



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



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March 14, 1989

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Authorization to Contract with the Metropolitan
Chamber of Commerce for the Operation of the Greater
Sacramento Certified Development Corporation


SUMMARY

The attached report is submitted to you for review and
recommendation prior to consideration by the Redevelopment
Agency of the City of Sacramento.

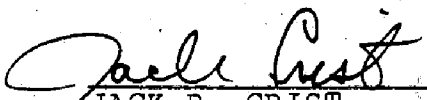
RECOMMENDATION

The staff recommends approval of the attached resolution
approving the contract.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

TRANSMITTAL TO COMMITTEE:


JACK R. CRIST
Deputy City Manager

Attachment

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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EVALUATION

Agency staff is extremely pleased with the services provided under this contract. Throughout the last year (actually September 1987 - December 1988), the CDC has packaged 34 loans, an increase of six loans over 1987. In the commercial revitalization target areas, 18 loans were packaged for target area businesses. Of these loans, 14 were submitted for Sacramento Housing and Redevelopment Agency funding; one was a SBA 504 loan and three were SBA 7a loans. Of the SBA 7a loans packaged, one was declined by lender due to the business' poor credit rating. All other loan packages have been approved.

The contractor is authorized by the Small Business Administration to participate in the SBA 504 and 502 loan programs in a four county area. The counties include El Dorado, Sacramento, Placer and Yolo, with Sacramento County being the contractor's most active area.

Outside the Agency target areas, from September 1, 1987 through October 31, 1988, the CDC prepared 16 loan packages. Of these loans, 12 were submitted as SBA 504 or 502 loans, one was an SBA 7A loan, two loans were prepared for State programs and the last loan utilized a conventional lender's loan program. (One of the 504 loans packaged by the contractor was declined by the contractor's loan committee due to policy reasons.)

A major goal of the CDC over the last year has been to offset Agency funding support with fees generated from its SBA loan packaging activity. As a result, a greater percentage of the contractor's time has been spent with non target area businesses. The time allocation is shown below:

Target Area Businesses	27%
Non Target Area Businesses	43%
Reporting, Meetings and Administrative	23%
Vacation and Sick Leave	7%
Total	<u>100%</u>

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As the CDC's loan portfolio ages, the contractor is devoting a greater amount of time in servicing activities and in report writing. To enable loan production to continue at its historical pace, the contractor last May requested that funds be reallocated to hiring a part time Business Development Officer. This request was approved by the Agency and this individual has been working with the contractor since June 1988.

According to the CDC Director, it has been very worthwhile to have the Business Development Officer. His activities have freed the Director to spend more time servicing and closing loans and marketing.

The number of loans packaged by the CDC this year exceeds the highest number of loans ever packaged by the Agency. However, it will be difficult to increase the number of loans in target areas further for a number of ongoing reasons: 1) A number of potential loan applicants in CDBG funded areas drop out when borrowers find that the cost savings from the subsidized interest rates often are offset by increased costs associated with Davis-Bacon wage rates; 2) There is a lack of interest on the part of existing property owners to function as "pioneers" in reinvestment in some of our more troubled commercial areas; 3) There is a large number of marginal business operators and under-capitalized individuals involved with high risk business start-ups who are either located on or interested in locating on our commercial target strips; and, 4) The number of businesses eligible has decreased, with a reduction of the Downtown target area from a 43 block area to a 19 block area and the close-out of the Del Paso Boulevard commercial revitalization program. The lack of awareness or lack of marketing our loan program is not a problem.

Proposed Work Program

In order to realistically reflect achievable goals for the upcoming contract year, the targeted loan packages have been shifted between the various loan programs and will consist of 27 loans throughout the twelve month contract period. This will include 15 SHRA Direct and/or SBA 7A or conventional loans in Agency target areas, plus 12 SBA 502/504 loans. These goals have been revised somewhat from the Plan of Work written in November 1988 (see Attachment 4).

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Agency and CDC staff feel that these revised goals can be achieved, as it appears that the longevity of Agency involvement in our target areas may be one of the real keys in gradually convincing property owners to reinvest in our target areas. In addition, some key catalyst projects are underway in some of our target areas which will hopefully stimulate increased loan activity throughout the target areas.

A problem that is expected to increase over the next year is a growing requirement for loan servicing as the portfolio ages. The Director proposes reducing the time involved by streamlining the loan closing process by obtaining legal services from an attorney experienced with the SBA process. Obtaining these services will not result in additional expenses for the Agency.

FINANCIAL DATA

During the coming contract year, the total operating budget of the CDC is estimated at \$107,000, based on a twelve month extension. Although the Agency's initial commitment to the Sacramento Metropolitan Chamber of Commerce was to totally fund the CDC operation for three years with \$300,000, it was proposed last year that the funding be split between the Agency and the CDC. This proposal was approved by the Chamber. Since approximately \$225,000 in Agency funds have been used through 1988, the remainder could extend the loan packaging benefits derived for a fifth year, with no increased Agency costs above the originally approved \$300,000 figure. The CDC funds will be generated from fees associated with packaging and servicing 502/504 loans. The Agency portion will be derived from tax increment and CDBG funds.

The actual amount required per funding source is based on a pro-rata formula given the number of target areas. The amount required per funding source is \$19,500 from Downtown tax increment funds, \$4,167 from Oak Park tax increment funds, \$12,500 from City CDBG, \$12,500 from County CDBG, \$4,167 from Alkali Flat tax increment funds, and \$4,166 from Del Paso Heights tax increment funds.

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These allocations were all approved in the 1989 Agency budget, except for a contribution from Downtown tax increment funds. Therefore, it is recommended that the 1989 Budget be amended to transfer \$19,500 from Downtown Development Assistance funds (6300/4888/A00882) to Economic Development administration (2460/4222/A00200). Only \$6,000 of Downtown tax increment funds have been used in the past for the CDC.

MBE/WBE

No impact.

ENVIRONMENTAL REVIEW

Under Section 15378(b)(C) of the CEQA regulations continuing administrative activities are "not a project" by definition and are exempt from CEQA requirements.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 6, 1989, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Moose, Sheldon, Simpson, Strong, Yew, Wiggins

NOES: None

ABSENT: Simon, Wooley

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

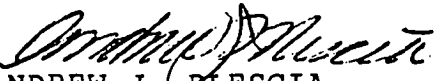
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RECOMMENDATION

Staff recommends adoption of the attached resolution which: 1) Authorizes the Acting Executive Director to enter into a contract with the Sacramento Metropolitan Chamber of Commerce to operate the Greater Sacramento Certified Development Corporation through December 31, 1989 and 2) Amends the Agency 1989 budget by transferring an amount not to exceed \$19,500 in Downtown Developer Assistant funds (6300/4888/A00882) to pay a pro-rata share of the costs of these services.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

AJP/CS:jann

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Cynthia Shallit/
Thomas V. Lee
440-1318

4193J

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RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

CONTRACT WITH THE
SACRAMENTO METROPOLITAN CHAMBER OF COMMERCE
REGARDING THE GREATER SACRAMENTO
CERTIFIED DEVELOPMENT CORPORATION

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

Section 1: In accordance with the staff report filed with this resolution, the Acting Executive Director is authorized to execute a contract with the Sacramento Metropolitan Chamber of Commerce to provide services commencing January 1, 1989 and terminating on December 31, 1989 for the operation of the Greater Sacramento Certified Development Corporation. The maximum compensation thereunder shall not exceed \$57,000.

Section 2: The 1989 Agency budget is hereby amended to transfer \$19,500 in Downtown tax increment funds 6300/4888/A00882) to 2460/4222/A00200 for the operation of the Certified Development Corporation.

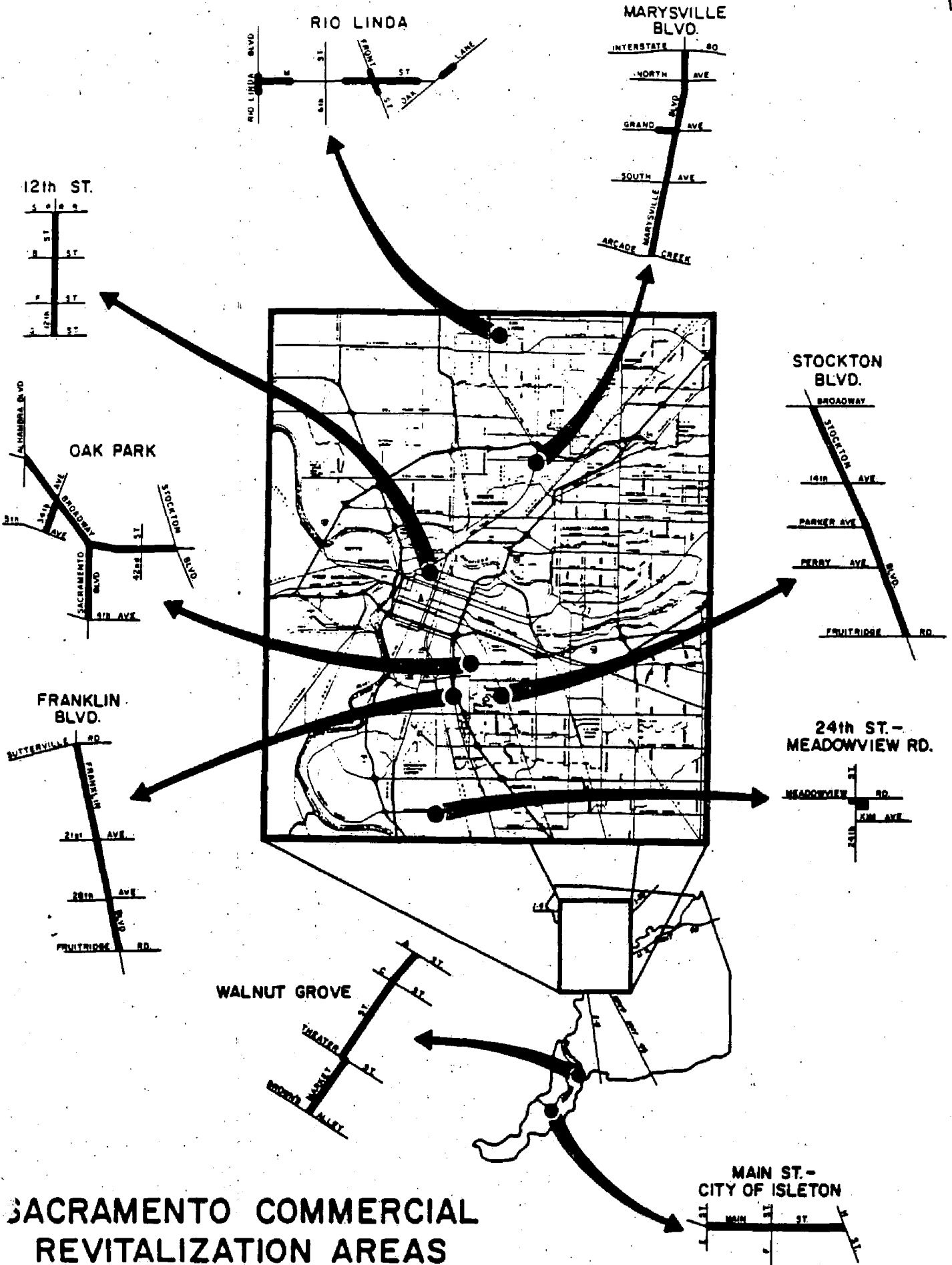
CHAIR

ATTEST:

ASSISTANT SECRETARY

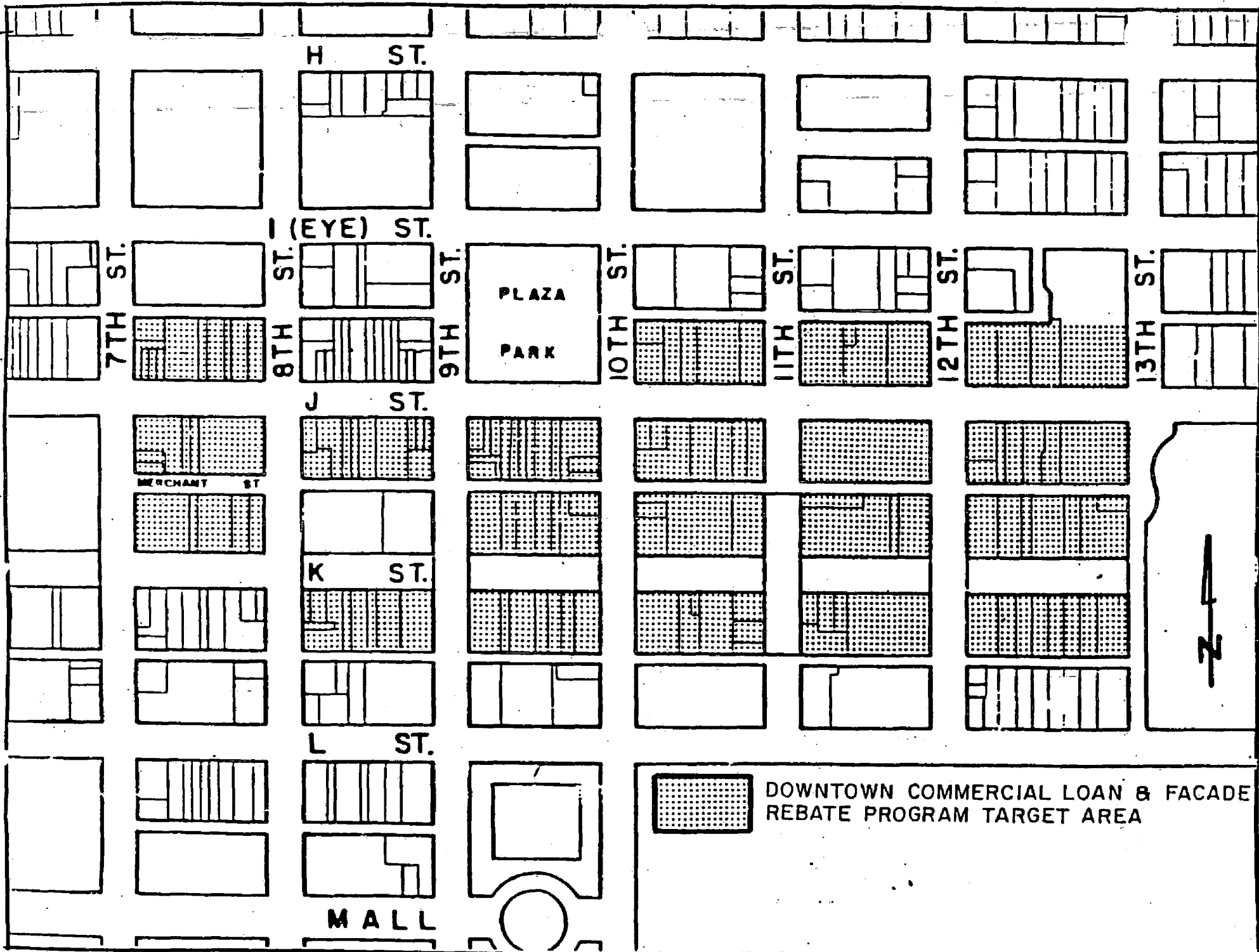
1100WPP2(265)

CS:jann
02/23/89



SACRAMENTO COMMERCIAL REVITALIZATION AREAS

NOTE: FOR FURTHER CLARIFICATION, DETAILED MAPS CAN BE



COMMUNITY DEVELOPMENT SERVICES CONTRACT

SUMMARY AND ANALYSIS OF PROGRESS
9/1/87 thru 10/31/88

NOVEMBER 30, 1988

Prepared by:

**Philip L. Brown
Sacramento Metropolitan
Chamber of Commerce
917 7th Street
Sacramento, CA 95814**

(916) 967-3714

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 - (A) Loans in Commercial Revitalization Areas
 - (B) Loans in Non Target Areas
 - (C) Other Contractor Activities
- III. Allocation of Contractor's Time
- IV. Budget
- V. Summary and Conclusions

LIST OF EXHIBITS

- Exhibit A - Summary of Loans Packaged 9/87 thru 10/88 Versus Projected Loans
- Exhibit B - Status of Loans Packaged by Contractor as of 11/30/88
- Exhibit C - Table Comparing Loans Packaged During Contractor's Last Three Fiscal Years
- Exhibit D - Time Allocation Summary 9/1/87 thru 10/30/88

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I. INTRODUCTION

On July 22, 1985 the Sacramento Housing and Redevelopment Agency (contractee) and the Sacramento Metropolitan Chamber of Commerce (contractor) entered into a contract wherein the contractor agreed to provide certain services to help develop and promote the "commercial revitalization of designated commercial revitalization target areas and redevelopment project areas in the city and county of Sacramento." A commitment for funding the operation was made for a three year period. It was anticipated that total funding would not exceed \$300,000.

Prior to the contract being funded for its third year, contractee and contractor agreed that third year compensation for services would be limited to 1/2 of operating expenses and that the contract period would be extended to 12/31/88. Subject to satisfactory performance and availability of funds, contractee and contractor also reached an understanding that this contract for services would be extended for an additional 12 months beyond 12/31/88.

This report reviews the work performed from 9/30/87 thru 10/31/88 and compares actual results with the "Plan of Work" submitted to the contractee 7/31/87.

A proposed "Plan of Work" for the period 1/1/89 thru 12/31/89 is being submitted in conjunction with this progress report.

II. WORK PLAN COMPONENTS

A) Loans in Commercial Revitalization Areas

During the contract period being reviewed in this report, contractor worked in the following target areas: Downtown, Stockton Blvd., Del Paso Blvd., Marysville Blvd., 12th St., Franklin Blvd., Oak Park, Rio Linda, Walnut Grove and Isleton. On 12/31/87 commercial loan activities along Del Paso Blvd. and 12th St. were closed out pursuant to the Redevelopment Agency's overall planning goals.

Oak Park, Stockton Blvd. and Downtown were the most active lending areas. No loans were packaged in Walnut Grove and Rio Linda.

From 9/1/87 thru 10/31/88 contractor prepared 18 loan packages for target area businessmen. Of these loans 14 were submitted for Redevelopment Agency funding, one was an SBA 504 loan and three were SBA 7A loans. One of the three SBA 7A loans packaged was declined by lender due to business's poor credit rating. All other loan packages have been approved.

In the Plan of Work contractor established a goal of 20 loans to be packaged during a 14 month period. The 18 loans actually packaged by contractor are only two packages short of this target.

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B) Loans in Non Target Areas

The contractor is authorized by the Small Business Administration to participate in the SBA 504 and 502 loan programs in a four county area. The counties include: El Dorado, Sacramento, Placer and Yolo with Sacramento county being the contractor's most active area.

From 9/1/87 thru 10/31/88 contractor prepared 16 loan packages in non target areas. Of these loans 12 were submitted as SBA 504 or 502 loans, one was an SBA 7A loan, two loans were prepared for State programs and the last loan utilized a conventional lender's loan program. One of the 504 loans packaged by contractor was declined by the contractor's loan committee due to policy reasons. One of the 504 loans and one of the State's loan packages are still pending a lender decision. All other loans packaged have been approved.

In the Plan of Work contractor projected 17 loans would be packaged during the 14 month period being reviewed. Sixteen loans were actually packaged which is only one loan less than projected.

C) Other Contractor Activities

During the contract period contractor has continued to coordinate its activities closely with Redevelopment Agency staff, target area coordinators and other groups involved in economic development activities. Contractor has also maintained close relationships with the lending community and works closely with the Small Business Administration and the State's Department of Commerce.

III. ALLOCATION OF CONTRACTOR'S TIME

Contractor's time during the reporting period was concentrated as follows:

Target Area Businesses	27%
Non Target Area Businesses	43%
Reporting, Meetings and Administrative	23%
Vacation & Sick Leave	<u>7%</u>
Total	100%

Time devoted to writing reports, meetings and administrative activities also includes the time it took contractor to be trained in the use of a Macintosh computer. Macintosh computer training accounts for almost half of the time reported under this category.

As the contractor's loan portfolio ages, contractor is devoting a greater amount of time in servicing activities and in report writing. To enable loan production to continue at its historical pace, contractor last May requested that the contractee allow funds be reallocated to enable hiring a part time

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Business Development Officer. This request was approved by contractee and this individual has been working with the contractor since June 1988.

IV. BUDGET

At current levels of expenditures, contractor's actual cost of operations will be at or near budget.

V. SUMMARY AND CONCLUSIONS

Contractor has achieved the loan targets established in the Plan of Work. Businesses in target areas are receiving assistance in obtaining financing. Overall loan activities continue to improve and loan volume is increasing each successive year of operations.

The contractor enjoys a close working relationship with the Redevelopment Agency, the U.S. Small Business Administration, the State's Department of Commerce and most area banks.

EXHIBIT A

SUMMARY OF LOANS PACKAGED
9/87 THRU 10/88 VERSUS PACKAGES PROJECTED

	<u>Loans Actually Packaged</u>	<u>Packages Projected in Plan of Work</u>	<u>Difference</u>
<u>Target Areas</u>			
SHRA Loans	14		
504/502 Loans	1		
7A Loans	3		
Other	-		
Subtotal	<u>18</u>	<u>20</u>	<u>(2)</u>
<u>Non Target Areas</u>			
504/502 Loans	12		
7A Loans	1		
Other	3		
Subtotal	<u>16</u>	<u>17</u>	<u>(1)</u>
Grand Total	<u>34</u>	<u>37</u>	<u>(3)</u>

Notes:

1. The above summary of packaged loans does not include interim financing instruments or private sector "match" loans.
2. Of the loans packaged: one 7A loan in a target area was declined because of poor credit, one 504 loan in a non target area was declined by contractor loan committee for policy reasons and one 504 loan with a companion State CDBG loan request are still pending lender decisions. All other loans packaged by contractor have been approved.

EXHIBIT B

STATUS OF LOANS PACKAGED BY CDC

As Of November 29, 1988

Financing Tools - Equity, Grants, Permanent Loans

Small Business/ Borrower	Projects		Equity	504		502		7A		DCLP	CRLP	SHRA Grants		Private Sector		Other	Total	Interim Financing					
	Cost	#		#	#	#	#	#	#			#	#	#	#								
1. Pending Lender Decision	\$3,082,000	1	\$1,500,000	\$482,000	1	0	0	0	0	0	0	0	\$700,000	1	\$400,000	1	\$3,082,000	3	\$1,182,000	1			
2. Approved Fully Disbursed	\$12,397,029	42	\$1,717,709	\$2,232,760	9	\$862,500	2	\$1,189,100	7	\$1,556,138	21	\$82,000	3	\$143,752	18	\$4,222,070	15	\$391,000	4	\$12,397,029	79	\$6,354,930	12
3. Approved Not Fully Disbursed	\$9,152,179	21	\$1,297,789	\$2,256,940	10	\$750,000	1	\$48,000	1	\$366,200	9	\$12,000	1	\$137,800	9	\$3,933,450	10	\$350,000	1	\$9,152,179	41	\$5,695,390	9
4. Approved but Withdrawn	\$476,800	4	\$74,000		0	0	0	\$373,400	4	0	0	\$21,400	3	0	\$8,000	1	\$476,800	8		0		0	
5. Withdrawn Prior to Lender Decision	\$741,400	3	\$53,580	\$214,320	1	0	\$132,100	1	0	0	0	\$341,400	2	0	0	\$741,400	4		0		0		
6. Declined	\$1,205,600	3	\$103,350	\$411,400	2	0	\$116,300	1	0	\$12,300	1	\$7,500	1	\$534,750	3	\$20,000	1	\$1,205,600	9	\$446,000	1		
Approved Not Fully Disbursed	\$110,000	1	\$13,000		0	0	0	\$57,000	1	0	\$15,000	1	0	\$25,000	1	\$110,000	2		0		0		
Grand Total	\$27,165,008	75	\$4,759,428	\$5,597,420	23	\$1,612,500	3	\$1,485,500	10	\$2,352,738	35	\$106,300	5	\$325,452	32	\$9,731,670	31	\$1,194,000	9	\$27,165,008	146	\$13,678,320	23

EXHIBIT C
COMPARATIVE ANALYSIS OF CONTRACTOR ACTIVITIES
LOANS PACKAGED AND APPROVED (000')

	Projects		SHRA	SBA	Bank	Other	Equity
FYE 9/30/86	Cost	Number	Financing	Loans	Financing	Financing	
Target Areas	1,960.8	16	855.4	140.5	647.0	46.0	271.9
Non Target Areas	1,155.0	1	NA	432.0	593.0	NA	130.0
Subtotal	3,115.8	17.0	855.4	572.5	1,240.0	46.0	401.9
FYE 9/30/87							
Target Areas	2,961.8	14	1,195.9	396.0	333.0	288.0	748.9
Non Target Areas	5,535.4	10	NA	2,105.4	2,869.8	NA	560.2
Subtotal	8,497.2	24	1,195.9	2,501.4	3,202.8	288.0	1,309.2
FYE 9/30/88							
Target Areas	1,853.6	14	568.0	773.9	409.2	NA	102.6
Non Target Areas	8,476.5	11	NA	3,491.5	3,303.5	415.0	1,266.4
Subtotal	10,330.1	25	568.0	4,265.4	3,712.7	415.0	1,369.0
Grand Total	21,943.1	66	2,619.2	7,339.3	8,155.5	749.0	3,080.0

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 16
 44

**EXHIBIT D
TIME ALLOCATION SUMMARY
9/1/87 THRU 10/30/88**

	Hours	%
Target Areas		
Client Development/Follow-up	248.0	9.9%
Loan Packaging	202.0	8.1%
Loan Closing/Servicing	209.0	8.4%
Promotion	15.0	0.6%
Subtotal	674.0	27.0%
Non Target Areas		
Client Development/Follow-up	226.0	9.1%
Loan Packaging	440.0	17.7%
Loan Closing/Servicing	344.5	13.8%
Promotion	51.5	2.1%
Subtotal	1,062.0	42.6%
Other Activities		
Reports	100.5	4.0%
Chamber, Board and Loan Committee Meetings	191.0	7.7%
Other	276.0	11.1%
Subtotal	567.5	22.8%
Vacation	136.0	5.5%
Sick	53.0	2.1%
Grand Total	2,492.5	100.0%

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**PLAN OF WORK TO PROVIDE
COMMUNITY DEVELOPMENT SERVICES
1/1/89 thru 12/31/89**

NOVEMBER 30, 1988

Prepared by:

**Philip L. Brown
Sacramento Metropolitan
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Exhibit A - Budget for Period 1/1/89 thru 12/31/89

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I. INTRODUCTION

This Plan of Work sets forth contractor's objectives, loan packaging goals and budget requirements for the 12 month period beginning January 1, 1989 and ending December 31, 1989. In this Plan of Work it is assumed that the contractor will continue working with and being partially funded by the contractee.

II. OBJECTIVES

Contractor objectives will remain unchanged from those specified in its initial Plan of Work submitted October 31, 1985. These objectives were as follows:

- (A) Commercial revitalization target area businesses are provided access to management information and counseling and are routinely provided technical assistance when applying for loans.
- (B) Revenue received for services provided by contractor are sufficient to cover operating expenses and overhead.

III. LOAN PACKAGING GOALS

- (A) Loans in Commercial Revitalization Areas: Consistent with last year's targets and historical demand for loans from businesses in these areas, contractor has set a goal for next year of 20 loan packages. These loans will include SHRA direct loans, SBA loans and conventional loans.
- (B) 502/504 Loan Program: 502 and 504 loan package goals are based on existing loan inquiries and on historical activity. Approximately twelve 502/504 loans are projected.

IV. BUDGET REQUIREMENTS 1/1/89 thru 12/31/89

Contractor estimates next year's operating budget will be approximately \$108,000 which includes a contingency reserve of \$6,000 but does not include commissions paid to the half-time Business Development Officer. See attached Exhibit A for budget details. Proposed sources for financing the budget follow:

- (A) Approximately \$12,000 from SHRA to pay Business Development Officer's base salary. (This individual will also receive commissions from other contractor sources of income

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based on a percentage of revenue received on 502/504 loans packaged.)

- (B) Approximately \$48,000 from SHRA towards payment of contractor operating expenses and overhead.
- (C) Approximately \$48,000 from contractor's other income sources.

Contractor proposes that SHRA make its payments monthly on a cost reimbursement basis in an amount equal to the Business Development Officer's base monthly salary of \$1,000 plus 50% of contractor's other monthly overhead and operating expenses. The proposed method of payment is unchanged from that method currently in use between contractor and contractee.

Since inception of the Community Development Services Contract between Sacramento Metropolitan Chamber of Commerce and the Sacramento Housing and Redevelopment Agency, approximately \$225,600 will have been disbursed under the contract as of 12/31/88. The current funding request of \$60,000 for the period 1/1/89 thru 12/31/89 will bring total funding up to approximately \$285,600.

V. REPORTING AND MONITORING

Contractor shall continue to provide monthly reports to contractee on activities being performed. Next year's reporting format will be unchanged from that format used last year.

