

Agency rpt (28)



Sacramento Heritage, Inc.

630 I Street, Sacramento, California 95814 (916) 444-9210

January 17, 1983

City Council of the
City of Sacramento
Sacramento, California

APPROVED
BY THE CITY COUNCIL

MAR 15 1983

OFFICE OF THE
CITY CLERK

CITY MANAGER'S OFFICE
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Honorable Members in Session:

SUBJECT: Annual Report to Members of Sacramento Heritage, Inc.
from the Board of Directors

SUMMARY

Enclosed is the Annual Report of Sacramento Heritage, Inc. This report summarizes the activities of the corporation from January, 1982 to December, 1982.

BACKGROUND

Sacramento Heritage, Inc. was formed in July, 1975. Its members are the City Council, and the Directors are representatives of the Sacramento Housing and Redevelopment Commission, the Design Review/Preservation Board, the Housing Code Appeals and Advisory Board, and two members-at-large. The Directors currently are:

<u>Director</u>	<u>Representation</u>
Lanny Tobe, Vice-Chairman	Public Member
Charley Petersen (temporary until replaced)	Housing Code Appeals and Advisory Board
Rick Stevenson	Public Member
Marie McLean	Design Review/ Preservation Board
Vacancy	Sacramento Housing and Redevelopment Commission

Due to recent changes in the membership of the Board, a new chairperson will be voted on by the Board and a replacement will be made for the vacant position..

The Board of Directors meets the second Thursday of each month at 4:30 p.m., at 630 I Street, Sacramento, California. Staff assistance is provided by the Sacramento Housing and Redevelopment Agency.

3-15-83
All Districts

Sacramento Heritage, Inc. is a nonprofit corporation, and was formed for the specific and primary purposes of acquisition, improvement, restoration, preservation, leasing and disposition of historically- or architecturally-significant real properties in the City of Sacramento; to provide housing for moderate and low income persons on a nonprofit basis; and to assist with the provision of related facilities and services designed to enhance the physical, social, and psychological well-being of those members of the communities in which Sacramento Heritage functions.

The first project of Sacramento Heritage, the rehabilitation of the Van Voorhies residence at 925 G Street, was successfully accomplished and the structure sold at private auction in 1977. A major portion of the present capital of Sacramento Heritage, Inc. is derived from this project.

During the period of this report, the Directors were involved in three projects: the restoration of 517 Eighth Street, the sale of 1010 F Street, and the reorganization study for Sacramento Heritage. The first two projects, 517 Eighth Street and 1010 F Street, will be discussed in detail below. The Reorganization Study for Sacramento Heritage is attached in complete form as Exhibit I of this Annual Report. As a part of the Final Management Report, Sacramento Housing and Redevelopment Agency recommended that this Reorganization Study be prepared, to identify problems which must be overcome and propose alternative solutions in order to develop long-range strategies, both administrative and programmatic, for the effective operation of Sacramento Heritage, Inc.

517 Eighth Street - Restoration Project

Developers:	Julian and Catherine Camacho
Date Sold:	January, 1981
Date of Expected Completion:	December, 1982
Cost:	Total project cost \$160,000. Cash acquisition with construction financing through lending institution.
Status:	85% complete.

Located in Alkali Flat, the historic Mesick House, commonly referred to as 517 Eighth Street, was sold at public auction to Julian and Catherine Camacho in January, 1981. The Camachos have spent the last two years restoring the project to single-family residential specifications. During this period, the restoration process has been monitored by

Heritage staff, with site visits by the Board of Directors to view the progress of the project. The project is now 85% complete. As a part of this restoration, Sacramento Heritage retains a protective easement on the exterior of this historic building. After completion of the restoration, Heritage will continue to monitor the treatment of the building's exterior, in order to protect its historic design integrity.

1010 F Street - Restoration Project

Developers:	The Castle
Date Sold:	December, 1982
Date of Expected Completion:	May, 1984
Cost:	The total project will cost \$280,000. Cash acquisition with private construction financing.
Status:	Restoration plans complete. Preparatory demolition complete. Restoration begun December, 1982. Monitoring in process.

Located in Alkali Flat, the historic Hubbard Upson House (1010 F Street) was sold to developers for restoration and use as an office complex in December, 1982. The original Contract for Sale was negotiated after the award at public bid in 1981, but due to financing difficulties, the developers were not able to close escrow until December of 1982. During this period, Heritage approved an Early Entry Agreement and advised and reviewed restoration plans for the structure. Heritage is now monitoring the restoration progress of the developer which will continue for the next 18 months.

Heritage repaid the Preservation Board \$60,000.00 in CDBG funds which were loaned to Heritage for the initial purchase of 1010 F Street.

As with the Mesick House (517 Eighth Street), the Hubbard Upson House is also protected by an exterior easement.

FINANCIAL DATA

The fund equity of Sacramento Heritage, Inc. on November 30, 1981, was \$81,304. The fund equity on December 8, 1982, was \$74,756.62. Operating costs for the coming year have been projected at a sum of \$17,889.64, based upon the Agency's cost for providing staff assistance. (See Exhibit II.)

VOTE AND RECOMMENDATION OF SACRAMENTO HERITAGE BOARD

At its regular meeting of February 24, 1983, Sacramento Heritage Directors recommended approval of the 1982 Annual Report. The votes were as follows:

AYES: Petersen, Stevenson, Tobe

NOES: None

ABSENT: McLean

POLICY IMPLICATIONS

The action(s) proposed in this staff report are consistent with previously approved policy and there are no policy changes being recommended. However, the Sacramento Heritage Reorganization Report recommends the following policy changes:

1. The Council will receive recommendations for and make five new appointments to the Board of Directors. (Presently, the Housing and Redevelopment Commission position and the Housing Appeals Advisory Board position must be filled.) This would increase the Board of Directors from five members to nine members. Appointments should be made during the month of February.
2. Request Heritage staff to amend the By-Laws to reflect organizational changes: membership open to associates; quarterly reports; and increase in Board of Directors from five to nine.

Following the appointment of all new members of the Board of Directors, the Board of Directors of Sacramento Heritage, Inc. will vote for three members to act as the Executive Committee. These three members must have a background in preservation, housing and financing. The Executive Committee will:

3. During the first quarter of 1983 calendar year, prepare the following for presentation to the Board of Directors and the members at the March Quarterly Report: identify programs, funding levels and funding sources; identify quantitative goals and priorities; outline special circumstances which allow for the deviation from these priorities; and outline the manner in which projects are to be assigned to Heritage.

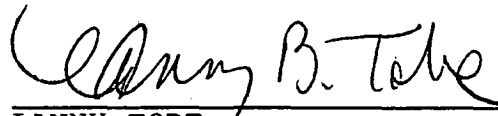
Following the March, 1983 Quarterly Report, the Executive Committee will:

4. Begin implementation of programs;
5. Begin recruitment of associate members;
6. Begin preparation of the 1984 Budget to coincide with the budget cycle of the Housing and Redevelopment Agency; and
7. At the time of the 1984 Annual Report (January), present the programs and budget to the membership for adoption.

RECOMMENDATION

The staff recommends acceptance by the membership of the 1982 Annual Report and adoption of the Sacramento Heritage Reorganization Study recommendations and resolution which are attached in the form of a separate report (Exhibit I).

Respectfully submitted,

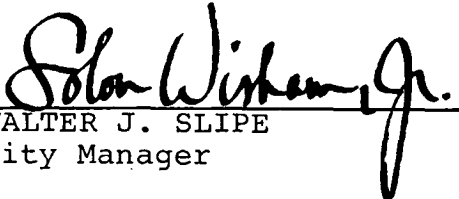


LANNY TOBE
Vice-Chairman



WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:



WALTER J. SLIPE
City Manager

Contact Person: Carol Branan

WHE/CB:cmh

EXHIBIT I
SACRAMENTO HERITAGE
REORGANIZATION REPORT



Sacramento Heritage, Inc.

630 I Street, Sacramento, California 95814 (916) 444-9210

January 17, 1983

City Council of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Sacramento Heritage, Inc. Reorganization Report

SUMMARY

With the adoption of the Final Management Study Report (submitted November 19, 1981) the City Council instructed Agency staff to prepare a report assessing the goals, organizational structure, staffing capacity, programmatic policies and administrative rules and regulations of Sacramento Heritage, Inc. That report is now complete and is outlined in this staff report.

The report sets forth the mission statement regarding the role of Sacramento Heritage to act as a private, nonprofit corporation which can provide preservation and related housing services that are not otherwise available in the City of Sacramento. Staff recommends that the original purpose set forth in the Articles of Incorporation remain: To improve, acquire, restore, preserve, lease, and dispose of historically/architecturally significant real properties in the City and to provide housing primarily for low income persons on a nonprofit basis.

Further recommendations to change the organizational structure and staffing capacity of Sacramento Heritage are : 1) that the Board of Directors be increased from five to nine members; 2) that the membership be open to associate members to attract corporate financing; and 3) that a three member Executive Committee be established to study issues and make recommendations to the Board.

In the past Sacramento Heritage has met once a year as a full body at the time the Annual Report was to be presented. To create more active involvement between the membership and the Board of Directors, staff recommends that a system of Quarterly Reports be implemented.

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The recommendations contained in this report will require the following action by the membership: 1) review; 2) adoption; 3) change in the Sacramento Heritage Bylaws; 4) appointment of a nine member Board of Directors. Once these changes have been accomplished, the Board of Directors will be responsible for the 5) establishment of a three member Executive Committee; 6) development of a program and funding strategy; and 7) implementation of these programs.

BACKGROUND

With the adoption of the Final Management Study Report (submitted November 19, 1981) the City Council instructed Agency staff to prepare a report assessing the goals, programmatic policies, organizational structure, staffing capacity, and administrative rules and regulations of Sacramento Heritage, Inc. That report is now complete and is presented below.

Concern with the lack of progress of Sacramento Heritage is shared by both the Members and the Directors, although quantitative goals have never been established by the organization. Therefore, it is impossible to determine whether Sacramento Heritage has performed adequately without comparing it to similar organizations. For instance, in the past seven years Sacramento Heritage has completed one restoration project (925 G. Street). Two other restorations are currently underway: 1) 517 8th Street ; and 2) 1010 F Street. In order to gain comparative data, two preservation organizations similar to the nonprofit structure of Sacramento Heritage were investigated. While one of these organizations, the Preservation Fund of North Carolina is a statewide group, its purpose and programs are similar to those of Sacramento Heritage. The two organizations chosen for comparative purposes were the Preservation Fund of North Carolina and a local group, San Francisco Heritage. (See Exhibit I for description of these groups).

In contrast to Sacramento Heritage, over the last five years the Preservation Fund of North Carolina has completed twenty acquisition/restoration projects. This is in comparison to Sacramento Heritage's one project in seven years. San Francisco Heritage is now active in a program known as the Preservation Loan Program, which does not acquire the property but makes a restoration loan (low interest) to the owner/occupant. San Francisco Heritage has completed approximately twenty such restorations in the last four years under this program.

Both the Preservation Fund of North Carolina and San Francisco Heritage have been, or are, involved in acquisition and restoration programs similar to those of Sacramento Heritage. However, both organizations have been able to accomplish a

great deal more than Sacramento Heritage. Table 1 below illustrates the completion rate of projects entered into by San Francisco Heritage, the Preservation Fund of North Carolina, and Sacramento Heritage. In all cases, Sacramento Heritage is behind the other organizations in number of projects completed.

Table 1
 Comparison of Project Completion and Problems

Name of Project Type of Project	Number of Projects Completed	Problems Encountered
SAN FRANCISCO HERITAGE Revolving Fund Capital Improve.	one program defunct	Funding source of \$50,000 was not large enough to take on this type of project (purchase and restoration of buildings). Money did not revolve fast enough to enter into numerous projects. Few buildings available....most handled by private investors.
SAN FRANCISCO HERITAGE Preservation Loan Program	two or three per year	Funding source of \$300,000 needs to be larger. Funds revolve at approximately \$12,000 per year. This means that fewer projects can be done each year, unless a higher subsidy pool is established. Greater demand than funding available.
PRESERVATION FUND OF NORTH CAROLINA Acquisitions	four or more per year	Often lose money on a purchase option when the property is sold. Sometimes difficult to locate a buyer who will accept an easement. Sometimes difficult to enforce the easement.
SACRAMENTO HERITAGE Acquisitions	one every two and a half years	Difficulty in identifying funding source for acquisitions. Difficulty in locating buyer with financing for restoration.

Heritage shares a common problem, inadequate funding, with San Francisco Heritage and the Preservation Fund of North Carolina. Even so, these two organizations are able to produce at a higher volume than Heritage. This suggests that, although funding is a problem, Heritage's slow project turnaround is due to factors beyond funding constraints. Table 2 below identifies the major characteristics that define a project and in doing so it clarifies some of the problem areas for Sacramento Heritage:

Table 2
 Major Project Characteristics

Name of Project Type of Project	How Project Was Identified and Assigned	Funding Source	Length of Time To Complete Project	Administrative and Other Costs
SAN FRANCISCO HERITAGE Revolving Fund Capital Improve- ments	Public concern over demolition created program and sought out organization	unknown source \$50,000	only one project completed... program then curtailed	no statistics
SAN FRANCISCO HERITAGE Preservation Loan Program	Program Planning identified need and set up program	CDBG \$200,000 Crocker Bank \$100,000	6-12 months per project	Administrative costs low. No acquisition cost. Below market rate construction costs.
PRESERVATION FUND OF NORTH CAROLINA Acquisitions	Statewide pres- ervation group identified need and set up program	Private and State funds totaling over \$300,000	Varies from minutes to months	Administrative costs vary based upon time building is held. Only other cost is that involved in optioning properties.
SACRAMENTO HERITAGE Acquisition	Public concern over demolition or other immed- iate threat	Private dollars Public loans Amount varies	approximately 2 years per project	Administrative costs are high. Acquisition costs generally high Construction generally financed by private developer.

As identified in Table 2, one of the major project characteristics which "sets the stage" for Heritage's slow project turnaround is the PROJECT TYPE. In comparison to San Francisco Heritage and the Preservation Fund of North Carolina,

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Sacramento Heritage enters into acquisition projects that tie up all of its funds. North Carolina avoids this approach by optioning properties, leaving the majority of their funds liquid. San Francisco was once involved in an acquisition and restoration program similar to Sacramento Heritage's but has curtailed that program after finding that the results were slow. Now San Francisco has made a policy decision to direct its funding to rehabilitation/restoration loans which maximize results faster than acquisition and restoration.

Problems other than project type exist for Sacramento Heritage. However, as can be deduced from Table 2, project type determines the nature of the problems that follow: project identification and assignment, funding sources and amounts, project time, and project costs.

The purpose of this report is to look at each of these problems in detail, pinpoint the exact nature of the problem, propose solutions, recommend a time schedule and those actions necessary to put the solutions into effect. These concerns will be covered in Section II of this report. However, it is necessary at this point to establish the direction which Sacramento Heritage should take. As with the case of San Francisco Heritage, a rethinking of the policy direction of Sacramento Heritage in relation to its role, function, and goals is in order if Heritage is to see the performance change which both the membership and the directors desire.

Sacramento Heritage was initially organized to exercise all rights and powers conferred on nonprofit corporations under the laws of California, including the power to contract, rent, buy, lease or sell personal or real property. The goals of Heritage were to:

- acquire, improve, restore, preserve, lease and dispose of historically or architecturally significant real properties in the City of Sacramento;
- provide housing primarily for persons and families of low income on a nonprofit basis and to provide related facilities and services designed to meet social and psychological needs of these people.

To this end, Heritage has utilized the preservation tool of acquisition and restoration in order to preserve those

structures for which the City could find no other answer. Thus Heritage has "evolved" into a type of preservation development organization to handle "emergency" preservation projects. This evolution occurred because there is no other City organization, public or private, to fill the need. However, Heritage's rate of project turnover has been so slow that it has been unable to become involved in a wider range of preservation and nonprofit housing activities.

Since Heritage's Articles of Incorporation (See Exhibit III) allow for a greater project scope than Heritage has been involved in, and since both members and directors have expressed the desire for a greater project turnover, a change of direction is proposed. This change will allow Heritage to continue to handle those emergency projects which threaten significant historical structures while providing programs and funding that will serve a more wide ranging client group.

MISSION STATEMENT

It is the staff recommendation that the purpose and direction of Sacramento Heritage should remain consistent with the organization's Articles of Incorporation. To this end, Sacramento Heritage should pursue the following:

Preservation Development and Housing

The goal will be to meet those preservation needs of historic areas throughout the City of Sacramento. Heritage will be responsible for the identification of both long range and short range preservation development and housing programs as well as the development and packaging of projects to meet these program needs. Programs will emphasize the private, nonprofit nature of Heritage.

The tools which are available to Heritage may include financing (grants, loans, etc.), real property acquisition, leasing, restoration/rehabilitation, tax advantages administered through an easement program, and options for purchase.

In Sacramento the redevelopment/revitalization process has been active in the downtown area for more than twenty-five years. As a result, the majority of improvements made by the public sector under redevelopment law have been in this downtown area. And while the Agency's role in the downtown area may

be decreasing due to the fact that substantial privately financed development is already taking place, there remain preservation development needs which have not been met. In all probability these needs will not be met without the catalyst of a nonprofit organization such as Sacramento Heritage. Therefore, it is recommended that Sacramento Heritage's future role in preservation development and housing activities be concentrated in the following areas:

- 1.. It is recommended that Sacramento Heritage, in cooperation with other City agencies and departments (as well as private organizations), identify all potential areas for preservation development and housing activities and plan a strategy which includes physical, economic, and financing components. The end product of this planning will be a "road map" to direct Heritage towards achieving long term preservation development goals.
2. It is recommended that Sacramento Heritage set limitations on the types of programs it will sponsor based upon the above described identification of needs.
3. It is recommended that once specific programs are established, Heritage implement these programs using a variety of tools available to it. Public financing such as Community Development Block Grant Funds as well as other public and private sources should be targeted for funding. Thus, Heritage can provide the impetus and financial assistance/leverage for preservation development and housing activities within identified areas.

The above changes are directed towards a clearly defined role as a development oriented preservation and housing organization with a emphasis on filling the gaps left by publicly funded preservation and housing activities. To this end, an implementation schedule will be provided in Section III of this report. To accomplish the preservation and housing activities outlined above, Heritage will spend the first quarter of the 1983 calendar year identifying and planning its programs, establishing quantitative goals, and funding these activities. The remaining three quarters of the year will be spent implementing programs and obtaining further funding.

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SECTION II

PROBLEMS AND RECOMMENDATIONS

This section of the Sacramento Heritage report makes recommendations for changes that will ultimately reorganize Heritage. These changes are directed towards the development oriented preservation and housing role established in Section I of this report. Problem areas discussed will include: 1) project type; 2) project assignment; 3) funding; 4) organizational structure.

Problem Area #1 Project Type

Sacramento Heritage's key problem is the type of project it sponsors. Heritage projects have been limited to outright fee simple acquisition of historic buildings which are threatened by demolition and which the conventional marketplace has determined financially undesirable. This type of project and the approach which Heritage takes creates the following problems:

- Due to the generally high acquisition costs most of Heritage's funds are tied up in the purchase of a building and remain tied up until a suitable developer can be found;
- Since these buildings are often undesirable to the conventional marketplace, Heritage often has to hold the building for over two years to find a buyer;
- Heritage often loses money on the project due to administrative costs involved in negotiating for sale and preservation easements;
- Heritage has no income to replenish its lost funds.

Heritage sponsors these types of projects because there is no other organization in the City to fill the need. The only other City organization which deals directly with preservation is City Planning's Design Review/Preservation Board. However, the function of this Board is regulatory. It deals with the review of and the release of permits for changes to historic structures. The Redevelopment Agency deals indirectly with preservation in terms of its various

revitalization programs for the City. None of these programs specifically targets preservation needs. Thus, Heritage is the only organization designed to meet non-regulatory preservation needs. The Articles of Incorporation list Heritage's goals thus:

- To acquire, improve, restore, preserve, lease and dispose of historically or architecturally significant real properties in the City of Sacramento;
- To provide housing primarily for low income persons and families on a nonprofit basis;
- To provide related facilities and services especially designed to meet the physical, social, psychological needs of said persons which will contribute to their health, security, happiness, and usefulness in longer living.

(See Exhibit II for Articles of Incorporation).

This unusual combination of preservation and housing concerns gives Sacramento Heritage the capacity to address and provide numerous programs that will benefit the community. Heritage must identify these preservation and housing needs and target those areas where it can provide programs to meet these needs. Two examples come to mind. Alkali Flat as a Redevelopment Project Area has been undergoing revitalization and upgrading over the last decade. However, an issue which has emerged is that of housing for low and moderate income residents in areas which, due to their historic architecture and proximity to downtown, are attractive to commercial investment. Once this occurs, the low-moderate housing market cannot compete with commercial investment forces. This does not make the need for such housing any less critical. Heritage should research the feasibility of developing a program similar to San Francisco Heritage's Preservation Loan Program (See Exhibit I) which could help stabilize the loss of residential. Another area pressured to change from low-moderate income residential to commercial office buildings is the Southside Neighborhood. As with Alkali Flat this neighborhood needs a stabilizing force if it is to remain residential and answer the low-moderate income needs of its residents. What Heritage must do is identify

whether it can or should become involved in such areas. And if it does become involved, programs and quantitative goals must be established to meet these needs.

Problem Area #2 Project Assignment

The second major problem for Sacramento Heritage is the manner in which its projects are assigned. Lacking programs and quantitative goals, but with a sizeable bank account, Heritage is vulnerable to having projects dropped on it. Heritage has, over the years, become a catch-all for preservation related projects which do not fit into the jurisdiction of City programs. However, no policy has been established on how these projects are to be assigned to Heritage. A project is usually placed on the Heritage agenda by request of the Chief Executive Officer through contact with other City departments or the City Council. The Heritage Board of Directors usually has no knowledge of the project until it receives the Staff Report a few days before the Board meeting.

Policies must be established that provide a procedure for the manner in which Heritage is to receive projects. The City Council, acting as the membership, and the Board of Directors must develop a mutually agreed upon procedure. The following procedure is recommended:

- the City Council adopts a policy that Sacramento Heritage projects will be assigned through the Council, acting as the membership;
- projects may originate at the Board or staff level, but will be presented to the membership in the form of a staff report, prior to project implementation;
- prior to assigning projects to Heritage, the City Clerk, at the direction of the Council, will notify Heritage staff who will in turn notify Board members that the item will appear on the Council agenda and may involve delegation to Heritage. Board members and staff can thus be present at the Council hearing prior to assignment of the project;
- when a project is assigned, the Council will identify issues which they want Heritage to address and will establish a time frame for a report back to the Council;
- when assigning projects for Heritage review and action, the Council shall identify and allocate funding, as necessary;

---no projects may be initiated by private individuals or groups without first bringing them before the Council.

Problem Area #3 Funding

Funding is Heritage's third significant problem. For the past six years it has operated on the funds received from the sale of its first project the Van Voorhies House (925 G Street), approximately \$100,000 after expenses. The following chart illustrates key financial characteristics of Heritage projects:

Table 3

Sacramento Heritage Project Characteristics

NAME OF PROJECT	HOW PROJECT WAS IDENTIFIED AND ASSIGNED TO ORGANIZATION	FUNDING SOURCE	OVERALL COST OF PROJECT	LENGTH IN PROJECT YEARS TO COMPLETE	PROBLEMS ENCOUNTERED
SACRAMENTO HERITAGE, INC. 925 G Street	Controversy bet. County and public over demolition of house... Heritage formed as result	Donation of house. Federal Sec. 112 Loan	approx. \$150,000	18 months	Project restoration was handled thru Agency prior to sale of house.. enforcement of quality difficult.
SACRAMENTO HERITAGE, INC. 1010 F Street	Potential demolition of house. Preservation Bd. asked Heritage to buy and sell.	\$60,000 of CDBG funds borrowed from the Pres. Board.	not complete to date appr. \$11,000	not complete to date, two years	Difficulty in finding developer. Difficulty in obtaining financing.
SACRAMENTO HERITAGE, INC. 517 8th Street	Destruction of portion of house by fire & foreclosure sale.	Sacramento Heritage funds from the sale of 925 G St.	not complete approx. \$160,000 to date	not complete to date, four years	Difficulty in finding developer. Difficulty in financing. Difficulty in retaining 34A

The approach which Heritage has taken to save properties is to purchase them outright for the fee simple and wait until it can sell them with restrictive preservation covenants. The

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result is that Heritage remains ineffective, unable to act, on other projects because their funds are tied up in projects which may take years to complete.

In December (1982) with the sale of 1010 F Street, Heritage funds are, for the first time in five years, not tied up in projects. Therefore, Heritage Board members and the Council should take advantage of this situation to develop programmatic goals that are integrated with a sound funding strategy. This strategy should look at grants such as Community Development Block Grant funds (either outright or matching), leveraging, bond issues such as the Marks Act, private financing, and public subscription. Programs such as property sale options (rather than fee simple acquisition) which would leave Heritage's funds more liquid should be pursued.

Problem Area #4 Organizational Structure and Administrative Rules and Regulations

Not as obvious as other Heritage problems but underlying them all is that of organizational structure. When Heritage was organized in 1975 it was to save the historic Van Voorhies House (925 G Street) from demolition. From the beginning problems existed with organizational structure. The Housing and Redevelopment Agency was chosen as the logical place to house Heritage due to the Agency's involvement in revitalization/redevelopment of the older areas of the City. However, at the time of Heritage's organization, there was a substantial amount of apprehension concerning the Agency's role. In an attempt to alleviate these concerns the Agency legal staff structured Heritage as a public/private check and balance system: The membership is a visible public body with a diverse representation (the City Council); the directors represent either the general public or City boards and commissions for whose appointments the Council is responsible; staffing is provided by the Executive Director of the Housing and Redevelopment Agency who acts as the Chief Executive Officer of Heritage.

Members

Individuals serving on the City Council become members of Sacramento Heritage by virtue of their position on the Council. The fact that the members and directors meet as a body only once a year (in January) when the Annual Report is presented, contributes to a lack of communication between the two levels of the organization. There is a greater

need for regular contact between these two levels. Therefore, it is recommended that in addition to the Annual Report, Heritage present Quarterly Reports to its membership (March, June, September and January). The final Quarterly Report would be combined with the Annual Report.

To increase funding commitment and to strengthen ties with the community-at-large it is recommended that the membership of Heritage be open to associate members. Individuals or corporations may join the organization as associates for a membership fee of \$1,000. The addition of associate members will balance the public/private structure of Heritage, increase the annual funding level as well as provide a tie with private preservation and housing concerns.

Directors

Currently there are five Heritage Directors. Problems exist in the present structure of the Board of Directors. The limited size of the Board often results in the lack of a quorum at the monthly meetings. Consequently, many meetings must be rescheduled for the following month.

To alleviate these problems it is suggested that the Board of Directors be increased from five to nine positions. Positions should be selected from the following areas of expertise and public bodies:

1 position	City Planning Commission
1 position	Design Review/Preservation Board
1 position	Housing Appeals Advisory Board
1 position	Housing and Redevelopment Commission
Public	Financing (one position)
positions	Housing "
Open to	History "
public-at-	Preservation "
large	Construction/Development/Architecture

A further qualification on appointments shall be that those appointments which come from the various public boards or commissions shall be made by virtue of the individual's interest in preservation and housing as well as their ability to attend monthly meetings. The Chairperson of the respective boards and commissions should open the floor to nominations with a Heritage staff member presenting a synopsis of Heritage's activities.

A three member Executive Committee should be appointed by the Board once the new director appointments have been made. This Executive Committee should contain an expert in financing, preservation, and housing.

Staff

The Agency shall continue to provide staff for Sacramento Heritage, assigning the appropriate staff as necessary to meet the programmatic needs identified by the Board of Directors. Staff expenses shall be reimbursed, as they are now, from the general funds of Sacramento Heritage, Inc.

FINANCIAL DATA

It is recommended that Sacramento Heritage set aside the funds identified below for their 1983 operating budget. These figures have been estimated in accordance with the Agency's cost allocation/indirect cost plan.

Estimated Expenses 1983

Direct Salaries	
Program Analyst	\$4,500
Technical Assist. II	2,000
Fringe Benefits	
33% of Salaries	2,145
Central Support Services	
Executive Director	3,654
Finance	203
Legal	3,794
Clerk	<u>1,593</u>
TOTAL	<u>\$17,889</u>

Funds on Hand at the End of the 1982 Calendar Year
are \$81,503.67.

SECTION III RECOMMENDATIONS AND ACTION PLAN

With the adoption of this report, the City Council
(acting as the membership of Sacramento Heritage) will
put into motion the following:

- The Council will receive recommendations for
and make five new appointments to the
Board of Directors. (Presently the Housing
and Redevelopment Commission position and
the Housing Appeals Advisory Board position
must be filled.) This would increase the
Board of Directors from five members to
nine members. Appointments should be made
during the month of February.
- Request Heritage staff to amend the Bylaws to
reflect organizational changes:
 - Membership open to associates
 - Quarterly Reports
 - Increase in Board of Directors from five to nine

The Board of Directors of Sacramento Heritage, following
the appointment of all new members of the Board of
Directors, will vote for three members to act as the
Executive Committee. These three members must have a
background in preservation, housing and financing.
The Executive Committee will:

- During the first quarter of the 1983 calendar
year prepare the following for presentation
to the Board of Directors and the Members
at the March Quarterly Report:

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identify programs, funding levels, and
funding sources;

identify quantitative goals and priorities;

outline special circumstances which allow
for the deviation from these priorities;

outline the manner in which projects are
to be assigned to Heritage.

Following the March 1983 Quarterly Report, the Executive
Committee will:

Begin to implement programs;

Begin recruitment of associate members;

Begin preparation of the 1984 Budget
to coincide with the budget cycle of the
Housing and Redevelopment Agency;

At the time of the 1984 Annual Report
(January) present the programs and budget
to the membership for adoption.

VOTE AND RECOMMENDATION OF SACRAMENTO HERITAGE BOARD:

At its special meeting of December 16, 1982 Sacramento Heritage
Directors adopted a motion recommending approval of the Sacra-
mento Heritage Reorganization Study. The votes were as follows:

AYES: Tobe, Petersen, Stevenson, McLean

ABSENT: Burnett Miller

POLICY IMPLICATION

The actions proposed in this Staff Report are not inconsistent
with the policies of the Sacramento Housing and Redevelopment
Agency.

City Council of the
City of Sacramento
January 17, 1983
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RECOMMENDATION

The staff recommends adoption of the attached resolution which approves the findings of the Sacramento Heritage, Inc. Reorganization Study and adopts the recommendations and action plan as described above.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Carol Branan

RESOLUTION NO. 83-193

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

March 15, 1983

APPROVED
BY THE CITY COUNCIL

MAR 15 1983

ACCEPTANCE OF THE SACRAMENTO HERITAGE, INC. OFFICE OF THE
REORGANIZATION STUDY AND ADOPTION OF THE STUDY RECOMMENDATIONS CITY CLERK

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
SACRAMENTO:

Section 1. The City Council acting as the membership of Sacramento Heritage, Inc. hereby approves the Sacramento Heritage, Inc. Reorganization Study and adopts the following recommendations:

With the adoption of this report, the City Council (acting as the membership of Sacramento Heritage) will put into motion the following:

- a. The Council will receive recommendations for and make five new appointments to the Board of Directors. (Presently the Housing and Redevelopment Commission position and the Housing Appeals Advisory Board position must be filled.) This would increase the Board of Directors from five members to nine members. Appointments should be made during the month of February.
- b. Request Heritage staff to amend the By-Laws to reflect organizational changes: membership open to associates; quarterly reports; and increase in Board of Directors from five to nine.

The Board of Directors of Sacramento Heritage, Inc. following the appointment of all new members of the Board of Directors, will vote for three members to act as the Executive Committee. These three members must have a background in preservation, housing and financing. The Executive Committee will:

- a. During the first quarter of 1983 calendar year prepare the following for presentation to the Board of Directors and the Members at the March Quarterly Report: identify programs, funding levels and funding sources; identify quantitative goals and priorities; outline special circumstances which allow for the

deviation from these priorities; and outline the manner in which project are to be assigned to Heritage.

Following the March 1983 Quarterly Report, the Executive Committee will:

- a. Begin implementation of programs;
- b. Begin recruitment of associate members;
- c. Begin preparation of the 1984 Budget to coincide with the budget cycle of the Housing and Redevelopment Agency; and
- d. At the time of the 1984 Annual Report (January) present the programs and budget to the membership for adoption.

MAYOR

ATTEST:

CLERK

EXHIBIT I

San Francisco Heritage, Inc.

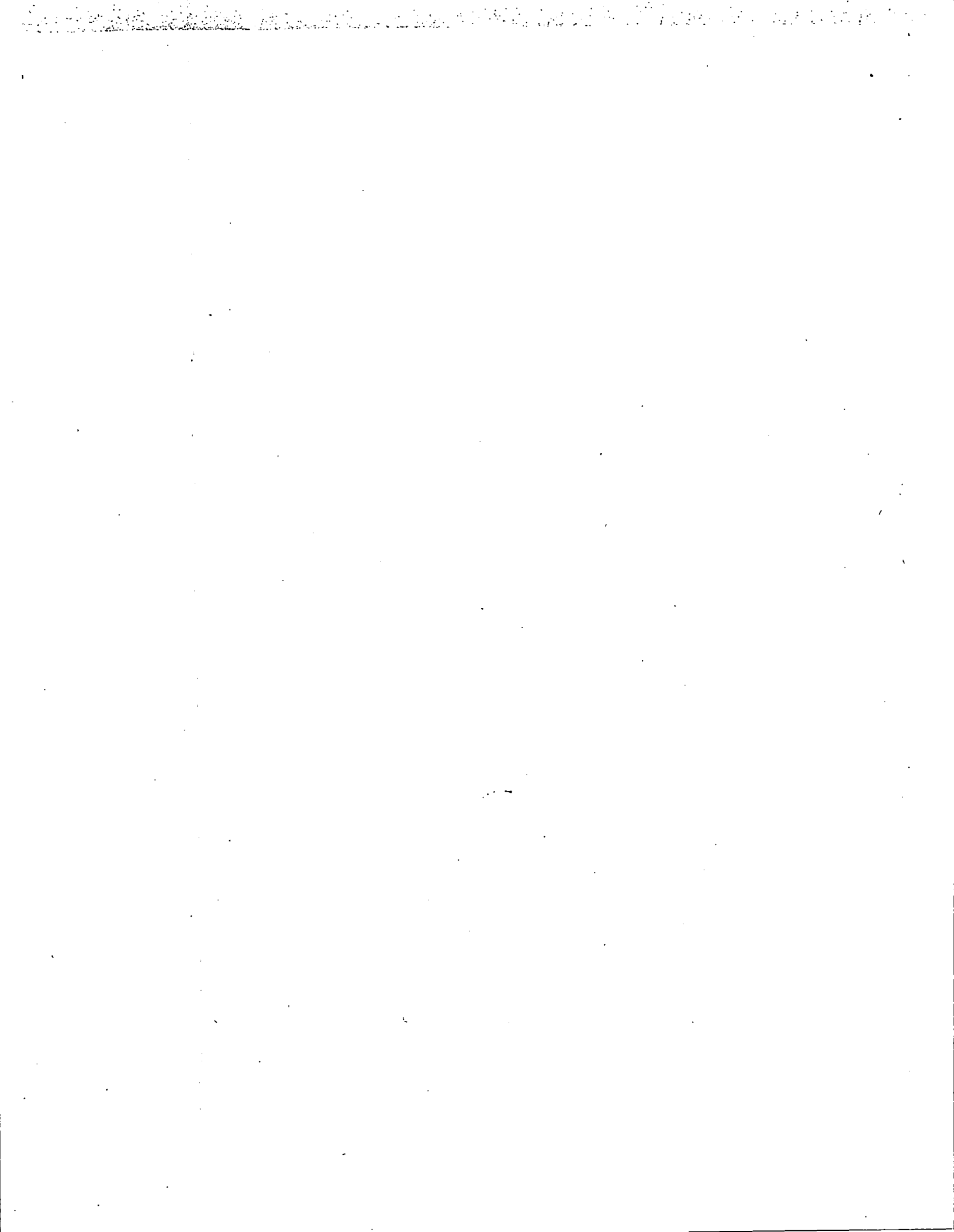
In the late 1970's San Francisco Heritage offered a program similar to Sacramento Heritage's. \$50,000 was put into a Revolving Fund for Capital Improvements. The purpose of the program was to acquire, rehab, and sell those historic structures which were threatened by demolition and which were not attractive to the private market. However, only one such structure was saved in this manner and San Francisco Heritage has now curtailed this program. Problems with the program were twofold: the \$50,000 fund was not adequate to finance such projects and the private investment market in San Francisco has purchased most structures threatened by demolition.

Now San Francisco Heritage has focused their resources on the Preservation Loan Program. The Preservation Loan Program is funded by a \$200,000 grant from CDBG and \$100,000 from Crocker Bank. The program offers low interest loans (6%) to low-moderate income homeowners of historic structures for the rehabilitation of the buildings. Approximately three loans are made per year and a total of twenty projects have been completed in the last four years. Heritage ranks this program as highly successful although they are at a point where they need more dollars to speed up the workload. Presently, they see a return of about \$12,000 per year.

Preservation Fund of North Carolina, Inc.

Organized in 1977, the Preservation Fund is a charitable, nonprofit organization which purchases endangered historic properties. In this respect PFNC is similar to Sacramento Heritage. However, PFNC operates in a much different manner than Heritage. PFNC exists solely to purchase and resell, with protective covenants, primarily rural and small town properties that have been bypassed by the conventional marketplace. PFNC includes corporate and foundation funds and state and federal funds. The technique used by PFNC is to option properties. In one month's time it controlled sales of nearly one million dollars worth of property based on a total investment of only \$70,000. Success has been exceptional however often they take a financial loss on each sale. They have experienced minor difficulties enforcing some of their protective covenants.

ARTICLES OF INCORPORATION



ARTICLES OF INCORPORATION

OF

SACRAMENTO HERITAGE, INC.

I

The name of this corporation shall be SACRAMENTO
HERITAGE, INC.

II

The purposes for which this corporation is formed are:

(a) The specific and primary purposes are for the acquisition, improvement, restoration, preservation, leasing and disposition of historically or architecturally significant real properties in the City of Sacramento, to provide housing primarily for low income persons and families (including elderly, handicapped or disabled persons) on a nonprofit basis, and to provide related facilities and services especially designed to meet the physical, social and psychological needs of said persons, families, elderly, handicapped or disabled which will contribute to their health, security, happiness and usefulness in longer living.

(b) The general purposes and powers are to have and exercise all rights and powers conferred on nonprofit corporations under the laws of California, including the power to contract, rent, buy or sell personal or real property, provided, however, that this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of this corporation.

(c) The corporation formed hereby is also authorized to enter into any and all agreements, including obtaining loans

and insurance for loans, with the United States Department of Housing and Urban Development and the State of California, and agencies thereof, to carry out the provisions of the United States Housing Act of 1937 and appropriate State statutes and any amendments thereto. Upon execution, the agreements shall be binding upon the corporation, its successors and assigns, so long as any loan under appropriate statutes is outstanding and for such further period of time as may be agreed to by the corporation.

(d) No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

III

~~This corporation is organized pursuant to the General~~
Nonprofit Corporation Law of the State of California. This corporation does not contemplate pecuniary gain or profit to the members thereof and it is organized for nonprofit purposes.

IV

The principal office for the transaction of the business of this corporation is located in the County of Sacramento, State of California.

V

The general management of the affairs of this corporation shall be under the control, supervision and direction of the board of directors. The names and addresses of persons who are to act in the capacity of directors until the selection of their successors are:

<u>Paula Boqhosian</u>	<u>5324 L Street</u>
	<u>Sacramento, California 95819</u>
<u>LeRoy Frith</u>	<u>5841 Newman Court</u>
	<u>Sacramento, California 95819</u>
<u>Archie G. Parker</u>	<u>1107 9th Street</u>
	<u>Sacramento, California 95814</u>

VI

The authorized number and qualifications of members of the corporation, the different classes of membership, if any, the property, voting and other rights and privileges of members and their liability to dues and assessments and the method of collection thereof, shall be as set forth in the bylaws.

VII

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private individual. Upon the dissolution or winding up of the corporation, its assets remaining after payment of, or provision for payment, of all debts and liabilities of this corporation, shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code. If this corporation holds any assets in trust, or a corporation is formed for charitable purposes, such assets shall be disposed of in such manner as may be directed by decree of the superior court of the county in which the corporation has its principal office, upon petition therefor by the Attorney General or by a person concerned

in the liquidation, in a proceeding to which the Attorney General
is a party.

IN WITNESS WHEREOF, the undersigned have executed these
Articles of Incorporation this 28th day of July, 1927.

Paul P. Hoffman
Arthur H. ...
John ...

SACRAMENTO HERITAGEBALANCE SHEET (Funds on hand December 8, 1982)Assets

Cash in Bank	\$ -228.49
Investments	25,087.65
Notes Receivable	4,054.26
Inventory for Resale	<u>51,193.20</u>

TOTAL	<u>\$80,106.62</u>
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Liabilities

Good Faith Deposits	\$ 5,350.00
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Expenditures

Salaries Payable	11,754.50
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Revenue

(Interest on Investments)	5,007.35
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BALANCE	<u><u>\$74,756.62</u></u>
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ESTIMATED OPERATING EXPENSES FOR 1983Direct Salaries

Program Analyst	\$ 4,500.48
Technical Assistant II	2,000.00

Fringe Benefits

33% of Salaries	2,145.16
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Central Support Services

Executive Director	\$ 3,654.00
Finance	203.00
Legal	3,794.00
Clerk	<u>1,593.00</u>

TOTAL	<u><u>\$17,889.64</u></u>
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