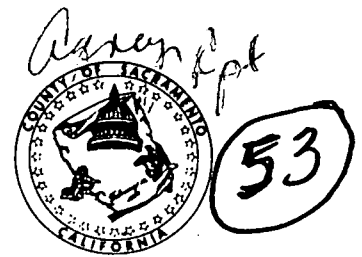




**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



CITY MANAGER'S OFFICE
RECEIVED
MAY 23 1984
By the City Council
Office of the City Clerk

MEMORANDUM

TO: Sacramento City Council

FROM: William H. Edgar, Executive Director

SUBJECT: Status Report on Downtown Residential Hotel
Demonstration Project

MAY 29 1984

Pursuant to the directions in your resolution of February 7, 1984, a Request for Proposals (RFP) was issued for initiation of the Downtown Residential Hotel Demonstration project on March 22, 1984. The RFP was sent to all hotel owners and others who had expressed interest in the program. Notices were also placed in local newspapers. The established deadline for submittals was 4:00 P.M., April 19, 1984.

Five responses were received. Three involved requests for rehabilitation loans (Sequoia, Californian, Clunie); two were offers to sell (Berry, Sequoia). A screening committee reviewed these responses to determine their acceptability for further consideration based on the completeness of the submitted materials. Each proposal was compared with the informational item requirements listed in the RFP.

Of the five responses, only one was a complete and detailed proposal which was deemed to be consistent with the RFP guidelines. This was a request by Mr. Daniels C. Logue for a rehabilitation loan for the Sequoia Hotel for which he holds an option to purchase. The remaining four were rather nebulous expressions of interest.

Mr. Logue's proposal involves a thorough rehabilitation of the Sequoia to substantially upgrade both its exterior and the interior portions. Operations and management would be in accord with the Regulatory Agreement conditions set forth in the RFP.

The estimated rehabilitation costs in the response is approximately \$1.3 million. Mr. Logue is requesting a \$300,000 deferred payment loan from Sacramento Housing and Redevelopment Agency, assistance in obtaining a deferred payment loan from the State Department of Housing and Community Development, and assistance in making the structure eligible for historic tax credit.

5-29-84
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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

53

Sacramento City Council

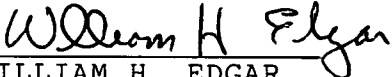
Page Two

In the judgment of the Selection Committee, Mr. Logue's proposal contains a reasonable basis for the demonstration, subject to modifications and conditions to be arrived at through negotiation. Staff has begun the process.

The committee also recommended that letters be sent to the four applicants with incomplete responses, informing them that their proposals cannot be considered further.

Recommendation

This item is for your information only. No action is necessary at this time.


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE
City Manager

cc: Sacramento Housing and Redevelopment Commission
Sacramento Heritage, Inc.



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



23

May 15, 1984

Sacramento Housing and
Redevelopment Commission
Sacramento, California

Honorable Members in Session:

SUBJECT: Status Report on the Downtown Residential Hotel
(SRO) Project

SUMMARY

This is a status report on the Downtown Residential Hotel (SRO) Project. The Request for Proposals (RFP) for the Downtown Residential Hotel Project was issued to the public on March 22, 1984. Five responses were received by the Redevelopment Agency from interested owners and developers. However, according to the Consultant Selection Policy of the Agency, only one of the proposals met both the RFP requirements for submittal and was submitted prior to the RFP deadline. The Screening Committee recommends that the SRO proposal submitted by Daniels C. Logue for the Sequoia Hotel be selected for further negotiations. The Screening Committee consisted of representatives of Sacramento Housing and Redevelopment Commission, Sacramento Heritage and Sacramento Housing and Redevelopment Agency staff.

BACKGROUND

The Redevelopment Agency released a RFP on March 22, 1984 for a demonstration SRO project. The established deadline for submittals was 4:00 p.m., April 19, 1984.

Specific information was required as a part of the submittal for the demonstration project:

(1)

53

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento Housing and
Redevelopment Commission
May 15, 1984
Page Two

Option 1: Request for Rehabilitation Assistance

Please respond by submitting five (5) copies of the following:

1. Standard Hotel Description Form.
2. A letter expressing interest in applying for a rehabilitation loan.
3. Evidence of ownership or other legally binding interest in the property (e.g.: an option to purchase). Applications which involve acquisition of a hotel should include a copy of an agreement or option between the seller of the property and sponsor which specifies all terms of the sales transaction.
4. A general description of the proposed improvements, preliminary estimates of costs and pro-forma analysis.
5. A general plan for management of the hotel.
6. A list of existing liens or loans on or secured by the property.
7. Existing and proposed rent levels.
8. The amount of loan funds requested.
9. An indication of any temporary or permanent displacement and relocation of current residents which may be necessary.
10. Source of additional funds if necessary to the completion of the project.

Option 2: Offer to Sell

Please respond by submitting five (5) copies of the following:

1. Standard Hotel Description Form.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento Housing and
Redevelopment Commission
May 15, 1984
Page Three

2. A letter expressing an interest in selling and including asking price, proposed terms of sale and identification of the individual with authority to negotiate on behalf of the owner. The letter must be signed by the owner or person with authority to respond on behalf of the owner.
3. If submitted by a person other than the owner, include evidence of authority to respond (such as listing agreement, if a realtor).
4. Evidence of ownership.

Five proposals were received, some after the required filing date. These five proposals are attached as Exhibit I for your review. One proposal met all the requirements and deadline date required by the RFP. That proposal was submitted by Mr. Daniels C. Logue for the Sequoia Hotel for which he holds an option for purchase. Mr. Logue submitted a detailed application which is available for review in the Clerk's Office.

FINANCIAL DATA

Based upon the financial strength of the syndication which Mr. Logue has put together, the estimated cost of the project will be \$2,200,000. In his proposal, Mr. Logue estimates that he will need the assistance of \$300,000 from the Redevelopment Agency and \$200,000 from the State of California. Mr. Logue's estimate of annual income from the building is \$150,000. Further details on the finances of the project are attached as Exhibit II. All of these figures are estimates and it is likely that during the course of negotiations figures will change. For instance, Mr. Logue's final project costs may be less based upon a lower level of rehabilitation that is initially proposed. In addition, it is possible that the State grant funds may be larger than \$200,000. It should be noted that the application deadline for the State grant is June 8, 1984. However, it appears that the proposed financial data is adequate to implement the project, and there is flexibility to allow for changes to the financial structure.

POLICY IMPLICATIONS

The action proposed in this staff report is consistent with previously approved policy and there are no policy changes being recommended.

53


SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento Housing and
Redevelopment Commission
May 15, 1984
Page Four

RECOMMENDATION

This item is for your information only. The Screening Committee and Sacramento Housing and Redevelopment Agency staff recommend that the proposal submitted by Mr. Daniels Logue for the Sequoia Hotel be selected for further negotiations.

Respectfully submitted,


for WILLIAM H. EDGAR
Executive Director

SEQUOIA HOTEL INVESTORS

1001 Sixth Street
Sacramento, CA 95814
19161 441-3201

April 19, 1984

Mr. William H. Edgar
Executive Director
Sacramento Housing and
Redevelopment Agency
630 I Street
Sacramento, California 95814

Dear Mr. Edgar:

On behalf of the SEQUOIA HOTEL INVESTORS I am pleased to submit this proposal to rehabilitate and operate a residential hotel in downtown Sacramento. This proposal is based on the Agency's Request for Proposal - Residential Hotel Demonstration Project.

We are responding in accordance with Option #1, "Applying for a Low-Interest Rehabilitation Loan." As the Pro-Forma will clearly indicate, this project would not be considered to be very profitable to investors by normal industry standards. However, the INVESTORS as members of the local community, are willing to enter into this project and become a part of the Agency's efforts in revitalizing the downtown area.

We have assembled a first-rate team that has all the capabilities required to make the SEQUOIA HOTEL a long-term success. We look forward to the opportunity of working with the SHRA and the Sacramento Heritage, Inc., in taking this first step in establishing this much-needed program.

Sincerely,



Daniels C. Logue
General Partner

da

53

HOTEL DESCRIPTION

Name of Hotel HOTEL SEQUOIA
Address 909-911 K STREET MALL
Current Owner KISHORE SHARMA RAMANURI & THAKUR BHAI
Current Lessee _____

Number of residential floors 4
Number of rooms APPROX 89
 With Private Bath APPROX 30
 Without Private Bath 59
Number of rooms for permanent residents AS AVAILABLE
Number of rooms for transient use AS AVAILABLE

Rents

With bath \$ 140 /Month APPROX
Without bath \$ 100/120 /Month

Number of shared baths 4

Elevator

Yes No

Lobby

Yes No

Ground floor commercial space

- Square footage WILL HAVE TO CHECK
- Number of uses WILL HAVE TO CHECK

Type of heating system STEAM

Type of cooling system _____

(OFFERING TO SELL TO CITY!
But we are listed with Real Estate for the time being)

SACRAMENTO HOUSING
AND REDEVELOPMENT
APR 19 4 07 PM '84

Shirone
444.2412

April 19, 1984

Mr. John E. Molloy
Chief of Planning/Policy Unit
Mr. Lester Smith
Associate Planner
Sacramento Housing & Redevelopment Agency
630 - I Street
Sacramento, CA 95814

RE: RFP for Residential Hotels

Dear John and Lester,

We would like to officially respond to your RFP for the acquisition and rehabilitation of residential hotel property in downtown Sacramento.

As of yesterday, Wednesday, April 18, we had a very positive meeting with Al Selix. He has given us complete authorization to inspect the Californian Hotel, and we will present him with a purchase offer the first part of next week.


We are most anxious to proceed under your program and would most definitely like to be considered as an applicant. We will be providing you with:

- (a) A standard hotel description form after we inspect the property;
- (b) Evidence of ownership upon successful negotiation of a purchase agreement;
- (c) A description of proposed improvements;
- (d) A standard management plan which we use in other similar hotels;
- (e) The owners stated to us that there are no liens or loans on the property;
- (f) We will inform you of the amount of funds requested after a thorough inspection of the property;
- (g) We expect no permanent displacement and will inform you of any necessary temporary relocation during the rehabilitation.

Our intent is to form a partnership with a local non-profit group and we are meeting next week with DASH to discuss this approach. We will provide you with our experience in syndication and management.

Thank you very much.

Sincerely,


Stephen B. Parliament
Vice-President

mt

cc: John K. Stewart
Gail Madsen

Berry Hotel

53

your quality budget hotel downtown "where pride is involved"

4/19/84

S.H.R.A.
Sacramento, Calif.

We are considering selling our property - The Berry Hotel -
and would be receptive to discussing the matter with you.

Upon completion of the initial process, we can commence
negotiations on terms and asking price.

Hopes to hear from you soon!

Sincerely
Abdur-R-Khan

13
53

HOTEL DESCRIPTION

Name of Hotel BERRY HOTEL

Address 729 'L' St

Current Owner ADUR KIAN

Current Lessee N/A

Number of residential floors 5

Number of rooms 114 + Pent House

With Private Bath 104

Without Private Bath 10

Number of rooms for permanent residents 89

Number of rooms for transient use 25

Rents

With bath \$ 155.00 /Month

Without bath \$ /Month *Not available by month*

Number of shared baths 10

Elevator

Yes No

Lobby

Yes No

Ground floor commercial space

- Square footage APPROX - 5,000 sq. ft.

- Number of uses Restaurant - Vending machines

Type of heating system Steam

Type of cooling system Swamp Coolers

M.H.M.

53

April 18, 1984

Mr. Lester Smith
Sacramento Housing and
Redevelopment Agency
P. O. Box 1834
Sacramento, CA 95809

APR 19 1984

Dear Mr. Smith:

Re: Clunie Hotel

In reference to our telephone conversation and a meeting that Mr. Ricci and I had with Mr. Tim Sullivan, we would like to present to you the formal request to obtain a loan for rehabilitation of the Clunie Hotel located at 805 "K" Street, Sacramento..

In general, our goals are to rehabilitate this 185 room hotel into residential uses. As of this date, we have no specific use in mind as to the number of rooms that will be used for monthly tenancy and the number of rooms that will be used for transient, however, we will work in conjunction with your desires and the need of downtown Sacramento.

The following is a break down of the number of rooms with bath and shower facilities and without:

	<u>2nd Floor</u>	<u>3rd Floor</u>	<u>4th Floor</u>	<u>Total</u>
Number of Rooms	59	63	63	185
Rooms with Bath, Shower	26	28	28	82
Storage Rooms	3	3	3	9
Common Bath & Shower	5	5	5	15

We would like to request a loan adequate to refurbish this hotel in accordance with your plans. As to the issue of the expertise in management, construction background and financial stability, we will provide you with

M.H.M.

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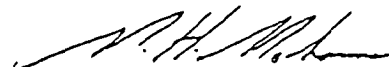
April 18, 1984

Mr. Lester Smith
Page 2

references upon request. We will comply with all your regulatory agreement stated in your proposal.

We sincerely like to participate with you in the growth of downtown Sacramento, and unfortunately, our financing failed with Central Bank since we purchased the property, and we hope to be able to obtain financing soon to complete the rehabilitation for the hotel and operate with excellent management.

Sincerely yours,



M. H. Mohanna

MHM:s1

53

HOTEL DESCRIPTION

Name of Hotel CLUNIE

Address 805 "K" STREET

Current Owner CLUNIE PARTNERSHIP, 811 "J" STREET, SACRAMENTO, CA 95814.

Current Lessee N/A

Number of residential floors 3

Number of rooms 185

With Private Bath 82

Without Private Bath 103

Number of rooms for permanent residents 185

Number of rooms for transient use 0

Rents

With bath \$180.00 /Month

Without bath \$140.00 /Month

Number of shared baths 15 plus 2 bath in the lobby

Elevator

Yes X No

Lobby

Yes X No

Ground floor commercial space

- Square footage Approximately 15,000 sq. ft.

- Number of uses Bakery, Optometrist, Hair Shop, Computer Shop, Dress Shop, Shoe Store, Cookie Shop, Record Shop, General Nutrition, Jewlery Store, Clunie Coffee Shop (vacant)

Type of heating system Boiler and Radiators in Rooms

Type of cooling system None

53

BREAKDOWN OF CONSTRUCTION ESTIMATE

1.	Demo	10,000
2.	Structural	190,000
3.	HYAC	225,000
4.	Electrical	160,000
5.	Plumbing	120,000
6.	Roofing	35,000
7.	Doors, Door Frames	30,000
8.	Hardware	10,000
9.	Windows/Glass & Glazing	24,000
10.	Fire Sprinkler System	20,000
11.	Plaster & Ext. Painting	25,000
12.	Finish Flooring	60,000
13.	Dry Wall & Ceiling	35,000
14.	Carpentry	70,000
15.	Tile	35,000
16.	Elevator	15,000
17.	Rooms & Lobby Furniture	66,000
18.	Security System	30,000
19.	Direct Supervision	48,000
20.	Overhead	72,000
21.	Contingency	80,000
	TOTAL	<u>\$1,360,000</u>

53

G. PROPOSED RENTAL STRUCTURE AND PRO-FORMAS FOR OPERATION

The SEQUOIA will provide eighty (80) private bedroom residences, twenty (20) of which will include private bathrooms. Bathroom facilities for the other sixty (60) residences will be provided as common facilities, with standard accommodations for privacy.

The initial rental structure is proposed as follows:

Private room, with bath	\$225/month
Private room, without bath	\$200/month

These rates will be subject to increase based on an acceptable Cost of Living Index which is a matter to be addressed in the Regulatory Agreement.

A Pro-forma for the project is provided on the following pages.

53

SOURCE, AND USE OF FUNDS

Sequoia Hotel Investors	\$ 960,000
Sacramento Housing and Redevelopment Agency @ 3% . . .	300,000
State Three Percent (3%) Deferred Payment Loan.	200,000
Conventional Loan @ 14%	740,000
TOTAL AVAILABLE FUNDS \$2,200,000	

BREAKDOWN OF USE OF FUNDS

1) Purchase price of hotel	650,000
2) Construction Cost	1,360,000
3) Closing costs	5,000
4) Architecture and engineering costs	45,000
5) Points on Conventional Loan	23,000
6) Interest during construction	52,000
7) Legal and accounting fees	15,000
8) Tax and insurance	10,000
9) Contingency (Partnership)	40,000
TOTAL	2,200,000

53

PROJECT RENTAL INCOME

RESIDENTIAL:

No. of Rooms:	Type	Rent/Month	Annual Rent
20	With Bath	\$225	\$ 54,000
60	Without Bath	\$200	\$144,000
		GROSS TOTAL	\$198,000/Year
		Assuming 10% Vacancy Factor	<\$19,800/Yr>
		Operating Expenses/Year	<\$89,000/Yr>
		NET ANNUAL INCOME FROM RESIDENTIAL	\$89,200/Yr

COMMERCIAL:

Basement:	22 x 105 x 0.40/sq. ft	=	\$924/mo.
First Floor:	26 x 160 x 1.0/sq. ft	=	\$4,160/mo.
	NET ANNUAL INCOME FROM COMMERCIAL		<u>\$61,000</u>
	TOTAL ANNUAL INCOME FROM BUILDING		\$150,200

53

PAYMENT ON LOANS

1) \$750,000 @ 14% for 30 years	\$105,000/Yr
2) \$500,000 @ 3% for 20 years	<u>27,000/Yr</u>
TOTAL	\$132,000/Yr
Positive Cash Flow: \$150,200 - \$132,000 =	\$18,200/Yr

53

J. AMOUNT OF PUBLIC FUNDS NECESSARY TO SUPPORT THE OPERATION.

As indicated on the Pro-Forma provided in Section G, the INVESTORS would plan to utilize public funds as follows:

\$300,000	Rehabilitation Loan from the SHRA
\$200,000	Deferred Payment Loan from the State

If additional low-interest loan monies can be secured, which would reduce the cost of the conventional loan required, then it is expected that the rental rates charged to the tenants could also be reduced. We look forward to exploring this possibility with the SHRA, and will certainly appreciate any assistance that can be provided to that end.