

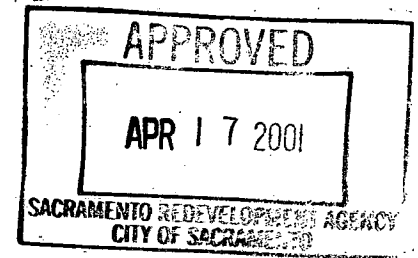


**Sacramento
Housing &
Redevelopment
Agency**

April 10, 2001

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Redevelopment Agency of the City of Sacramento
Sacramento, California



Honorable Members in Session:

SUBJECT: Del Paso Nuevo Section 108 Loan Security

LOCATION & COUNCIL DISTRICT: Norwood Avenue and Ford Road. District 2

RECOMMENDATION

Staff recommends adoption of the attached resolution(s) which authorize(s) the Executive Director or her designee to establish reserve in the amount of \$510,000 for additional security for the Del Paso Nuevo Section 108 Guaranteed Loans.

CONTACT PERSONS

Lisa Bates, Community Development Director, (916) 440-1316
Alysia Strand, Housing Finance Analyst, (916) 440-1328

FOR COUNCIL MEETING OF April 17, 2001

SUMMARY

This report requests authorization to reserve \$510,000 as security for the Del Paso Nuevo Section 108 Guaranteed Loans. The placement of a reserve is a typical action that is required in most redevelopment bond transactions and will have no fiscal impact to the Agency.

BACKGROUND

In June of 1997, the City Council authorized the acceptance of a \$5 million Economic Development Initiative (EDI) grant and application of \$5,445,000 in Section 108 loan guarantees for the Del Paso Nuevo Project. As part of the Section 108 program, local governments can borrow funds against future CDBG entitlements, but must also provide for security on the loans in the event that the CDBG program is discontinued or severely reduced.

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In October 2000, the Agency replaced existing Agency-owned land in Del Paso Nuevo land with other Agency-owned property as security totaling over \$3 million. This property was combined with the Agency's pledge of future tax increment from the Del Paso Nuevo project to serve as security for the Section 108 loans. In continued negotiations with HUD, regarding the security, HUD is also requesting a soft debt reserve from the Agency in the amount of one year's loan payment (\$510,000) in the event that the federal CDBG program is discontinued or significantly reduced in the future. In the 27-year history of this program, this has never occurred. At this date the CDBG program has broad bipartisan support and staff does not anticipate any significant change in funding for the program.

Currently the Agency has drawn \$2.32 million in Section 108 loans. With approval of this soft debt reserve the Agency can proceed with drawing the remaining \$3.125 million in loan funds for the project.

FINANCIAL CONSIDERATIONS

The soft debt reserve of \$510,000 will be established in the Agency's payroll internal service fund as additional collateral for the Section 108 loan repayments. The Agency intends to use these funds only as a reserve and not as means for making the annual debt service payments for the Section 108 Loan. However, if the Agency were to use these funds or if the CDBG program was discontinued or reduced by 30 percent, HUD will have the ability to ask a third party financial advisor to review the Agency's security and ability to repay the Section 108 financing.

The placement of a reserve is a typical action that is required in most redevelopment bond transactions and will have no fiscal impact to the Agency.

POLICY CONSIDERATIONS

The action recommended in this report is consistent with previously approved policies to benefit low and moderate-income persons, to provide homeownership opportunities and to eliminate slums and blight in low-income communities. The action is consistent with the City's recent actions to securitize City assets for the issuance of redevelopment bonds.

ENVIRONMENTAL REVIEW

The proposed actions are administrative and are exempt from environmental review per CEQA Guidelines section 15378(b)(3), and are exempt from NEPA per 24 CFR Part 58.34(a)(11).

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M/WBE CONSIDERATIONS

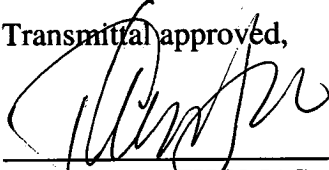
The items discussed in this report have no M/WBE impact.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager



RESOLUTION NO. 2001-024

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

**DEL PASO NUEVO:
SOFT DEBT RESERVE FOR SECURITY OF
SECTION 108 GUARANTEED LOANS**

**BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO:**

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) has provided a \$5 million Economic Development Initiative (EDI) grant and Section 108 Loans of \$5,445,000 for the Del Paso Nuevo project; and

WHEREAS, the Agency has provided partial security for the Loans by recording deeds of trust against certain real property owned by the Agency; and

WHEREAS, HUD has requested additional security in the form of a reserve account;

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director is authorized to reserve not more than \$510,000 from the Agency payroll internal service fund as additional security for the Del Paso Nuevo Section 108 Loans.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____