	_____ Yes	_____ No
Lease commitment firm?	_____ Yes	_____ No
Lender commitment firm?	_____ Yes	_____ No
Preliminary Plans completed?	_____ Yes	_____ No
Final Plans completed?	_____ Yes	_____ No

If plans are not complete, what is the status? _____
Status of bids _____

LENGTH OF PROJECT

Construction start date _____
Construction completion date _____

APPLICANT'S SIGNATURE _____ DATE _____

EXHIBIT D

BUSINESS PLAN

1. Description of the business

- Name and location
- Legal structure
- Principal owners
- Nature of Business
- History of the Business

2. Product or Service

- Describe product line(s) or type(s) of service
- Describe materials and supply sources
- Methods of production
- Quality and cost of product or service

3. Market Information

- Market area and trends
- Customers and potential new customers
- Competition, names, locations and size
- Advantage of your product/service over others

4. Advertising

- Methods of advertising and promotion
- Sales Methods
- Pricing policy
- Customer service

5. Facilities

- Location
- Size, zoning
- Age and condition
- Expansion opportunities

6. Management and Personnel

- Management expertise
- Key personnel (position, qualifications)
- Professional services
- Present and future manpower requirements
- Personnel Breakdown - skill levels, hours, wage rates, unionization, etc.

BUSINESS PLAN (Cont.)

7. Benefits to the Community

- Jobs created/retained
- Building Rehabilitation
- Meeting community needs
- Increased community tax base

8. Summary of Future Plans

- Shortrange and Longrange
- Expansion
- Relocation

The Business Plan will be used to introduce your business to prospective lenders. It will show them how well your proposal has been thought out. 1 paragraph for each number item should be enough. Overall length of 2-5 pages is sufficient.

COPY

BUSINESS PLAN

DESCRIPTION OF THE BUSINESS

Acme Sheetmetal, Inc. is a California Chartered Corporation. The business structure is as follows:

Timothy G. Wilson, President - 50% Ownership
Marilyn T. Wilson, Secretary
John B. Smith, Vice-President - 50% Ownership
Eugene W. Carlyle, Treasurer

The business is located at 123 Main Street in Anytown, Ca. 94000.

HISTORY OF THE BUSINESS

The business was established on September 22, 1974. The principal owners, Tim Wilson and John Smith, each contributed \$10,000 from their savings. Additional funding was obtained with an SBA loan of \$15,000.00 which was paid in full in 1975. The first two years of operation were the most difficult. Sales were hard to develop and paying off the SBA loan ahead of schedule resulted in a tight working capital position. But, in 1976, the performance of the business began to improve and a steady growth in sales and profits is expected to continue into the future.

FACILITIES

The business has been leasing its present facility since 1974. The growth in the past three years has led to crowded conditions in the shop area. The existing floor plan does not allow efficient use of available floor space and precludes further expansion.

The proposed Eutler type steel building to be constructed at 639 Industrial Street will have 3,600 square feet of shop area and office space.

A railroad spur, easy freeway access and the availability of local skilled labor make it a desirable location.

PRODUCT AND MARKET

Acme Sheetmetal mass produces components for the heating and air-conditioning industry. It also manufactures special sheetmetal ducts

and equipment housings for specialized industrial firms and for use in agriculture.

75% of all sales are to 17 major firms in the San Francisco Bay Area with additional sales to other firms throughout California.

Because of space limitations in its present facility, Acme has not been able to set up much needed additional equipment. This has led to a backlog in orders and has delayed the introduction of two new product lines.

The growing demand for Acme's products is based on quality and competitive pricing. Referrals from existing customers have dramatically increased Acme's Market penetration. The move to the proposed new location and the acquisition of additional modern equipment will sharpen Acme's competitive edge.

Acme's main competitors are: Sloppy-Fit Duct Company, Ghost Town, California and Tin Manufacturing Company, Rustville, California.

MANAGEMENT AND PERSONNEL

The business is managed jointly by the principal owners. Mr. Wilson assumes responsibility for production, quality control, training and plant supervision, and Mr. Smith is in charge of purchasing, sales and marketing.

The Company presently employs seven (7) full-time workers. Increased production capacity in the new location will create a minimum of five (5) additional jobs.

BENEFITS TO THE COMMUNITY

The local community will benefit from this project in several ways. Five full-time jobs will be created as a result of the expanded facilities and acquisition of machinery and equipment. The expansion of our business will provide increased services to the community of this type and will serve as an incentive for other firms needing our services to locate nearby. In addition, a local construction company will receive the contract for approximately \$60,000 for the construction of the facility. Lastly, the community tax base will be raised through the increased value of the real property.

Profit And Loss Projections

	START OR PRIOR TO LOAN	1ST MONTH	2ND MONTH	3RD MONTH	4TH MONTH	5TH MONTH	6TH MONTH	7TH MONTH	8TH MONTH	9TH MONTH	10TH MONTH	11TH MONTH	12TH MONTH	TOTAL YEAR	%	TRA DE %
1 TOTAL SALES (NET)																
2 COST OF SALES																
3 GROSS PROFIT (LINE 1 MINUS 2)																
4 EXPENSES (OPERATING)																
5 SALARIES (OTHER THAN OWNER)																
6 PAYROLL TAXES																
7 RENT																
8 UTILITIES (INCL. PHONE)																
9 INSURANCE																
10 PROFESSIONAL SERVICES (L.A., ACCT.)																
11 TAXES AND LICENSES																
12 ADVERTISING																
13 SUPPLIES (FOR BUSINESS)																
14 OFFICE SUPPLIES (FORMS, POSTAGE, ETC.)																
15 INTEREST (ON LOANS, CONTRACTS, ETC.)																
16 DEPRECIATION																
17 TRAVEL (INCL. OPERATING COSTS OF VEH.)																
18 ENTERTAINMENT																
19 DUES AND SUBSCRIPTIONS																
20 OTHER																
21																
22 TOTAL EXPENSES (ADD LINES 5 THRU 21)																
23 PROFIT BEFORE TAXES (LINE 3 minus 22)																

CASH FLOW PROJECTIONS

24 INCOME (CASH RECEIVED)																	24
25 CASH SALES																	25
26 COLLECTION OF ACCTS. REC.																	26
27 OTHER																	27
28 TOTAL INCOME (ADD LINES 25, 26 & 27)																	28
29 DISBURSEMENTS (CASH PAID OUT)																	29
30 OWNER'S DRAW																	30
31 LOAN REPAYMENTS (PRINCIPAL ONLY)																	31
32 COST OF SALES (LINE 2)																	32
33 TOTAL EXPENSES (MINUS LINE 16)																	33
34 CAPITAL EXPENDITURES (EQUIP., BLDG., VEH., LEASEHOLD IMPR.)																	34
35 RESERVE FOR TAXES																	35
36 OTHER																	36
37 TOTAL DISBURSEMENTS (LINES 30 THRU 36)																	37
38 CASH FLOW MONTHLY (LINE 28 MINUS 37)																	38
39 CASH FLOW CUMULATIVE (LINE 38 PLUS LINE 39 OF PREVIOUS MO.)																	39

LINE 2 COST OF SALES RETAIL BEGINNING INVENTORY PLUS PURCHASE MINUS ENDING INVENTORY MANUFACTURING COST OF MATERIAL LABOR MANUFACTURING

EXHIBIT E

COPY

1979-1980
(year)

PROJECTED OPERATING STATEMENT

FOR ACME SHEET METAL, INC.
(Name and Address of Business)

	1st MONTH	2nd MONTH	3rd MONTH	4th MONTH	5th MONTH	6th MONTH	7th MONTH	8th MONTH	9th MONTH	10th MONTH	11th MONTH	12th MONTH	TOTAL	152
Gross Sales or Receipts	16,000	16,500	17,000	18,000	20,000	22,000	25,000	27,500	30,000	30,000	30,000	30,000	\$282,000	
Less: Cost of Goods Sold Including Factory Labor	8,640	8,910	9,180	9,720	10,800	11,880	13,500	14,850	16,20	16,200	16,200	16,200	152,280	
Gross Profit:	7,360	7,590	7,820	8,280	9,200	10,120	11,500	12,650	13,800	13,800	13,800	13,800	129,720	
Less Expenses:														
Accounting & Legal	85	85	85	85	85	85	85	85	85	85	85	85	1,020	
Advertising	-	200	-	-	200	-	-	200	-	-	200	-	800	
Bad Debts	-	-	50	-	-	50	-	-	50	-	-	50	200	
Depreciation	625	625	625	625	625	625	625	625	625	625	625	625	7,500	
Insurance	300	300	300	300	300	300	300	300	300	300	300	300	3,600	
Interest	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
Lease Payment	100	250	500	750	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	10,664	
Repairs & Maintenance	250	250	250	250	250	250	250	250	250	250	250	250	3,000	
Office Salaries & Wages (to others)	300	300	300	300	300	300	300	300	300	300	300	300	3,600	
Supplies	600	600	600	600	600	600	600	600	600	600	600	600	7,200	
Taxes and License	750	750	750	750	750	750	750	750	750	750	750	750	9,000	
Travel & Vehicle Expense	250	250	250	250	250	250	250	250	250	250	250	250	3,000	
Other Expenses:														
Telephone/Telegraph	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
Utilities	250	250	250	250	250	250	250	250	250	250	250	250	3,000	
Misc. Expenses	150	150	150	150	150	150	150	150	150	150	150	150	1,800	
Total Expenses:	3,860	4,210	4,310	4,510	5,093	4,943	4,893	5,093	4,943	4,893	5,093	4,943	56,784	
(Officer's Salaries)														
Projected Owner's Withdrawals	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	32,004	
Net Profits before Income Tax	1,193	1,543	1,643	1,843	2,426	2,276	2,226	2,426	2,276	2,226	2,426	2,276	24,780	

Certified as correct and complete to the best of my knowledge this day of 10, 1979.

COPY

1979-80
YEAR
MONTHLY CASH FLOW PROJECTION
FOR
ACME SHEETMETAL, INC.

Months -	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	TOTAL
CASH ON HAND (Beginning of Month):	8,212	6,435	7,938	9,621	10,614	12,844	16,194	20,024	25,704	32,734	38,864	45,694	—
Receipts	16,000	16,500	17,000	18,000	20,000	22,000	25,000	27,500	30,000	30,000	30,000	30,000	282,000
TOTAL CASH AVAILABLE:	24,212	22,935	24,938	27,621	30,614	34,844	41,194	47,524	55,704	62,734	68,864	75,694	—
DISBURSEMENTS:													
Materials and Factory Labor	8,640	8,910	9,180	9,720	10,800	11,880	13,500	14,850	16,200	16,200	16,200	16,200	152,280
Lease Payments	100	250	500	750	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	10,664
Accounting and Legal	85	85	85	85	85	85	85	85	85	85	85	85	1,020
Advertising		200			200			200			200		800
Insurance	900			900		900				900			3,600
Officers' Salaries	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	32,004
Repairs and Maintenance	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Office Salaries to Others	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Disbursements Against Loans	235	235	235	235	235	235	235	235	235	235	235	235	2,820
Supplies	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Tax and Licenses	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Down Payment on Leased Capital	2,500												2,500
Travel and Vehicle	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Telephone/Telegraph/Utilities	350	350	350	350	350	350	350	350	350	350	350	350	4,200
Miscellaneous	150	150	150	150	150	150	150	150	150	150	150	150	1,800
TOTAL DISBURSEMENTS:	17,777	14,997	15,317	17,007	17,770	18,650	21,170	21,820	22,970	23,870	23,170	22,970	237,488
CASH POSITION (End of Period)	6,435	7,938	9,621	10,614	12,844	16,194	20,024	25,704	32,734	38,864	45,694	52,724	—

Certified as correct and complete to the best of my knowledge.

Timothy S. Wilson
Signature

April 15, 1979
Date

COPY

NOTES TO PROJECTED
OPERATING STATEMENT

1. Gross sales have been projected to increase 41% based on the expanded facilities for production, and on the tangible demand for the product.
2. Cost of Goods sold have been estimated at their historic level of 54% of gross sales.
3. Lease payments will increase to \$1,133.00 per month as stipulated in the lease agreement between WLDC and Acme Sheetmetal, Inc. Note that the previous rental expense of \$10,400.00 per year has been deleted because the company will not have the need of that facility.
4. The other accounts will not be directly influenced by the project financing, however they will be expected to fluctuate with increases in business volume.

NOTES TO
CASH FLOW PROJECTION

All cash flow entries have been based on the projected operating statement with the following exception:

1. The "Downpayment on Leased Capital" account represents Acme Sheetmetal, Inc. "cash injection" of 24% of the project.

COPY

ACME SHEETMETAL, INC.
PROFORMA BALANCE SHEET
DAY ONE AFTER PROJECT
(in whole \$)

ASSETS

Cash	5,712	
Receivables	24,913	
Inventory	29,563	
Other Current	1,490	
Total Current Assets		61,678
Net Fixed Assets		41,345
Other Assets		430
TOTAL ASSETS		<u>103,453</u>

LIABILITIES

Accounts Payable Trade	15,638	
Inc. Taxes Payable	1,410	
Short term Debt (including CPLTD)	3,385	
Total Current Liabilities		20,433
Long Term Secured		2,900
TOTAL LIABILITIES		<u>23,333</u>

NET WORTH

Capital	80,120	
TOTAL NET WORTH		<u>80,120</u>
TOTAL LIABILITIES & NET		<u>103,453</u>

Timothy J. Anderson 4/15/79

Summary of Collateral																																																							
OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT																																																							
Name and Address of Applicant: (Include Zip Code) _____			EMPLOYER ID NO.																																																				
			SBA LOAN NO.																																																				
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<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;">SUMMARY</th> </tr> <tr> <th style="width: 45%;">Item</th> <th style="width: 15%;">Cost</th> <th style="width: 20%;">Net Book Value</th> <th style="width: 20%;">Not to be used by applicant</th> </tr> </thead> <tbody> <tr><td>1. Land and land improvements</td><td></td><td></td><td></td></tr> <tr><td>2. Buildings</td><td></td><td></td><td></td></tr> <tr><td>3. Machinery and Equipment</td><td></td><td></td><td></td></tr> <tr><td>4. Automotive Equipment</td><td></td><td></td><td></td></tr> <tr><td>5. Office furniture and equipment</td><td></td><td></td><td></td></tr> <tr><td>6. Other</td><td></td><td></td><td></td></tr> <tr><td>7. Total</td><td></td><td></td><td></td></tr> <tr><td>8. Real and chattel mortgages (Not to be paid from SBA loan req.) Attach details</td><td align="center">X X X X</td><td></td><td></td></tr> <tr><td>9. Equity</td><td align="center">X X X X</td><td></td><td></td></tr> <tr><td>10. To be acquired (Cost)</td><td></td><td align="center">X X X X</td><td></td></tr> <tr><td>11. Total</td><td></td><td></td><td></td></tr> </tbody> </table>				SUMMARY				Item	Cost	Net Book Value	Not to be used by applicant	1. Land and land improvements				2. Buildings				3. Machinery and Equipment				4. Automotive Equipment				5. Office furniture and equipment				6. Other				7. Total				8. Real and chattel mortgages (Not to be paid from SBA loan req.) Attach details	X X X X			9. Equity	X X X X			10. To be acquired (Cost)		X X X X		11. Total			
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<p>THE APPRAISER CERTIFIES that he has personally and thoroughly inspected the collateral as listed in this Report. Furthermore, as of _____ the market values shown in the above Summary are fair and reasonable as of that date. Additional comments are attached to this Report.</p> <p>SBA Appraiser's Signature _____ Date of Report _____</p>																																																							

Real Estate

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant (include Zip Code)	Parcel number _____	SBA LOAN No.
Address of Realty Offered _____	Title data: <input type="checkbox"/> Title Insurance <input type="checkbox"/> Abstract	
	<input type="checkbox"/> Other (indicate)	
	Realty in name of _____	
	Recorded Book _____	Page _____ County _____

1. Land and land improvements (Do not include buildings - see Sec. 2 below)

Cost _____ date acquired _____

Legal description (Attach if too long)*

* If available, attach plat survey.

2. Improvements Cost (If separate from land) \$ _____

Building description: List each building separately with brief description and dimensions.

Income if Applicable.

Rent \$ _____ Month Annually Lease _____ Term.

Assessed Value	
Land _____	
Improvements _____	
Taxes _____	

COPY

Summary of Collateral

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant: (Include Zip Code) <u>ACME Sheetmetal, Inc.</u> 123 Main Street, Anytown, Ca. 94000	EMPLOYER ID NO.
	SBA LOAN NO.

IMPORTANT INSTRUCTIONS FOR PREPARING THE LISTING OF COLLATERAL OFFERED AS SECURITY FOR LOAN

Page 1. Summary Of Collateral Offered By Applicant As Security For The Loan: This is a summarization of the detailed listing on SBA Form 4, Schedule A. If collateral is to be acquired, with proceeds of loan describe the collateral in detail on an attachment to Schedule A with the notation "To be acquired".

Show exact cost. If assets were acquired from a predecessor company at a price other than cost less depreciation.

The figures to be entered in the net book value column must agree with the figures shown in the balance sheet, on page 2 of the application, except for the assets, if any, not being offered as collateral and non-business assets, if any, which are being offered to secure guarantees.

If a recent appraisal has been made of the collateral offered, it should be submitted with the application.

Any leases on land and buildings must be described, giving date and term of lease, rental, name and address of owner.

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Item 1 - Land And Improvements: (a) legal description from deed on the land - location - city where deed is recorded. Book and page numbers of Official Records. Describe the land improvements such as paving, utilities, fence, etc. (b) cost of land when purchased.

Item 2 - Buildings: (a) general description, describe each building or structure on the land. Include size, type of construction, number of stories, date erected, use and condition. (b) amount of taxes and the assessed value from tax bills. (c) total amount of income received by owner from rental of the described property. (d) cost of building when purchased.

INADEQUATE OR POORLY PREPARED LOAN APPLICATION AND LISTING OF COLLATERAL ON PAGE 3 WILL CAUSE DELAY IN THE PROCESSING OF LOAN APPLICATIONS.

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Page 4 - Is a continuation of Equipment being offered.

Group items in accordance with the above classifications

Show: manufacturer or make, model and serial numbers, size, year, whether purchased new, used, or rebuilt. **BE SURE ITEMS LISTED CAN BE READILY INSPECTED BY SBA APPRAISERS.**

SUMMARY			
Item	Cost	Net Book Value	Not to be used by applicant
1. Land and land improvements			
2. Buildings			
3. Machinery and Equipment	60,000	45,000	
4. Automotive Equipment			
5. Office furniture and equipment			
6. Other			
7. Total			
8. Real and chattel mortgages (Not to be paid from SBA loan req.) Attach details	X X X X		
9. Equity	X X X X		
10. To be acquired (Cost)	95,000	X X X X	
11. Total	155,000	45,000	

THE APPRAISER CERTIFIES that he has personally and thoroughly inspected the collateral as listed in this Report. Furthermore, as of _____ the market values shown in the above Summary are fair and reasonable as of that date. Additional comments are attached to this Report.

SBA Appraiser's Signature _____

Date of Report _____

Real Estate		
OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT		
Name and Address of Applicant (include Zip Code) ACME Sheetmetal, Inc.	Parcel number <u>3972-050-20</u>	SBA LOAN No.
<u>123 Main Street, Anytown, Ca.</u>	Title date: <input checked="" type="checkbox"/> Title Insurance <input type="checkbox"/> Abstract <input type="checkbox"/> Other (indicate)	
Address of Realty Offered <u>639 Industrial Street</u> <u>Anytown, Ca. 94000</u>	Realty in name of <u>Lew & Martha Evans</u>	
	Recorded Book <u>859</u> Page <u>717</u> County <u>Valley County</u>	
<p>1. Land and land improvements (Do not include buildings - see Sec. 2 below)</p> <p>Cost <u>\$15,000</u> To be Acquired _____</p> <p>Legal description (Attach if too long)*</p> <p>Lot #7, Block #31 of Jones tract recorded 1932, record book 859, Page 717 Anytown, Valley County, Ca.</p> <p>Land is vacant, zoned M-1, (light industrial) and has all utilities to the property line.</p> <p>* If available, attach plat survey.</p>		
<p>2. Improvements Cost (if separate from land) <u>\$55,000</u></p> <p><u>To Be Constructed</u></p> <p>Building description: List each building separately with brief description and dimensions.</p> <p>Metal Building, 40 feet X 90 Feet of the Butler type. Facility will be one story, insulated to code with 600 square feet of office. Facility to include all appropriate heating, wiring, plumbing, water, bathrooms, interior and exterior finish, and lighting. Ceilings will be 18', and facility will have high loading capability.</p>		
Income if Applicable.	(As P.M.V.)	
	Assessed Value	
	Land <u>\$5,000</u>	
	Improvements <u>-0-</u>	
	Taxes <u>\$50/YR.</u>	
Term <u> </u> Month <input type="checkbox"/> Annually <input type="checkbox"/> Lease <input type="checkbox"/> _____ Term.		

EXHIBIT G
CREDIT CHECK AUTHORIZATION FORM

Program Manager Economic Development
Sacramento Housing and Redevelopment Agency
630 I Street
Sacramento, CA 95814

RE: Credit Check Authorization

To Whom it May Concern:

This letter is to give authorization for the Sacramento Housing and Redevelopment Agency to initiate a credit check on my personal credit history; the business, _____; and the corporation, _____. Along with the initiation of a credit history, you are also authorized to check references from suppliers and other creditors.

Sincerely,

Signature of Applicant

Signature of Spouse

Name of Applicant (Please print or type)

Name of Spouse (Please print or type)

Social Security Number

Social Security Number

Date of Birth

Date of Birth

Address

Previous Address

Name of Business (Please print or type)

Name of Corporation

Address

EXHIBIT #

PRE-CLOSING CHECKLIST

- _____ A copy of the const. contract between the small business and the general contractor.
- _____ A copy of the final construction/rehabilitation plans stamped by the appropriate local agency - city building permit department.
- _____ A copy of the Construction Contractors Performance Bond (100% Performance, Labor and Material Bond - owner as obligee).
- _____ A copy of the building permit.
- _____ A letter from an insurance agent, stating that hazard insurance will be in effect upon closing of the loan, naming the lender as mortgagee. Insurance should be for the total amount of the project.
- _____ A copy of the contractor's workmens compensation and Builders Risk Policy.
- _____ A lien form (UCC 1) on all machinery and equipment to be held as collateral.
- _____
- _____
- _____
- _____
- _____
- _____

ATTACHMENT 5

ATTACHMENT 5

Certified Development Corporation Budget

OPTION 1 In-House

	<u>Direct</u>	<u>Fringe @ 32%</u>	<u>Overhead @ 162.9% of Direct</u>
Loan Officer	\$40,000		
Assistant*	30,000		
Secretarial	<u>15,000</u>		
	\$85,000	\$27,200	\$138,465
TOTAL:	\$250,665		

Furniture (Acquisition)	\$2,000
Typewriter Rental	360
Travel/Conferences ¹	1,524
Supplies (@ \$100/mo.)	1,200
Meeting Expenses ² Stipend	4,320

TOTAL: \$260,069 (assuming assistant position)
\$170,933 (assuming only executive director and secretary)

OPTION 2 Contract with Outside Entity

Executive Director/Loan Officer	\$40,000	
Assistant*	30,000	Plus Fringe @ 25%
Secretarial	<u>15,000</u>	
	\$85,000	\$106,250

Other Expenses:

Office ³	\$12,000
Travel/Conferences ¹	1,524
Supplies (@ \$100/mo.)	1,200
Meeting Expenses ⁴	1,200
Misc. (advertising, etc.)	2,500
Legal/Accounting Fees	10,000

TOTAL: \$134,674 (assuming assistant position)
\$ 93,174 (assuming only executive director and secretary)

Footnotes to Attachment 5

*This position would not be funded in the first or even perhaps the early program years. This additional staff assistance would only be needed once the work volume warranted this increased service level.

¹Assumes 100 miles/month @ \$.27/mile plus two conferences @ \$600/each.

²Assumes \$40/meeting stipend for nine loan committee members.

³Assumes two offices and one reception area of approximately 460 square feet @ \$1.30/sq.ft. Also includes rental of furniture plus utilities (total: \$1,000/mo.).

⁴Assumes payment of lunch meal for nine loan committee members once per month.

ATTACHMENT 6



CITY OF SACRAMENTO

ANNE RUDIN
Mayor
City Hall
915 I Street, Room 205
Sacramento, California 95814
(916) 449-5407

May 3, 1984

Mr. J. Daniel Kennedy
Branch Manager
Small Business Administration
660 J Street, Suite 215
Sacramento, CA 95814

Dear Mr. Kennedy:

As City Council members representing diverse areas of the City of Sacramento which contain businesses in need of financial assistance, we view the formation of new Certified Development Corporations (CDCs) with the ability to serve Sacramento businesses as an item of high importance.


We are aware that the Small Business Administration is interested in the possible certification of at least one additional CDC in Sacramento but that formation of more than one additional CDC might, understandably, create more competition than the Sacramento market would be able to absorb. If this is the case, and since it is likely that some City funds will be required to help such a CDC function, at least during its start-up period, we respectfully request that the SBA hold in abeyance any selection of an additional CDC until the City Council has had the opportunity to hold a policy debate on the issue. In our opinion, we would prefer a CDC which has the representation of groups interested in economic development in various parts of the City.


Mr. J. Daniel Kennedy
May 3, 1984
Page Two


While we realize that formation of such a group will be difficult, given the fragmentation of interests, we think it is worth a try when considering the importance of assisting businesses throughout the City, particularly in our blighted areas.

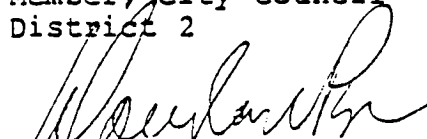
We will keep you closely apprised of our progress on this issue and would greatly appreciate your cooperation.

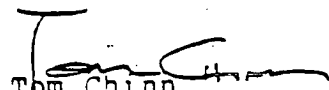
Sincerely yours,


Anne Rudin
Mayor

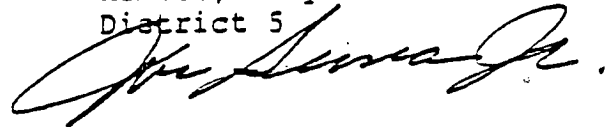

David M. Shore
City Councilmember
District 1


Grantland Johnson
Member, City Council
District 2

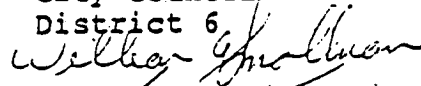

Douglas N. Pope
City Councilman
District 3


Tom Chinn
City Councilman
District 4

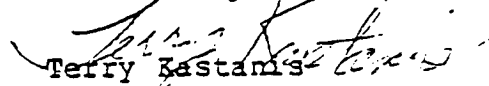
Joe Serna, Jr.
Member, City Council
District 5



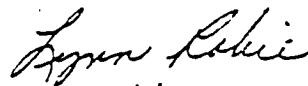
William Smallman
City Councilman
District 6



Terry Eastman
City Councilman
District 7



Lynn Robie
Member, City Council
District 8





October 15, 1984

Serving Sacramento, Placer, Yolo & El Dorado Counties

John Malloy
Housing & Redevelopment Agency
631 I Street
Sacramento, CA 95814

Dear Mr. Malloy:

The Sacramento Metropolitan Chamber of Commerce is in the process of considering the establishment of a non-profit certified development corporation (CDC) (The Small Business Administration's 503 Program). The purpose of the CDC would be to assist small businesses in obtaining loans within the scope of the SBA Program. Eligible small businesses would have the helping hand of the CDC in packaging, processing, closing and servicing their loans. The services offered would also stimulate growth, revitalize the community and create employment. We envision serving the communities of Yolo, Placer, El Dorado and Sacramento County.

The organization of the CDC will have a Board of Directors (minimum of 5) and at least 25 members. The members should be representative of government, private lending institutions and community and business organizations.

While the Chamber Board of Directors have only conceptionally approved this endeavor, our necessary first step is to establish the CDC membership.

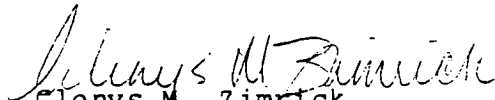
In this regard we personally would like you to consider becoming a member. The role of the members would be to establish policy and guidelines for the CDC to follow. There would be no monetary requirements. We see a CDC to be a tremendous advantage for our area, and your involvement would create the stimulation necessary for a successful program.



If you do have an interest, please call Paul Salemi at 443-3771 of the Chamber or myself at 441-3664 as soon as possible.

It is hoped that I will be working with you on this worthwhile effort.

Sincerely,


Glenys M. Zimrick
Chair, CDC Task Force

GMZ:js



Serving Sacramento Place Your U. E. Dorado Quarters
November 29, 1984

John Malloy
Housing & Redevelopment Agency
630 I Street
Sacramento, CA 95814

Dear Mr. Malloy:

Just a note to advise you that we are continuing our effort in the formation of the proposed Certified Development Corporation.

The City Planning and Community Development Committee and the Sacramento Housing and Redevelopment Economic Development Committee are jointly analyzing options for business development and loan packaging assistance to businesses in the service area. The results will be valuable to us and when completed we will be able to develop our strategy in pursuit of certification.

The analysis should be completed by the joint committees in January 1985.

Sincerely,

Glenys Jimrick
Glenys Jimrick, Chair
CDC Task Force

GZ:js





Serving Sacramento, Placer, Yolo & El Dorado Counties

Received in E.D.'s Office

JAN 6 1985

SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY

John Molloy,
Director, Planning and
Policy Development
Sacramento Housing and
Redevelopment Agency
630 I Street
Sacramento, CA 95814

Dear John,

It has been some time since I discussed with you The Chambers interest in forming a Certified Development Corporation (CDC).

While there is still much to be accomplished, the task force has fulfilled many of the requirements. As a result of our efforts, and considering our priority target area (blighted commercial strips) we are more than convinced that there is a need for a CDC and our interest has magnified in pursuing certification.

Although the SBA requires a membership of only 25, we have over 50 potential members and the list is growing with interested parties.

I will keep you advised of our progress and look forward to hearing from you in the near future.

Respectfully Yours,

A handwritten signature in cursive script, appearing to read "Paul Salemi".

Paul Salemi
Director, Government Affairs



ATTACHMENT 7

Sacramento Overall Economic Development Program Committee

700 H STREET • ROOM 7621 • SACRAMENTO, CALIFORNIA 95814 - 1280 • (916) 440 - 6060

ATTACHMENT 7

November 15, 1984

To: Overall Economic Development Program Committee
And Interested Agencies

From Richard L. Wolgamott

Subject STRUCTURE FOR ECONOMIC DEVELOPMENT IN SACRAMENTO

The following material is a STAFF DRAFT. It does not constitute county policy nor does the County Executive's Office necessarily support any of the ideas contained herein. The purpose of this paper is to give an overview of our economic development process and to explore possible future options. Your response to these ideas is encouraged. Any comments received prior to November 15, 1984 will be collected and mailed out to the OEDPC for its consideration. The agenda for the meeting of November 21, 1984 is to develop a specific recommendation for future economic development structures that will be sent to the Board of Supervisors and City Council in early December for their consideration.

I. What's Happening--Economic Development in Transition

A. Priorities are changing:

For many years, economic development was a low priority item in local government circles. It was not a mandated government function for the

Representing

County of Sacramento; City of Sacramento; Cities of Folsom, Isleton and Galt; Minority Communities; Business; Labor; Financial Institutions; Education; Public Utilities; Agriculture; Transportation; Environmental Concerns; Low Income Citizens

City or the County, and there was no significant community pressure for economic growth. In the late 70's, the Overall Economic Development Program Committee was created in order for jurisdictions within Sacramento County to be eligible for Economic Development Administration programs. When the recession of the early 80's hit, local government began to be aware of the relationship of the "local economy" and things which are of prime importance to government; i.e., sales and property tax revenues, and the demand for welfare, health, and law and justice services created by unemployment. Perhaps for the first time, Sacramento realized that it is vulnerable to economic swings and that strengthening the local economy is more important to local government than was once thought.

Growth has steadily accelerated and the community has begun to see itself as a potential industrial and business center. Some are concerned about the rate of growth. Questions are being raised about our ability, as a community, to respond to growth so that our quality of life can be maintained and growth can be sustained over the long haul. We have seen the problems of the Silicon Valley and we want to avoid them. At the same time we want to move forward and be a progressive community. Clearly there is an urgent need to effectively plan our growth rather than reacting to it.

The Board of Supervisors and City Council have become sensitive to these growth concerns and have scheduled six joint workshops on major growth issues. The objective of these workshops is to evaluate present policies and procedures, and identify any needed changes. The workshops are somewhat motivated by specific projects near jurisdictional boundaries (Natomas, Laguna) but there is also an awareness of an ongoing need to work together more closely. The demands created by growth do not respect political boundaries. The policies and procedures of both jurisdictions need to be mutually supportive. The six workshops are scheduled for completion in December 10, 1984 with the topic "What Next?"

The OEDPC has always been charged with the task of coordinating economic development in the community. This job is complicated by the fact that there are literally dozens of public and private agencies involved in some aspect of economic development in Sacramento. Each agency has a separate funding source and basically operates independent of the others. The OEDPC does adopt an annual plan which seeks to establish community goals and OEDPC staff meet with other agency staff to discuss specific projects and develop improved agency coordination. However, there are no mutually accepted community economic development goals.

Each agency relates its programs to its own funding source. If those programs happen to coincide with the general community goals in the annual plan adopted by the OEDPC it is strictly serendipity. I am not aware of any antagonism by agencies to the annual plan nor am I aware of agencies adjusting their programs to correspond to its goals. In short, the annual plan is not taken very seriously. It is a document basically designed to continue EDA grant eligibility, not a genuine blueprint for economic development in the community. The OEDPC as a body has no power to carry out its coordination function. There currently is no comprehensive plan for economic growth and development in Sacramento.

B. Financing is changing:

The fiscal resources available to the OEDPC for program implementation are undergoing changes:

1. There has been a steady drop in EDA Title I grant funds as the Reagan Administration seeks to terminate the program. Congress is in favor of the program and it has managed to limp along. The future is uncertain.

2. Recent federal law has placed restrictions in the amounts, use, and arbitrage earnings of industrial development bonds. This tool is still useful for large projects but will be reduced further at the end of 1986 and is scheduled for elimination the end of 1988.

3. State Enterprise Zones is a new tool that could be administered by the OEDPC. It also could be administered through the CDBG staff because of its neighborhood orientation. Other government programs, UDAG, PIC, and CDBG have experienced some change but are more "healthy" than EDA or IDB's.

C. New Plans and Planning Bodies:

The term of the current OEDPC members expires December 31, 1984. There is a core of interested and informed members who likely would request reappointment if they believed the Committee to be effective. However, if fiscal resources continue to be reduced and if there is no broad support for communitywide economic development planning and program coordination, there seems little reason to continue the OEDPC in its present form. The OEDPC seems to be saying that comprehensive planning and coordinated program implementation must be done if quality of life and sustained growth are going to occur. If the Board of Supervisors and City Council do not want the OEDPC to carry out these functions then some agency must be designated to do them.

The SACTO leadership is in transition. While SACTO is only one of many economic development agencies, it does get a lot of publicity due to the nature of its work (selling the community to outside firms). In addition, SACTO is unique in that it receives both public and private funds. This time of transition presents an opportunity for SACTO to evaluate its policies and its relationship to other economic development agencies in the community.

The Metropolitan Chamber of Commerce is developing its Strategic Community Plan. This document is scheduled for completion in early 1985 and endeavors to: 1) focus public and private sector efforts on key issues affecting the future of the Sacramento Area; 2) improve public and private sector communications on community development programs; 3) engage the private sector in an more active and positive involvement in the local government process.

The Downtown Redevelopment Plan is nearing completion. The Light Rail System is under construction. These projects represent a significant change potential for the central business district.

All of the above activities clearly set the stage for economic development decision making as a whole. It is difficult to imagine a more propitious scenario for cooperation and change than currently exists. How shall we respond to the unique opportunities afforded us over the

next several months? Clearly Sacramento is becoming a more sophisticated city and we are at a watershed point in our evolution. What policies and structures shall we establish to shape the direction of our growth? What roles should be played by governments and the private sector?

II. The Basic Decision

Is there broad based support to establish community economic development goals, a strategy for achieving them, and a structure for implementing them? OR Shall we continue our present process of basically fragmented programs which do accomplish some good but are considered by many to be inadequate to respond to the challenge of significant growth and competition from other communities?

If Sacramento chooses the comprehensive approach, then clearly some type of body would have to be created to develop community goals, and strategies for meeting those goals. Such a body would seem to require the following characteristics:

- 1) be public, private, and multi-jurisdictional
- 2) have some clout
- 3) be jointly funded
- 4) have adequate staff and fiscal resources to

discharge its responsibilities.

If these basic characteristics are not present then the comprehensive approach will most likely not succeed.

If Sacramento chooses to continue the present economic development process, then consideration should be given to at least combining some government programs in order to reduce fragmentation.

A. A Model For The Comprehensive Approach

The City of Chicago has established a successful model of public/private economic development coordination. It has created the "Mayor's Council of Manpower and Economic Advisors" which is made up of community leaders in business and government. This body functions as the OEDPC, does the annual plan, coordinates the implementation of programs, and allocates the economic development portion of the federal grants (EDA, CDBG, PIC). If such a body were created in Sacramento, it might include:

Chairperson	Board of Supervisors
Mayor	City of Sacramento
Chairperson	Metropolitan Chamber of Commerce Board
Chairperson	SACTO Board of Directors

President California State University, Sacramento

Chairperson SETA/PIC Board

Chairperson SHRA Commission

At large business representative

At large labor representative

Others?

Such an agency might be responsible for the following:

1. Develop community economic development goals and policies based on an analysis of the local economy, its labor force, its restraints, and its potential for development. Comments would be received from full boards of all agencies who make up this economic development body. Final approval of these goals and policies would be by the Board of Supervisors and the City Council.
2. Develop a comprehensive OEDP which would outline a specific strategy for meeting goals of No. 1 above. The strategy would be consistent with policies approved in No. 1 and would identify primary agencies and programs responsible for plan implementation. The approval process for the OEDP would be the same as for the community goals and policies described in No. 1.

3. Each implementing agency would be asked to submit its annual plans and policies to the communitywide body for comment and determination that agency plans and policies are consistent with community goals, policies and the OEDP.
4. Coordinate the implementation of the OEDP by the various agencies. This probably would consist of close cooperation and regular meetings of staff of the communitywide body and each implementing agency to enable cooperation and mutual support at the project level.
5. The communitywide body could also be responsible for implementing the various government funded economic development tools (CDBG, UDAG, PIC, EDA, IDB) or these could continue to be administered by existing agencies. Major planning and zoning actions should be reviewed by the community economic development body to evaluate consistency with community economic goals and policies.
6. The communitywide economic development body could sponsor an annual workshop to keep the community informed of economic development issues, the strategies of the OEDP, and the various tools available to carry out the goals. This workshop would be of particular value to the bankers, developers, attorneys, non-profits, and other parties who contribute to the economic development process

but are not represented on the communitywide economic development body. An important by-product of this annual workshop is the fostering of real community identity, pride, and unity of purpose.

7. The communitywide economic development body would require adequate staffing to carry out its responsibilities. Funding could come from contributions of member agencies: City, County, PIC, CDBG, private sector, etc. and could include both cash and in-kind services. In addition, it is likely that such a body could obtain an EDA 302(a) planning grant to cover some of its costs. Fees from IDB projects would also be a potential revenue source. Staff could be located in the City, County, or SHRA civil service system.
8. The economic development body should be formed with sufficient standing and dignity to effectively influence business and governmental decisions.

B. The Non-Comprehensive Approach

If the decision makers elect to continue economic development in the same basic pattern as is now being done then a communitywide economic development body would not be created. Some consolidation of government programs, however, could result in improved efficiency. An approach to this might be:

1. Combine the OEDPC and the SHRA Commission into one body. The SHRA Commission is already responsible for CDBG economic development programs, UDAG, and redevelopment. Adding the task of preparing an annual OEDP in order to maintain EDA eligibility would not be too onerous since an annual CDBG plan is already prepared by existing staff. In addition, most of the EDA Title I projects of late seem to be generated by SHRA.
2. The new State Enterprise Zone program could also be administered by SHRA if Sacramento is successful in competing for a grant award. It would also be logical to move the economic development portion of the PIC program to SHRA although this may not be politically feasible. If all of these actions were to occur, SHRA may want to reorganize to create an economic development department within its organizational structure.

III. Summary

Each of the two suggested models could have many variables and I have not elaborated on those. My purpose is to outline the current situation, frame the basic issue, and offer a general suggestion for each of the two possible paths. Again, your input is encouraged so that the thoughts of all the economic development players can be incorporated into the

decisions of the Board of Supervisors and City Council. The deadline for input to me is November 15, 1984. The OEDPC will meet to develop its recommendations on November 21, 1984, 12:00 Noon, Seventh Floor of the County Administration Building. All are welcome.



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