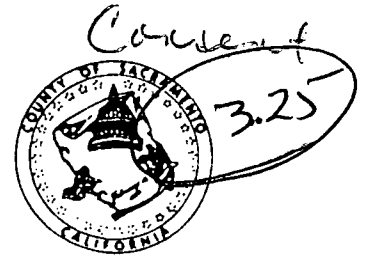


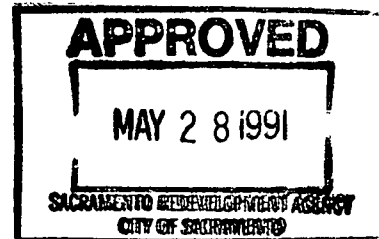


**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



May 28, 1991

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California



Honorable Members in Session

**SUBJECT:** Predevelopment Loan in the amount of \$200,000 for Village Park Apartments

**SUMMARY**

The staff recommends adoption of the attached Resolution approving \$200,000 in 1989 Certificates of Participation (COP) funding financed from Downtown Tax Increment funds for a Predevelopment Loan to Village Park, a nonprofit rental housing project located on Norwood Avenue in Del Paso Heights. This project is being developed by Rural California Housing Corporation (RCHC). The loan will be repaid out of take-out financing upon completion of construction, or at the end of five years, whichever comes first.

**BACKGROUND**

Village Park is a 50-unit housing development comprised of 47 townhouses and three one-story apartments for the handicapped located on Norwood Avenue in Del Paso Heights (Map, Exhibit "A"). The development is intended for families of all ages, with two, three and four bedroom units and significant common areas in the interior space. The development will be affordable to low and very low income households. A Rental Housing Construction Program (RHCP) commitment from the Department of Housing and Community Development (HCD) for \$1,862,000 has been obtained and a preliminary tax credit allocation has been received. Net proceeds from the sale of 1991 federal and state tax credits are estimated to be \$2,967,102. RCHC will be contributing equity in the amount of \$409,253; with a private lender or Savings Association Mortgage Company, Inc., (SAMCO) providing a permanent loan of \$571,000, for a total cost of \$5,809,355. However, in the interim, RCHC is requesting predevelopment funding to cover those costs necessary to obtain construction and permanent loans; to pay the Tax Credit Allocation Committee (TCAC) fee and to complete final plans and specifications

5-28-91

D-2

MAILING ADDRESS: P.O. Box 1834, Sacramento, CA 95812-1834  
OFFICE LOCATION: 488 I Street, Sacramento, CA 95814 (916) 440-1350

(1)

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
Page 2

in order to be able to start construction November 1, 1991.

## FINANCIAL DATA

A total of \$20.2 million in 1989 COP and 1990 Tax Allocation Bond issue funds have been set aside for housing assistance as approved by the Council in November 1990. (See Attachment "C.") Of these funds, \$400,000 was reserved for Nonprofit Assistance. If approved, the \$200,000 commitment to RCHC for the development of Village Park Apartments will be the second project funded through the revolving loan fund program, which specifically targets assistance to nonprofit-owned projects. (The first project, the Dixieanne Project, is being developed by the Mutual Housing Association.) The Predevelopment Loan for Village Park will deplete the available Predevelopment Loan funds.

The Predevelopment Loan will be secured by a Deed of Trust against the property subordinate to the HCD construction loan and will be utilized for the following:

Architectural/Engineering Services	\$ 108,387
Phase I Environmental Report	5,000
Appraisal (initial)	7,500
TCAC Preliminary Reservation Fees	42,613
City of Sacramento Permit Fees	<u>36,500</u>

**Total: \$ 200,000**

The current value of the property is \$391,151,000 per the appraisal completed for the City of Sacramento in October, 1989. The property currently has a Deed of Trust owing of \$120,600 to the State Department of Housing and Community Development Urban Land Purchase Program.

The Predevelopment Loan will be in the form of a zero percent (0%) interest rate loan, secured by the property. Repayment of the Predevelopment Loan will be upon the receipt of permanent take-out financing or in five (5) years, whichever comes first. Staff is recommending that payback of the Predevelopment Loan be targeted and committed specifically for developer assistance to nonprofits for the development of affordable housing. A project proforma is attached as Exhibit "B."

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
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## ENVIRONMENTAL REVIEW

The proposed action is exempt from environmental review per CEQA Guidelines, Section 15267. The residential project will be subject to CEQA when approvals are granted by the City. NEPA does not apply.

## MBE/WBE

The appropriate MBE/WBE language will be inserted into any contracts entered into by RCHC in constructing the project.

## POLICY IMPLICATIONS

The Predevelopment Loan recommended in this report is consistent with current policy. If approved, the Predevelopment Loan to Village Park will be the second loan funded, the first loan being the Dixieanne project which is being developed by the Sacramento Mutual Housing Association. The providing of predevelopment funds for nonprofits is consistent with program goals in the Housing Assistance Plan, Program and Financing Strategy, the Three-Year Housing Action Strategy and 1991-1995 Five Year Capital Improvement Plan Goals.

Inclusion of a stipulation that predevelopment loan funds repaid by RCHC to the Agency be targeted and committed specifically for use for developer assistance to nonprofits for the development of affordable housing, will expedite projects by providing a ready source of funds which can be utilized to fund predevelopment or other costs of future projects by nonprofit entities.

## VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of May 15, 1991, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

**AYES:** Amundson, Cespedes, Diepenbrock, Moose, Simon, Williams,  
Wooley, Strong  
**NOES:** None  
**ABSENT:** Pernell, Simpson, Yew

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

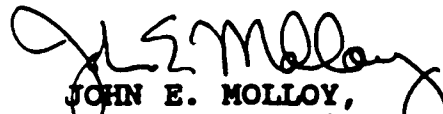
Redevelopment Agency of the  
City of Sacramento  
Page 4

## RECOMMENDATION

Staff recommends adoption of the attached resolution by the Redevelopment Agency of the City of Sacramento which:

- 1) Commits up to \$200,000 in 1989 Certificates of Participation (COP) funding to RCHC for a Predevelopment Loan for the development of the Village Park Apartments;
- 2) Authorizes the acting Executive Director to approve a loan up to \$200,000, with no interest, to be repaid by RCHC to the Agency upon the receipt of permanent take-out financing for the project or five (5) years, whichever comes first; and to execute all documents necessary; and
- 3) Stipulates that all sums received by the Redevelopment Agency of the City of Sacramento in repayment of the predevelopment loan shall be reserved for developer assistance to nonprofits for development of affordable housing.

Respectfully Submitted,



JOHN E. MOLLOY,  
Acting Executive Director

**TRANSMITTAL TO COUNCIL:**

May 28, 1991  
D-2

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WALTER J. SLIPE, City Manager

Contact Person: Thomas V. Lee, 440-1357

JM\LKS\ckl

A:\Preloan.VPA

**RESOLUTION NO. 91-038**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_



**PREDEVELOPMENT LOAN IN THE AMOUNT OF \$200,000  
FOR VILLAGE PARK APARTMENTS AND  
ESTABLISHMENT OF REDEVELOPMENT LOAN FUND**

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

Section 1: The sum of up to \$200,000 in 1989 Certificates of Participation (COP) funding is committed to Rural California Housing Corporation for a Predevelopment Loan for the development of the Village Park Apartments, in accordance with the terms set forth in the staff report for this Resolution.

Section 2: The Executive Director is authorized to approve the predevelopment loan to RCHC in an amount up to \$200,000, with no interest, to be repaid to the Redevelopment Agency of the City of Sacramento upon the receipt of permanent take-out financing for the project or five years from the date of the loan, whichever comes first.

Section 3: All sums received by the Redevelopment Agency of the City of Sacramento in repayment of the Predevelopment Loan shall be reserved for assistance to non-profit developers, in the form of predevelopment loans for development of affordable housing.

Section 4: The Redevelopment Agency finds that the utilization of Merged Downtown Redevelopment Project Area Tax Increment funds for the production of the Village Park Apartment Project will be of benefit to the merged Downtown Redevelopment Project area.

\_\_\_\_\_  
CHAIR

ATTEST:

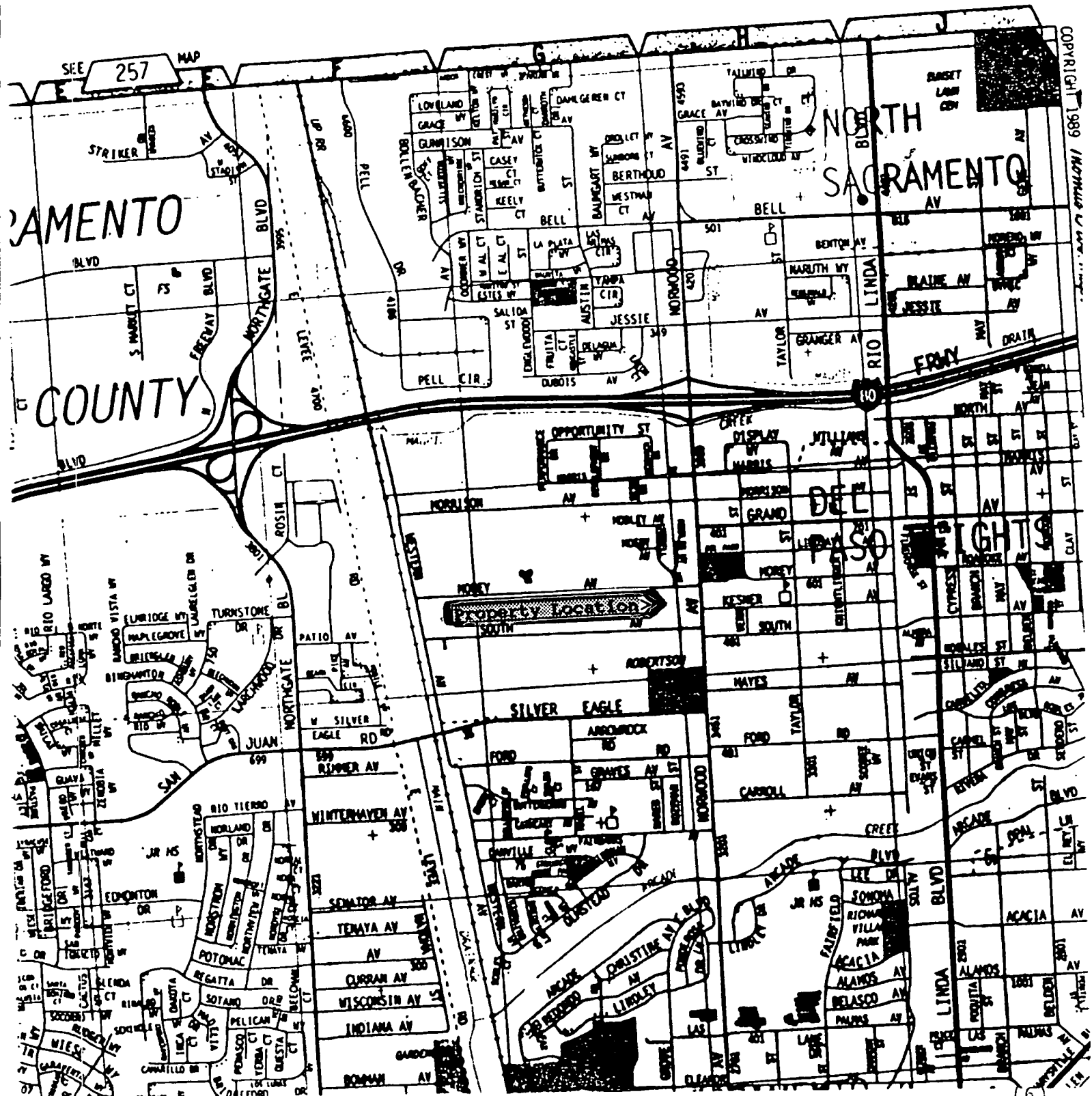
\_\_\_\_\_  
ASSISTANT SECRETARY

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

EXHIBIT "A"



VILLAGE PARK APARTMENTS  
 350 MOREY AVENUE  
 SACRAMENTO, CA 95838  
 SACRAMENTO COUNTY

INCOME SUMMARY

UNIT MIX	V.L.I.	NET	L.I.	NET	MONTHLY INCOME	ANNUAL INCOME
2-BR	11	\$245	5	\$4,820	\$57,840	
3-BR	13	260	7	475	\$6,705	\$80,460
4-BR	10	285	4	525	\$6,950	\$59,600
-----						
Total Units:	34		16		\$16,475	\$197,700
-----						
						\$0

30 YEAR INCOME AND EXPENSE PROJECTIONS

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Gross Income (3% ROI)	\$197,700	\$203,631	\$209,740	\$216,032	\$222,513	\$229,188	\$236,064	\$243,146	\$250,440	\$257,954	\$265,692	\$273,663	\$281,873	\$290,329	\$299,039
Vacancy %	(5.931)	(6.109)	(6.292)	(6.481)	(6.675)	(6.876)	(7.082)	(7.294)	(7.513)	(7.739)	(7.971)	(8.210)	(8.456)	(8.710)	(8.971)
Effective Gross Incom	\$191,769	\$197,522	\$203,448	\$209,551	\$215,838	\$222,313	\$228,982	\$235,852	\$242,927	\$250,215	\$257,722	\$265,453	\$273,417	\$281,619	\$290,068
Expenses (4% ROI)	(110,180)	(114,587)	(119,171)	(123,938)	(128,895)	(134,051)	(139,413)	(144,989)	(150,789)	(156,820)	(163,093)	(169,617)	(176,402)	(183,458)	(190,796)
Reserves	(23,634)	(24,279)	(24,398)	(24,520)	(24,646)	(24,775)	(24,909)	(25,046)	(25,188)	(25,331)	(25,483)	(25,638)	(25,797)	(25,961)	(26,130)
Net Operating Income	\$7,955	\$8,655	\$9,879	\$11,094	\$12,297	\$13,487	\$14,661	\$15,816	\$16,951	\$18,061	\$19,145	\$20,198	\$21,218	\$22,200	\$23,141
Debt Service	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689	\$2,689
Debt Service CP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	\$5,266	\$5,966	\$7,190	\$8,405	\$9,608	\$10,798	\$11,972	\$13,127	\$14,262	\$15,372	\$16,456	\$17,509	\$18,529	\$19,511	\$20,452

**INCOME AND EXPENSE ANALYSIS**

<b>INCOME</b>	
Rent Income - apte	\$197,700
Vacancies 3%	5,931
	-----
<b>EFFECTIVE GROSS INCOME</b>	<b>191,769</b>

<b>OPERATING EXPENSES:</b>	
SPONSOR OVERHEAD	6,000
MANAGEMENT FEE	13,500

<b>ADMINISTRATION</b>	
Renting Expense	1,200
Audit	2,100
Legal	1,200
Misc. Administrative Exp.	500
	-----
<b>TOTAL ADMINISTRATION</b>	<b>5,000</b>

<b>SALARIES &amp; BENEFITS</b>	
On-site manager	16,675
Assistant Manager	6,555
	-----
<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>23,230</b>

<b>MAINTENANCE</b>	
Supplies	3,600
Elevator Maintenance	0
Pest Control	600
Other Service Contracts	900
Grounds Contract	9,000
Painting & Decorating (Interior)	1,500
Other:	0
	-----
<b>TOTAL MAINTENANCE</b>	<b>\$15,600</b>

<b>UTILITIES</b>	
Trash Removal	4000
Electricity	6000
Water & Sewer	18000
Gas	0
	-----
<b>TOTAL UTILITIES</b>	<b>28000</b>

<b>PROPERTY &amp; LIABILITY INSURANCE</b>	<b>9,000</b>
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<b>TAXES</b>	
Real Estate Taxes	12500
Business License	250
	-----
<b>TOTAL TAXES</b>	<b>12750</b>

<b>OTHER EXPENSES</b>	<b>0</b>
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<b>TOTAL OPERATING EXPENSES</b>	<b>\$110,180</b>
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<b>RESERVES</b>	
Replacement Reserves	\$20,329
Operating Reserves	\$3,305
	-----
<b>TOTAL RESERVES</b>	<b>\$23,634</b>

<b>NET OPERATING INCOME</b>	<b>\$57,955</b>
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VILLAGE PARK  
Construction Loan Budget

Land Cost \$ 391,151

New Construction

Unit construction	\$2,869,226	
On-site improvements/landscaping	458,894	
Off-site improvements	238,000	
Construction Contingency	332,812	
 Subtotal	 	3,989,933

Architectural/Engineering

Design	135,000	
Supervision	45,000	
Engineering	17,000	
Survey	5,000	
Soils Report		
 Subtotal	 	202,000

Construction Interest and Fees

Construction interest:		
\$4,930,000 75% @ 11.5% 10 mo.,		
60% out, 25% @ 3%, 10 mo.,		
60% out	231,100	
 Origination fee: 1.5%	 73,950	
Taxes (real estate)	2,400	
Insurance	10,000	
Title/Recording	8,500	
Environmental Phase I Report	5,000	
Appraisal	7,500	
Real estate attorney fees	5,000	
Local Permit Fees	261,909	
 Subtotal	 	605,359

Other Fees/Expenses

Rent-up/marketing	10,000	
Tax Credit Allocation Committee (TCAC) Reservation	42,613	
Development Consultant	15,000	
Permanent Financing - Loan origination fee (1 + 1.25%) (571,000)	12,850	
 Subtotal	 	80,463

**Other Costs**

Funded operating reserve	57,700
Debt service/vacancy reserve	26,250
Relocation (vacant house moved)	7,500
Syndication costs (legal, tax, opinion, consultant	65,000
Developer Fees including overhead	383,995

Subtotal	540,449
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Total Construction Budget	\$5,809,355
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VILLAGE PARK  
SOURCES AND USES OF FUNDS

Construction Financing

Security Pacific National Bank 75% development costs *11.5% interest, 10 mo. 60% out	\$3,697,500
State of California, Rental Housing Const- ruction Program (RHCP) 25% total development costs 3% interest	1,502,602
Sacramento Housing & Redevelopment Agency	200,000
*Cost reductions if SPNB interest rate @ 6% with 1% origination fee: \$126,000	
Rural California Housing Corporation Equity to provide other Development and Costs of Obtaining Private Financing	\$ 409,253
Total Construction Financing	<u>\$5,809,355</u>

Permanent Financing

State of California Rental Housing Construction Program (committed) 3% deferred payment interest and principal, 55 years	\$1,862,000
California Tax Credit Allocation Committee TCAC) 1991 Federal and State Tax Credits Net Syndication Proceeds (TCAC Allocation Preliminary Approval)	2,967,102
Private Permanent Loan	571,000
Rural California Housing Corporation Equity Funds	409,253
Total Permanent Financing	<u>\$5,809,355</u>

POTENTIAL USES OF 1990 TAB & 1989 COP HOUSING COMPONENT

	<u>TAXABLE</u>	<u>TAX-EXEMPT</u>	<u>TOTAL</u>	<u>APPROVED FOR ALLOC BY GOVERNING BOARD</u>
<u>DOWNTOWN PROJECTS:</u> (All projects funded thru Tax Allocation Bonds, except \$2,324,520 which is funded by 1990 COPS)				
Downtown Housing Strategy				
Projects:	\$2,756,670 (1)	\$ 600,000	\$3,356,670	2
Southside Acquisition & Rehab:	\$2,100,000	\$	\$2,100,000	YES
Residential Hotels:	\$4,500,000	\$1,400,000	\$5,900,000	YES 3
	\$	\$1,100,000	\$1,100,000	
Housing Strategy (Preparation):	\$	\$ 100,000	\$ 100,000	YES
Riverview Plaza - Loan Pay-Off Fund:	\$	\$2,500,000	\$ 2,500,000	
SUBTOTAL - DOWNTOWN	\$9,356,670	\$5,700,000	\$15,056,670	
<u>OTHER PROJECTS:</u> (Funded by 1990 COP Funds)				
Local Leverage Funding:	\$ 600,000	\$	\$ 600,000	YES 4
HUD Opt-outs:	\$ 400,000	\$	\$ 400,000	5
Boarded & Vacant Properties:	\$ 400,000	\$	\$ 400,000	YES 6
Agency Housing Site Acquisition:	\$	\$1,400,000	\$1,400,000	
Transitional Housing:	\$	\$ 500,000	\$ 500,000	7
Home Loan Counseling:	\$	\$ 40,000	\$ 40,000	8
Non-profit Assistance:	\$ 275,480	\$ 148,687	\$ 424,162	YES 9
Inebriate Facility:	\$	\$1,449,163	\$1,449,163	
SUBTOTAL-OTHER PROJECTS	\$1,675,480	\$3,537,850	\$5,213,330 (20%)	
<b>GRAND TOTAL</b>	<b>\$11,032,150</b>	<b>\$9,237,850</b>	<b>\$20,270,000</b>	

Revised 5-06-91

- 
- 1 An additional \$414,000 in previously budgeted funding is available for site acquisition in the Northeast neighborhood.
  - 2 NE neighborhood site acquisition to be approved May 28th by City Council, approximate amount \$700,000. Allocation of balance of funds expected July 2nd - will include NOFA plus RFP for development of 17th & K Sts.
  - 3 \$2,000,000 (taxable funds) allocated to Rehab NOFA - to be released around June 1st.  
\$1,800,000 (taxable bonds) allocated to new construction NOFA - to be released June 13th.  
\$300,000 (taxable bonds) allocated to SHASTA.  
\$400,000 (taxable) allocated for developer assistance - NOFA to be released May 3rd.  
\$1,400,000 (tax exempt) yet to be allocated to acquire a site and begin developing the site for a new Agency owned SRO - City Council action expected July.
  - 4 NOFA to be released 5/3/91.
  - 5 To be approved by City Council on 5/28/91.
  - 6 \$200,000 allocated to Family Housing Demonstration. The other \$200,000 is as yet unallocated and will be targeted to improve a boarded and vacant multi family site.
  - 7 To be allocated 5/28/91, to enter into an option to buy a site.
  - 8 To be allocated in June/July 1991.
  - 9 \$200,000 already committed to the Mutual. (Of this allocation, \$148,687 will likely be tax exempt and \$51,313 taxable). Another \$200,000 (taxable bonds) to be committed to Village Park Apartments - 5/28/91.