



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

March 2, 1982

Lorraine Magana, City Clerk
915 I Street
Sacramento, CA 94814

SUBJECT: Agenda Item #26
a. Amendment to Guidelines for CDBG Business
Rehabilitation Loans
b. Agreement with Crocker National Bank

Dear Lorraine:

This will confirm that the above matter presently scheduled for March 2, 1983 will be withdrawn to be reset in approximately sixty (60) days. This will allow staff to prepare an economic development strategy for implementation of this proposal.

Please contact me if you have any questions.

Sincerely,

WHE

WILLIAM H. EDGAR
Interim Executive Director

WHE/JR/drn

RECEIVED
CITY CLERK'S OFFICE
CITY OF SACRAMENTO
MAR 3 4 25 PM '82



CITY OF SACRAMENTO

26

CITY PLANNING DEPARTMENT
927 TENTH STREET
SUITE 300

SACRAMENTO, CA 95814
TELEPHONE (916) 449-5604

MARTY VAN DUYN
PLANNING DIRECTOR

February 19, 1982

FILED
By the City Council
Office of the City Clerk
Withdrawn

MAR 2 1 82

City Council
Sacramento, California

Honorable Members in Session:

- SUBJECT:
- 1) Amendment of Guidelines for CDBG Business Rehabilitation Loan Program
 - 2) Agreement with Crocker National Bank

SUMMARY

This report regards proposed amendments to the Guidelines for the City's CDBG Business Rehabilitation Loan Program, and the agreement with Crocker National Bank.

The staff recommends that the City Council: 1) Approve the amendments to the Business Rehabilitation Loan Program, and 2) Adopt the attached resolution authorizing the City Manager to execute the agreement with Crocker National Bank.

BACKGROUND INFORMATION

Amendment to Business Rehabilitation Program Guidelines - On February 16, 1982, the Budget and Finance Committee requested the program be amended to allow staff review of proposals for funding in order to ensure projects are consistent with the Guidelines.

Therefore, staff proposes the following two additions to the guidelines:

- A. The following section should be added under "Program mechanism" to read as follows:

"3. Eligibility for assistance under this program is restricted to those applicants deemed by staff as not likely to make proposed improvements without the interest subsidy."

- B. "Loan Application/Review" procedures, Section 6, which states "... the following may be considered in the evaluation of loan applications: "Should be amended to add:
- "f. The likelihood that the applicant could or could not proceed with the project without the interest subsidized loan."

The amended Business Rehabilitation Loan Program Guidelines are attached as Exhibit I for your consideration.

Agreement With Crocker National Bank - On July 7, 1981, the City Council approved the Guidelines and \$50,000 from CDBG funds for an interest-subsidy form of Business Rehabilitation Loan Program. Proposals were received from five prospective lenders and on October 27, 1981, the City Council authorized the staff to negotiate an agreement with Crocker National Bank.

Specific features of the proposed agreement with Crocker are as follows:

1. "Loan Program Funds" totaling \$50,000 will be deposited with Crocker in an interest-bearing account, to be used for the "up front" interest-subsidy; that is, interest paid at the time the loan is made, discounted over the term of the loan;
2. Crocker Bank will make \$255,000 available for lending for the purposes of Business Rehabilitation in the target areas, a better than 5:1 leverage ratio;
3. Interest charged will be six percentage points below what Crocker normally charges for Business Rehabilitation Loans. The agreement places an effective maximum of 14% on program loans;
4. Loan amounts can range from \$5,000 to \$50,000 with up to 15-year payback period; and
5. First year target areas include Franklin Boulevard in the City Farms neighborhood and 12th Street in Alkali Flat. These neighborhoods were selected by the City Council because they have completed improvement plans.

The Business Rehabilitation Loan Program agreement is attached as Exhibit II.

FINANCIAL DATA

The 1981/82 CDBG Application allocated \$50,000 for the Business Rehabilitation Loan Program. Crocker has allocated \$255,000 for loans to be made to businesses in the target areas.

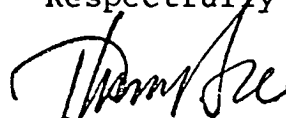
No additional funding is requested at this time.

RECOMMENDATION

Staff recommends that the City Council:

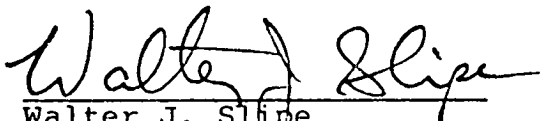
1. Approve the proposed amendments to the Business Rehabilitation Loan Program Guidelines; and
2. Adopt the attached resolution authorizing the City Manager to execute an agreement with Crocker National Bank to make loans under the Community Development Block Grant Business Rehabilitation Loan Program.

Respectfully submitted,



Thomas V. Lee
Senior Planner

Recommendation Approved:



Walter J. Slipe
City Manager

TL:VT:lo
attachment

March 2, 1982
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE AN AGREEMENT WITH CROCKER
NATIONAL BANK TO MAKE LOANS FOR THE CDBG
BUSINESS REHABILITATION LOAN PROGRAM

BE IT RESOLVED BY THE CITY OF SACRAMENTO:

Section 1

That the City Manager is hereby authorized to execute an agreement with Crocker National Bank to make loans under the Business Rehabilitation Loan Program for which the City of Sacramento has received federal funds pursuant to the Community Development Block Grant Program under Title 1 of the Housing and Community Development Act of 1974.

MAYOR

ATTEST:

CITY CLERK

CITY OF SACRAMENTO
COMMERCIAL REHABILITATION LOAN PROGRAM

Program Objectives

1. Encourage rehabilitation and business improvements within the City's CDBG target and redevelopment areas.
2. Obtain the maximum private investment and economic activity from the public funds made available, at least 4:1 leverage.
3. Target a sufficient number of loans into a single area to make a noticeable improvement in overall appearance and economic vitality.
4. Support the overall goals of Community Development Block Grant Program through removal of conditions of blight and blighting influences from the target areas.

Program Mechanism

The City's business rehabilitation loans will be made by a participating lending institution. The interest paid on loans to eligible businesses will be reduced by subsidy payments from the CDBG business rehabilitation loan fund.

The block grant funds allocated to this program will be deposited in an interest bearing account with the lender. As businesses borrow money from the lender under the program, a dollar amount (usually discounted to present value over the term of the loan) is withdrawn from the interest bearing account. These "payments" serve as an "up-front" loan subsidy and reduce the interest rate paid by the borrower. If the loan is repaid early, a prorated amount is re-deposited in the Block Grant interest bearing account.

The interest rate to be charged will be determined at the time the loan is made and will vary depending on the market interest rates at that time, and would be approximately six percent below market. The term of the loan may be variable depending on the needs and requirements of the borrower and the lender.

1. Normal qualifying requirements will apply to all loans made under this program and normal security requirements will apply to the total amount of the loan. Loan guarantees are not a part of the program.
2. The project must be ready to go and not be speculative in nature. Owner-tenant cooperation shall be furnished in the form of signed letters of intent or leases.
3. Eligibility for assistance under this program is restricted to those applicants deemed by Agency as not likely to make proposed improvements without the interest subsidy.

Outreach and Advertising

Advertising and promotion will be targeted within a specific commercial neighborhood to support the objectives of this program.

1. Brochures and other program information will be distributed through the selected area's Redevelopment Project Area Committee (PAC), and other neighborhood based organizations.
2. Business and property owners within the targeted area will be notified through advertising or direct mail.
3. City/Agency representatives will meet with merchants, property owners and community organizations for the purpose of explaining the program.
4. Newspaper articles will be placed in local newspapers including those of general circulation as well as minority newspapers. These articles may be either news releases or advertisements.

Loan Application/Review

1. Agency staff insures that the applicant meets the requirements of the program as far as location within the targeted area and the intent of the program.
2. Lender assists applicants as needed in completion of application form.
3. Applicants prepare (or have prepared) estimates of rehabilitation costs and itemize work to be done. The participating lender will judge the reasonableness of the estimate and insure that the work proposed is within the guidelines for eligible activities.
4. Financial qualifications of the prospective borrower will be determined solely by the lender which will assume all risk, duties and responsibilities with respect to the bank loan. No loan guarantee is provided by the City.
5. The participating lending institution will be expected to insure that work proposed is, in fact, accomplished and may control disbursements in any way appropriate to insure this end. The City/Agency reserve the right to check periodically on work progress.
6. In addition, the following may be considered in the evaluation of loan applications:
 - a. Degree to which the project meets or exceeds the required (1:4) leverage ratio.

- b. Past history, experience and record of applicant.
- c. Applicant's equity investment committed to the project.
- d. Degree of readiness to proceed, merit of project and economic viability.
- e. Owner-tenant cooperation as evidenced by signed letters of intent or leases.
- f. The likelihood that the applicant could or could not proceed with the project without the interest subsidized loan.

Eligible Activities/Locations

1. Eligible areas include the City's CDBG target areas. First priority for fiscal year 1981-82 will be given to the 12th Street area of Alkali Flat and the Franklin Boulevard area of City Farms.
2. The applicant must be a "Small Business" as currently defined by the U. S. Department of Commerce - Small Business Administration or must be a licensed child day-care facility.
3. Emphasis will be placed on items which will serve to bring the property into compliance, or more nearly into compliance, with zoning, health, safety or building codes (minimum of 35% of loan proceeds to be used for these purposes).
4. Emphasis will also be placed on rehabilitation of the exterior of structures with a minimum of 10% of each loan amount to be used for this purpose. Renovation/replacement of signs, landscaping, fencing and parking areas shall be considered eligible costs when undertaken to eliminate potentially hazardous conditions, to remove blighting influences, or to comply with codes.
5. Other eligible costs include:
 - Replacement of principal fixtures and components of existing structures where directly related to code compliance.
 - Renovation through alternatives to enhancement of the interior of existing structures where directly related to code compliance.
 - Energy saving devices, material or equipment.
 - Expansion of existing structures not to exceed 20% of floor space.
6. All work will be accomplished in accordance with applicable zoning and building codes.
7. Relocation costs are not eligible expenses. Borrowers, therefore, must agree to waive their right to relocation benefits should a temporary dislocation of the business be necessary as a result of the work being done.

Evaluation/Performance

1. Public sector funds will leverage private sector funds (lenders and business) on a ratio of approximately 1:4 (CDBG dollars to private dollars). (NOTE: Future interest paid on loans is not counted.)
2. Although not a primary goal of the program, the creation of new, permanent jobs in the private sector is desirable. A general guideline is that one job should be created for each \$7,000 of public money invested.
3. Quarterly evaluation reports of this program will be made by the City CDBG staff. Evaluation reports will include analysis of success of the rehabilitation activities as well as consideration of employment and hiring activities.

VT:lo
6-16-81

COMMERCIAL REHABILITATION PROGRAM
CREDIT AGREEMENT

THIS COMMERCIAL REHABILITATION PROGRAM CREDIT AGREEMENT (the "Agreement") is made and dated this ____ day of _____, 19__, by and between THE CITY OF SACRAMENTO, a municipal corporation (the "City"), and CROCKER NATIONAL BANK, a national banking association ("Bank").

RECITALS

A. On August 22, 1974 Congress passed Public Law 93-383, commonly known as the "Housing and Community Development Act of 1974" (as amended from time to time, the "Act").

B. Pursuant to the Act, the City applied for funds to implement, among other things, a program providing low interest loans to City-approved applicants for the purposes of commercial property rehabilitation and improvement, by providing certain incentives to stimulate investment, including the subsidization of low interest loans to eligible owners and lessees of property.

C. The Department of Housing and Urban Development recently approved the City's application. Funds released to the City under the Act have been allocated by the City for a commercial property rehabilitation program through Bank (the "Commercial Program"). Any and all funds received by the City under the Act and allocated by the City for implementation of the Commercial Program will be referred to herein as the "Loan Program Funds."

D. The City and Bank have reached agreement with regard to Bank's participation in the Commercial Program. Bank has agreed to make loans to City-approved applicants whom Bank determines to be creditworthy. In consideration of Bank's participation in the Commercial Program, the City has agreed to keep the Loan Program Funds on deposit with Bank and to make supplemental interest payments on the loans pursuant to the Program, all as provided more specifically in this Agreement.

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

AGREEMENT

1. Definitions. The following terms are defined in the paragraphs of this Agreement indicated below:

Act. Recital A.

Aggregate Discount. Paragraph 9.

City's Information. Paragraph 6(b).

Closing Documents. Paragraph 8.

Commercial Program. Recital C.

Deed of Trust. Paragraph 8(b).

General Account. Paragraph 5(a).

Loan Program Funds. Recital C.

Note. Paragraph 8(a).

PIL Rate. Paragraph 8(a).

Subject Property. Paragraph 4.

2. Loan Program Funds. The City hereby represents that it has duly allocated Loan Program Funds in the amount of \$50,000 to the Commercial Program with Bank.

3. Loan Availability. Subject to the terms and conditions contained herein, Bank hereby agrees to make available the aggregate amount of \$255,000 to be loaned, pursuant to the Commercial Program, to applicants certified as eligible under the Commercial Program by the City and deemed credit-worthy by Bank.

4. Loan Maximum, Loan Minimum. Each loan under the Commercial Program to a borrower who is the owner of the real property which is the subject of the work for which the proceeds of the loan are to be used (the "Subject Property"), will be made in an amount not to exceed:

(a) The sum of eighty percent (80%) of (i) the appraised value of the Subject Property, and (ii) the estimated costs of improvements to the Subject Property, less

(b) The amount secured by encumbrances on the Subject Property.

Such appraised value shall be determined by Bank, in its sole discretion. The maximum amount of each loan under the Commercial Program to a borrower who is not the owner but the lessee of the Subject Property, shall be determined by Bank, in its sole discretion. Additionally, no loan will be made under the Commercial Program in an amount less than \$5,000.

5. Deposit of Funds. As a condition precedent to Bank's obligations hereunder, the City shall deposit with Bank any and all Loan Program Funds allocated to the Commercial Program by the City from time to time. The City hereby grants to Bank a security interest in the Loan Program Funds and in all accounts in which such Funds may be held from time to time for the purpose of securing each and all of the City's obligations under this Agreement. Said Loan Program Funds shall be deposited in such proportion as the City shall determine (subject to the provisions contained in this Agreement) in the following accounts, the terms and conditions of which shall be established by Bank and the City:

(a) A time account which shall be designated as the "General Account"; and

(b) Such other accounts as the City and Bank may agree upon, including, without limitation, accounts which bear interest at the prevailing interest rates and on the prevailing terms and conditions.

Except as expressly permitted by this Agreement, the City shall make no withdrawals of Loan Program Funds from any account without the prior written consent of Bank.

6. Responsibilities of the City. In connection with each proposed loan and loan applicant under the Commercial Program, the City shall perform the following functions:

(a) The City shall inform each applicant that:

(i) Participation in the Commercial Program is conditioned upon:

a. The City's written approval, submitted to Bank, of said applicant's participation in the Commercial Program.

b. Bank's positive credit decision, arrived at in accordance with standard Bank procedures and policies for loans in the nature of loans to be made under the Commercial Program.

(ii) In connection with the loan application of the applicant, Bank will be obtaining and verifying credit and other information about the applicant, including obtaining a credit report and verifying the amount and sources of the applicant's income and deposit and loan balances.

(iii) Bank will be disclosing to the City Bank's credit decision (positive or negative) and (if positive) the terms and conditions of the loan and, in the event the applicant subsequently prepays or defaults on the loan, the fact of such prepayment or default.

(b) The City shall, through appropriate departments, furnish to Bank with respect to each applicant whose participation in the Commercial Program has been approved by the City, the following items of information (the "City's Information"):

(i) Written certification of the applicant's eligibility under the Commercial Program. Such certification shall be in the form of that attached hereto as Exhibit "A," and shall be signed by a duly authorized officer or employee of the City; and

(ii) A written consent to the disclosure of credit and other information by the Bank to the City, duly executed by such applicant, in the form of that attached hereto as Exhibit "B";

(c) The City shall assume all responsibility for assuring that the work done on the Subject Property is in accordance with the Commercial Program and in compliance with the Act and the regulations issued pursuant thereto and of any and all agreements between the City and any governmental entity.

7. Credit Evaluation. Bank shall perform its standard credit evaluation with respect to each applicant, make its judgment with respect to the creditworthiness of such applicant, and inform the applicant and the City of its decision relating thereto. If Bank approves an application for a loan under the Commercial Program, it shall undertake to process the loan in accordance with the provisions of this

Agreement. In the event Bank does not approve an application for a loan under the Commercial Program, that decision shall be final; provided, however, that in the event of such disapproval Bank agrees to reconsider such decisions, if, but only if, the City can show some substantial improvement in the credit worthiness of the applicant or facts not evidenced in the application.

8. Loan Documentation and Provisions. Each borrower under the Commercial Program shall execute and deliver to Bank the following (the "Closing Documents"):

(a) A promissory note in the form of Bank's standard form of promissory note for loans of this type (the "Note"). Interest payable under the terms of the Note shall be 6.00% below the applicable PIL Rate plus 1.00%. The "PIL Rate" means the Bank's standard direct property improvement loan rate prevailing on the date the Bank approves a loan application under the Commercial Program. The PIL Rate shall be established by Bank in its sole discretion from time to time; provided, however, that the PIL Rate shall not exceed nineteen and one-quarter percent (19-1/4%) per annum. The Note shall provide for repayment in equal monthly installments of principal and interest of not less than \$50.00 each over a term of not longer than:

(i) in the case of a loan to a borrower who is the owner of the Subject Property, one hundred eighty (180) months, and

(ii) in the case of a loan to a borrower who is not the owner but the lessee of the Subject Property, the lesser of a. one hundred eighty (180) months, and b. the number of months from the date of execution of the Note to the date six (6) months prior to the scheduled expiration of said borrower's lease of the Subject Property;

(b) In the case of a loan to the owner of the Subject Property, a deed of trust from the borrower, as trustor, in favor of Bank, as beneficiary, in form and substance satisfactory to Bank, covering the Subject Property (the "Deed of Trust"); and

(c) Such other documentation as Bank may, in its discretion, require.

Bank will charge each borrower for its out-of-pocket expenses incurred in connection with the making of such borrower's loan,

including, without limitation, title insurance premiums, recording charges and taxes, and appraisal and inspection fees (as applicable) and for its other customary charges for loans of this type (in amounts not exceeding those charged to borrowers in connection with loans of this type not under a special program), including, without limitation, loan origination fees.

9. Interest Subsidy. At the time of execution of each Note, the City shall pay to Bank an amount, discounted on the basis of future cash flow to determine present value at the rate of 1.00% above the applicable PIL Rate, equal to the difference between:

(a) the aggregate amount of interest which would be payable on the Note during the term thereof at the applicable PIL Rate plus 1.00%, and

(b) the aggregate amount of interest payable on the Note during the term thereof.

Such amount shall be referred to herein as the "Aggregate Discount" and the City hereby authorizes Bank to debit the General Account in such amount to effect such payment.

10. Loan Prepayments. Upon prepayment of any loan under the Commercial Program, in whole or in part, Bank shall report to the City and credit to the General Account an amount, if any, equal to the unearned portion at the time of such prepayment of the Aggregate Discount attributable to such loan, calculated in accordance with the Rule of 78's.

11. Purchase Obligations.

(a) Default on the part of a borrower on any loan shall be entirely the responsibility of the Bank, unless the City is required to purchase the loan as provided in (b) of this paragraph.

(b) In the event that any written representation, warranty or certification by the City relating to any applicant or borrower is materially false or inaccurate as of the date when made, and Bank relies upon such error when making its decision to make said loan, the City shall, upon written notice from Bank, purchase the loan affected thereby from Bank for an amount equal to the unpaid principal balance of such loan, plus accrued but unpaid interest thereon, at the date of purchase; provided, however, that the City shall only be obligated to make such purchase out of, and to the extent that such funds exist, in any Bank account, as described

in paragraph 2 of this agreement. At the time the City makes any such purchase, Bank shall deliver to the City (a) the Note, duly endorsed by Bank to the City without recourse or warranty, and, if applicable (b) an assignment by Bank to the City of the Deed of Trust. Upon delivery of the Note and assignment of the Deed of Trust to the City, Bank shall have no obligation or responsibility to the borrower or the City with regard to such Note, Deed of Trust or the loan evidenced by such Note.

12. Opinion of City Attorney. The City shall, at the date of execution hereof, at each renewal date and upon the amendment of any provision hereof, furnish to Bank an opinion of the City Attorney that:

(a) The City has all requisite power and authority to enter into and to perform this Agreement;

(b) The City has taken all action as may be required for the execution, delivery and performance hereof;

(c) This Agreement and any instrument or document to which the City is a party, as contemplated by this Agreement, are or will become upon execution thereof by the City valid, binding and enforceable in accordance with their terms;

(d) The use of funds advanced to borrowers under the Commercial Program for the purposes and in the manner contemplated herein conforms to and complies with the requirements of the Act and the regulations issued pursuant thereto and of any and all agreements between the City and any governmental entity with respect to the use of such funds; and

(e) The disclosure of Bank to the City of financial information of applicants under the Commercial Program does not and will not violate the California Right to Financial Privacy Act, Government Code §§7460, et seq.

13. Conditions Precedent. Notwithstanding any provision of this Agreement, Bank's obligations to make any loan under the Commercial Program is conditioned upon Bank having received:

(a) The City's Information with regard to such loan,

TO THE CITY: CITY OF SACRAMENTO

Attn: _____

or to such other address as either party may, in writing hereafter indicate.

18. Entire Agreement. This Agreement and any agreement, document or instrument attached hereto or referred to herein, integrate all terms and conditions mentioned herein or incidental hereto and supersede all oral negotiations or prior writings with respect to the subject matter hereof. In the event of any conflict between the terms, conditions and provisions of this Agreement and any other such agreement, document or instrument, the terms, conditions and provisions of this Agreement shall prevail.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20. Successors. This Agreement shall be binding upon the successors in interest of the parties hereto. Neither party may assign its rights or obligations hereunder without the prior written consent of the other.

21. Time. Time is of the essence of the performance hereof.

22. Authorization. The terms and conditions hereof were fully considered at a regular Council meeting of the City held on the _____ day of _____, 198_, and were approved and this Agreement was authorized for execution, pursuant to City Council Resolution No. _____, duly made, seconded and carried. A certified copy of said resolution is attached hereto as Exhibit "C" and by this reference made a part hereof.

23. Use of Loan Program Funds. Bank acknowledges that the City will request that funds remaining in the General Account after two years from the date of this Agreement be paid to the City unless the City obtains approval of the Department of Housing and Urban Development to use such funds for the Commercial Program for an additional two year period. If such request is made, Bank shall promptly pay such funds remaining in the General Account to the City.

24. Interest Earned. The unearned portion of Aggregate Discounts is credited to the City by Bank crediting the General Account in the amount and at the time provided in Paragraph 10 hereof. Any interest earned on Loan Program Funds in an interest bearing account shall be credited to the account in which such Loan Program Funds are held.

25. HUD Regulations. The terms and conditions hereof are subject to the provisions governing lump sum draw-downs for property rehabilitation, § 570.513 of the Department of Housing and Urban Development regulations on Community Development Block Grants, 24 C.F.R. Part 570.

This Commercial Rehabilitation Program Credit Agreement is executed the day and year first above written.

CITY OF SACRAMENTO

ATTEST:

By _____

Title _____

By _____

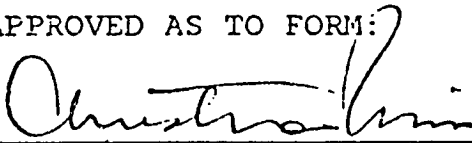
Title _____

CROCKER NATIONAL BANK,
a national banking association

By _____

Title _____

APPROVED AS TO FORM:



City Attorney
City of Sacramento

EXHIBIT A

Crocker National Bank
400 Capitol Mall
Sacramento, California
Attn: _____

CERTIFICATE OF PROGRAM PARTICIPANT CONFIRMATION

Applicant

To Whom it May Concern:

This certificate is sent to you as part of the City's Information required under the Credit Agreement, dated _____, 1982, between the City and Crocker National Bank (the "Bank"), as amended (capitalized terms herein being used as therein defined).

The City hereby certifies that (i) the above named applicant is eligible for a loan under the Commercial Program, (ii) any information previously requested from the Bank by the City regarding the above named applicant was not requested, and has not been used, for any purpose other than the initial approval or declination of such applicant or on-going servicing of such loan or administration of the Commercial Program, and (iii) will not be requested nor used for any purpose other than the on-going servicing of such loan or administration of the Commercial Program.

With respect to the above named applicant, the following items are eligible for rehabilitation under the Commercial Program

Exterior: _____

Interior: _____

Other: _____

CITY OF SACRAMENTO

By: _____

Title: _____

EXHIBIT B

NOTICE TO APPLICANT
OF DISCLOSURE OF INFORMATION

You are making an application for a loan from Crocker National Bank ("Crocker") to improve your property under a program established between Crocker and the City of Sacramento (the "City").

In connection with your application, Crocker will be obtaining and verifying credit and other information about you, including obtaining a credit report and verifying the amount and sources of your income and your deposit and loan balances. In the event Crocker decides to make a loan to you, certain information concerning the loan, including the amount and other terms of the loan, will be disclosed to the City to the extent necessary to carry out the program. In addition, if Crocker does make you a loan and you prepay or default on your loan, Crocker will disclose this fact to the City as part of the program.

In the event Crocker decides not to make you a loan, this fact will be disclosed to the City by Crocker.

CONSENT TO DISCLOSURE OF INFORMATION

I have read and understand the foregoing. I consent to the disclosure by Crocker to the City of the credit and other information described above.

Date: _____

Applicant

(To be executed in duplicate;
one copy to be delivered to
application, one to Crocker.)



CITY OF SACRAMENTO

26 ~~37~~

CITY PLANNING DEPARTMENT
927 TENTH STREET
SUITE 300
SACRAMENTO, CA 95814
TELEPHONE (915) 449-5604

CITY MANAGER'S OFFICE
RECEIVED
FEB 8 1982

MARTY VAN DUYN
PLANNING DIRECTOR

February **FILED**

By the City Council
Office of the City Clerk *request*
Cont to committee
2-23-82 to be considered
Del Paso Blvd.

City Council
Sacramento, California

Honorable Members in Session: FEB 16 1982

SUBJECT: Agreement with Crocker National Bank for CDBG Business Rehabilitation Loan Program
Office of the City Clerk

FILED

By the City Council
Office of the City Clerk

Cont to
3-2-82

SUMMARY

This report regards the agreement with Crocker National Bank which would make loans for the City's Business Rehabilitation Loan Program. Previous action by the City Council allocated \$50,000 of CDBG funding for the program, approved guidelines, and authorized staff to negotiate an agreement with Crocker Bank.

FEB 23 1982

The staff recommends that the City Council authorize the City Manager to execute the agreement with Crocker National Bank.

BACKGROUND

At the regular meeting of July 7, 1981, the City Council allocated \$50,000 from CDBG funds for an interest-subsidy form of Business Rehabilitation Loan Program. Proposals were received from five prospective lenders and on October 27, 1981, the City Council authorized the staff to negotiate an agreement with Crocker National Bank.

Specific features of the proposed agreement with Crocker are as follows:

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2. Crocker Bank will make \$255,000 available for lending for the purposes of Business Rehabilitation in the target areas, a better than 5:1 leverage ratio;

- 3. Interest charged will be six percentage points below what Crocker normally charges for Business Rehabilitation Loans. The agreement places an effective maximum of 14½% on program loans;
- 4. Loan amounts can range from \$5,000 to \$50,000 with up to 15-year payback period; and
- 5. First year target areas include Franklin Boulevard in the City Farms neighborhood and 12th Street in Alkali Flat. These neighborhoods were selected by the City Council because they have completed improvement plans.

The adopted Business Rehabilitation Loan Program Guidelines are attached for your information.

FINANCIAL DATA

The 1981/82 CDBG Application allocated \$50,000 for the Business Rehabilitation Loan Program. Crocker has allocated \$255,000 for loans to be made to businesses in the target areas.

No additional funding is requested at this time.

RECOMMENDATION

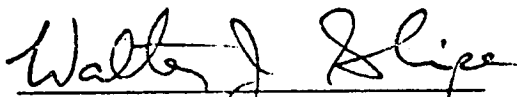
Staff recommends that the City Council adopt the attached resolution authorizing the City Manager to execute an agreement with Crocker National Bank to make loans under the Community Development Block Grant Business Rehabilitation Loan Program.

Respectfully submitted,



Thomas V. Lee
Senior Planner

Recommendation Approved:



Walter J. Slipe
City Manager

TL:VT:lo
attachment

February 16, 1982
All Districts

RESOLUTION No.

Adopted by The Sacramento City Council on date of

A RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE AN AGREEMENT WITH CROCKER
NATIONAL BANK TO MAKE LOANS FOR THE CDBG
BUSINESS REHABILITATION LOAN PROGRAM

BE IT RESOLVED BY THE CITY OF SACRAMENTO:

Section 1

That the City Manager is hereby authorized to execute an agreement with Crocker National Bank to make loans under the Business Rehabilitation Loan Program for which the City of Sacramento has received federal funds pursuant to the Community Development Block Grant Program under Title 1 of the Housing and Community Development Act of 1977.

MAYOR

ATTEST:

CITY CLERK

CITY OF SACRAMENTO

COMMERCIAL REHABILITATION LOAN PROGRAM

Program Objectives

1. Encourage rehabilitation and business improvements within the City's CDBG target and redevelopment areas.
2. Obtain the maximum private investment and economic activity from the public funds made available, at least 4:1 leverage.
3. Target a sufficient number of loans into a single area to make a noticeable improvement in overall appearance and economic vitality.
4. Support the overall goals of Community Development Block Grant Program through removal of conditions of blight and blighting influences from the target areas.

Program Mechanism

The City's business rehabilitation loans will be made by a participating lending institution. The interest paid on loans to eligible businesses will be reduced by subsidy payments from the CDBG business rehabilitation loan fund.

The block grant funds allocated to this program will be deposited in an interest bearing account with the lender. As businesses borrow money from the lender under the program, a dollar amount (usually discounted to present value over the term of the loan) is withdrawn from the interest bearing account. These "payments" serve as an "up-front" loan subsidy and reduce the interest rate paid by the borrower. If the loan is repaid early, a prorated amount is re-deposited in the Block Grant interest bearing account.

The interest rate to be charged will be determined at the time the loan is made and will vary depending on the market interest rates at that time, and would be approximately six percent below market. The term of the loan may be variable depending on the needs and requirements of the borrower and the lender.

1. Normal qualifying requirements will apply to all loans made under this program and normal security requirements will apply to the total amount of the loan. Loan guarantees are not a part of the program.
2. The project must be ready to go and not be speculative in nature. Owner-tenant cooperation shall be furnished in the form of signed letters of intent or leases.

Outreach and Advertising

Advertising and promotion will be targeted within a specific commercial neighborhood to support the objectives of this program.

1. Brochures and other program information will be distributed through the selected area's Redevelopment Project Area Committee (PAC), and other neighborhood based organizations.
2. Business and property owners within the targeted area will be notified through advertising or direct mail.
3. City/Agency representatives will meet with merchants, property owners and community organizations for the purpose of explaining the program.
4. Newspaper articles will be placed in local newspapers including those of general circulation as well as minority newspapers. These articles may be either news releases or advertisements.

Loan Application/Review

1. Agency staff insures that the applicant meets the requirements of the program as far as location within the targeted area and the intent of the program.
2. Lender assists applicants as needed in completion of application form.
3. Applicants prepare (or have prepared) estimates of rehabilitation costs and itemize work to be done. The participating lender will judge the reasonableness of the estimate and insure that the work proposed is within the guidelines for eligible activities.
4. Financial qualifications of the prospective borrower will be determined solely by the lender which will assume all risk, duties and responsibilities with respect to the bank loan. No loan guarantee is provided by the City.
5. The participating lending institution will be expected to insure that work proposed is, in fact, accomplished and may control disbursements in any way appropriate to insure this end. The City/Agency reserve the right to check periodically on work progress.
6. In addition, the following may be considered in the evaluation of loan applications:
 - a. Degree to which the project meets or exceeds the required (1:4) leverage ratio.

- b. Past history, experience and record of applicant.
- c. Applicant's equity investment committed to the project.
- d. Degree of readiness to proceed, merit of project and economic viability.
- e. Owner-tenant cooperation as evidenced by signed letters of intent or leases.

Eligible Activities/Locations

1. Eligible areas include the City's CDBG target areas. First priority for fiscal year 1981-82 will be given to the 12th Street area of Alkali Flat and the Franklin Boulevard area of City Farms.
2. The applicant must be a "Small Business" as currently defined by the U. S. Department of Commerce - Small Business Administration or must be a licensed child day-care facility.
3. Emphasis will be placed on items which will serve to bring the property into compliance, or more nearly into compliance, with zoning, health, safety or building codes (minimum of 35% of loan proceeds to be used for these purposes).
4. Emphasis will also be placed on rehabilitation of the exterior of structures with a minimum of 10% of each loan amount to be used for this purpose. Renovation/replacement of signs, landscaping, fencing and parking areas shall be considered eligible costs when undertaken to eliminate potentially hazardous conditions, to remove blighting influences, or to comply with codes.
5. Other eligible costs include:
 - Replacement of principal fixtures and components of existing structures where directly related to code compliance.
 - Renovation through alternatives to enhancement of the interior of existing structures where directly related to code compliance.
 - Energy saving devices, material or equipment.
 - Expansion of existing structures not to exceed 20% of floor space.
6. All work will be accomplished in accordance with applicable zoning and building codes.
7. Relocation costs are not eligible expenses. Borrowers, therefore, must agree to waive their right to relocation benefits should a temporary dislocation of the business be necessary as a result of the work being done.

Evaluation/Performance

1. Public sector funds will leverage private sector funds (lenders and business) on a ratio of approximately 1:4 (CDBG dollars to private dollars). (NOTE: Future interest paid on loans is not counted.)
2. Although not a primary goal of the program, the creation of new, permanent jobs in the private sector is desirable. A general guideline is that one job should be created for each \$7,000 of public money invested.
3. Quarterly evaluation reports of this program will be made by the City CDBG staff. Evaluation reports will include analysis of success of the rehabilitation activities as well as consideration of employment and hiring activities.

VT:lo
6-16-81

COMMERCIAL REHABILITATION PROGRAM
CREDIT AGREEMENT

THIS COMMERCIAL REHABILITATION PROGRAM CREDIT AGREEMENT (the "Agreement") is made and dated this ____ day of _____, 19__, by and between THE CITY OF SACRAMENTO, a municipal corporation (the "City"), and CROCKER NATIONAL BANK, a national banking association ("Bank").

RECITALS

A. On August 22, 1974 Congress passed Public Law 93-383, commonly known as the "Housing and Community Development Act of 1974" (as amended from time to time, the "Act").

B. Pursuant to the Act, the City applied for funds to implement, among other things, a program providing low interest loans to City-approved applicants for the purposes of commercial property rehabilitation and improvement, by providing certain incentives to stimulate investment, including the subsidization of low interest loans to eligible owners and lessees of property.

C. The Department of Housing and Urban Development recently approved the City's application. Funds released to the City under the Act have been allocated by the City for a commercial property rehabilitation program through Bank (the "Commercial Program"). Any and all funds received by the City under the Act and allocated by the City for implementation of the Commercial Program will be referred to herein as the "Loan Program Funds."

D. The City and Bank have reached agreement with regard to Bank's participation in the Commercial Program. Bank has agreed to make loans to City-approved applicants whom Bank determines to be creditworthy. In consideration of Bank's participation in the Commercial Program, the City has agreed to keep the Loan Program Funds on deposit with Bank and to make supplemental interest payments on the loans pursuant to the Program, all as provided more specifically in this Agreement.

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

AGREEMENT

1. Definitions. The following terms are defined in the paragraphs of this Agreement indicated below:

Act. Recital A.

Aggregate Discount. Paragraph 9.

City's Information. Paragraph 6(b).

Closing Documents. Paragraph 8.

Commercial Program. Recital C.

Deed of Trust. Paragraph 8(b).

General Account. Paragraph 5(a).

Loan Program Funds. Recital C.

Note. Paragraph 8(a).

PIL Rate. Paragraph 8(a).

Subject Property. Paragraph 4.

2. Loan Program Funds. The City hereby represents that it has duly allocated Loan Program Funds in the amount of \$50,000 to the Commercial Program with Bank.

3. Loan Availability. Subject to the terms and conditions contained herein, Bank hereby agrees to make available the aggregate amount of \$255,000 to be loaned, pursuant to the Commercial Program, to applicants certified as eligible under the Commercial Program by the City and deemed credit-worthy by Bank.

4. Loan Maximum, Loan Minimum. Each loan under the Commercial Program to a borrower who is the owner of the real property which is the subject of the work for which the proceeds of the loan are to be used (the "Subject Property"), will be made in an amount not to exceed:

(a) The sum of eighty percent (80%) of (i) the appraised value of the Subject Property, and (ii) the estimated costs of improvements to the Subject Property, less

(b) The amount secured by encumbrances on the Subject Property.

Such appraised value shall be determined by Bank, in its sole discretion. The maximum amount of each loan under the Commercial Program to a borrower who is not the owner but the lessee of the Subject Property, shall be determined by Bank, in its sole discretion. Additionally, no loan will be made under the Commercial Program in an amount less than \$5,000.

5. Deposit of Funds. As a condition precedent to Bank's obligations hereunder, the City shall deposit with Bank any and all Loan Program Funds allocated to the Commercial Program by the City from time to time. The City hereby grants to Bank a security interest in the Loan Program Funds and in all accounts in which such Funds may be held from time to time for the purpose of securing each and all of the City's obligations under this Agreement. Said Loan Program Funds shall be deposited in such proportion as the City shall determine (subject to the provisions contained in this Agreement) in the following accounts, the terms and conditions of which shall be established by Bank and the City:

(a) A time account which shall be designated as the "General Account"; and

(b) Such other accounts as the City and Bank may agree upon, including, without limitation, accounts which bear interest at the prevailing interest rates and on the prevailing terms and conditions.

Except as expressly permitted by this Agreement, the City shall make no withdrawals of Loan Program Funds from any account without the prior written consent of Bank.

6. Responsibilities of the City. In connection with each proposed loan and loan applicant under the Commercial Program, the City shall perform the following functions:

(a) The City shall inform each applicant that:

(i) Participation in the Commercial Program is conditioned upon:

a. The City's written approval, submitted to Bank, of said applicant's participation in the Commercial Program.

b. Bank's positive credit decision, arrived at in accordance with standard Bank procedures and policies for loans in the nature of loans to be made under the Commercial Program.

(ii) In connection with the loan application of the applicant, Bank will be obtaining and verifying credit and other information about the applicant, including obtaining a credit report and verifying the amount and sources of the applicant's income and deposit and loan balances.

(iii) Bank will be disclosing to the City Bank's credit decision (positive or negative) and (if positive) the terms and conditions of the loan and, in the event the applicant subsequently prepays or defaults on the loan, the fact of such prepayment or default.

(b) The City shall, through appropriate departments, furnish to Bank with respect to each applicant whose participation in the Commercial Program has been approved by the City, the following items of information (the "City's Information"):

(i) Written certification of the applicant's eligibility under the Commercial Program. Such certification shall be in the form of that attached hereto as Exhibit "A," and shall be signed by a duly authorized officer or employee of the City; and

(ii) A written consent to the disclosure of credit and other information by the Bank to the City, duly executed by such applicant, in the form of that attached hereto as Exhibit "B";

(c) The City shall assume all responsibility for assuring that the work done on the Subject Property is in accordance with the Commercial Program and in compliance with the Act and the regulations issued pursuant thereto and of any and all agreements between the City and any governmental entity.

7. Credit Evaluation. Bank shall perform its standard credit evaluation with respect to each applicant, make its judgment with respect to the creditworthiness of such applicant, and inform the applicant and the City of its decision relating thereto. If Bank approves an application for a loan under the Commercial Program, it shall undertake to process the loan in accordance with the provisions of this

Agreement. In the event Bank does not approve an application for a loan under the Commercial Program, that decision shall be final; provided, however, that in the event of such disapproval Bank agrees to reconsider such decisions, if, but only if, the City can show some substantial improvement in the credit worthiness of the applicant or facts not evidenced in the application.

8. Loan Documentation and Provisions. Each borrower under the Commercial Program shall execute and deliver to Bank the following (the "Closing Documents"):

(a) A promissory note in the form of Bank's standard form of promissory note for loans of this type (the "Note"). Interest payable under the terms of the Note shall be 6.00% below the applicable PIL Rate plus 1.00%. The "PIL Rate" means the Bank's standard direct property improvement loan rate prevailing on the date the Bank approves a loan application under the Commercial Program. The PIL Rate shall be established by Bank in its sole discretion from time to time; provided, however, that the PIL Rate shall not exceed nineteen and one-quarter percent (19-1/4%) per annum. The Note shall provide for repayment in equal monthly installments of principal and interest of not less than \$50.00 each over a term of not longer than:

(i) in the case of a loan to a borrower who is the owner of the Subject Property, one hundred eighty (180) months, and

(ii) in the case of a loan to a borrower who is not the owner but the lessee of the Subject Property, the lesser of a. one hundred eighty (180) months, and b. the number of months from the date of execution of the Note to the date six (6) months prior to the scheduled expiration of said borrower's lease of the Subject Property;

(b) In the case of a loan to the owner of the Subject Property, a deed of trust from the borrower, as trustor, in favor of Bank, as beneficiary, in form and substance satisfactory to Bank, covering the Subject Property (the "Deed of Trust"); and

(c) Such other documentation as Bank may, in its discretion, require.

Bank will charge each borrower for its out-of-pocket expenses incurred in connection with the making of such borrower's loan,

including, without limitation, title insurance premiums, recording charges and taxes, and appraisal and inspection fees (as applicable) and for its other customary charges for loans of this type (in amounts not exceeding those charged to borrowers in connection with loans of this type not under a special program), including, without limitation, loan origination fees.

9. Interest Subsidy. At the time of execution of each Note, the City shall pay to Bank an amount, discounted on the basis of future cash flow to determine present value at the rate of 1.00% above the applicable PIL Rate, equal to the difference between:

(a) the aggregate amount of interest which would be payable on the Note during the term thereof at the applicable PIL Rate plus 1.00%, and

(b) the aggregate amount of interest payable on the Note during the term thereof.

Such amount shall be referred to herein as the "Aggregate Discount" and the City hereby authorizes Bank to debit the General Account in such amount to effect such payment.

10. Loan Prepayments. Upon prepayment of any loan under the Commercial Program, in whole or in part, Bank shall report to the City and credit to the General Account an amount, if any, equal to the unearned portion at the time of such prepayment of the Aggregate Discount attributable to such loan, calculated in accordance with the Rule of 78's.

11. Purchase Obligations.

(a) Default on the part of a borrower on any loan shall be entirely the responsibility of the Bank, unless the City is required to purchase the loan as provided in (b) of this paragraph.

(b) In the event that any written representation, warranty or certification by the City relating to any applicant or borrower is materially false or inaccurate as of the date when made, and Bank relies upon such error when making its decision to make said loan, the City shall, upon written notice from Bank, purchase the loan affected thereby from Bank for an amount equal to the unpaid principal balance of such loan, plus accrued but unpaid interest thereon, at the date of purchase; provided, however, that the City shall only be obligated to make such purchase out of, and to the extent that such funds exist, in any Bank account, as described

in paragraph 2 of this agreement. At the time the City makes any such purchase, Bank shall deliver to the City (a) the Note, duly endorsed by Bank to the City without recourse or warranty, and, if applicable (b) an assignment by Bank to the City of the Deed of Trust. Upon delivery of the Note and assignment of the Deed of Trust to the City, Bank shall have no obligation or responsibility to the borrower or the City with regard to such Note, Deed of Trust or the loan evidenced by such Note.

12. Opinion of City Attorney. The City shall, at the date of execution hereof, at each renewal date and upon the amendment of any provision hereof, furnish to Bank an opinion of the City Attorney that:

(a) The City has all requisite power and authority to enter into and to perform this Agreement;

(b) The City has taken all action as may be required for the execution, delivery and performance hereof;

(c) This Agreement and any instrument or document to which the City is a party, as contemplated by this Agreement, are or will become upon execution thereof by the City valid, binding and enforceable in accordance with their terms;

(d) The use of funds advanced to borrowers under the Commercial Program for the purposes and in the manner contemplated herein conforms to and complies with the requirements of the Act and the regulations issued pursuant thereto and of any and all agreements between the City and any governmental entity with respect to the use of such funds; and

(e) The disclosure of Bank to the City of financial information of applicants under the Commercial Program does not and will not violate the California Right to Financial Privacy Act, Government Code §§7460, et seq.

13. Conditions Precedent. Notwithstanding any provision of this Agreement, Bank's obligations to make any loan under the Commercial Program is conditioned upon Bank having received:

(a) The City's Information with regard to such loan,

TO THE CITY:

CITY OF SACRAMENTO

Attn: _____

or to such other address as either party may, in writing hereafter indicate.

18. Entire Agreement. This Agreement and any agreement, document or instrument attached hereto or referred to herein, integrate all terms and conditions mentioned herein or incidental hereto and supersede all oral negotiations or prior writings with respect to the subject matter hereof. In the event of any conflict between the terms, conditions and provisions of this Agreement and any other such agreement, document or instrument, the terms, conditions and provisions of this Agreement shall prevail.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20. Successors. This Agreement shall be binding upon the successors in interest of the parties hereto. Neither party may assign its rights or obligations hereunder without the prior written consent of the other.

21. Time. Time is of the essence of the performance hereof.

22. Authorization. The terms and conditions hereof were fully considered at a regular Council meeting of the City held on the _____ day of _____, 198_, and were approved and this Agreement was authorized for execution, pursuant to City Council Resolution No. _____, duly made, seconded and carried. A certified copy of said resolution is attached hereto as Exhibit "C" and by this reference made a part hereof.

23. Use of Loan Program Funds. Bank acknowledges that the City will request that funds remaining in the General Account after two years from the date of this Agreement be paid to the City unless the City obtains approval of the Department of Housing and Urban Development to use such funds for the Commercial Program for an additional two year period. If such request is made, Bank shall promptly pay such funds remaining in the General Account to the City.

24. Interest Earned. The unearned portion of Aggregate Discounts is credited to the City by Bank crediting the General Account in the amount and at the time provided in Paragraph 10 hereof. Any interest earned on Loan Program Funds in an interest bearing account shall be credited to the account in which such Loan Program Funds are held.

25. HUD Regulations. The terms and conditions hereof are subject to the provisions governing lump sum draw-downs for property rehabilitation, § 570.513 of the Department of Housing and Urban Development regulations on Community Development Block Grants, 24 C.F.R. Part 570.

This Commercial Rehabilitation Program Credit Agreement is executed the day and year first above written.

CITY OF SACRAMENTO

ATTEST:

By _____

Title _____

By _____

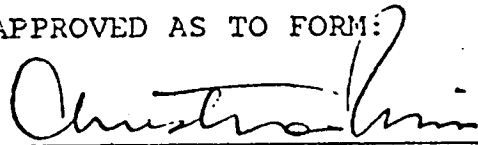
Title _____

CROCKER NATIONAL BANK,
a national banking association

By _____

Title _____

APPROVED AS TO FORM:



City Attorney
City of Sacramento

EXHIBIT A

Crocker National Bank
400 Capitol Mall
Sacramento, California
Attn: _____

CERTIFICATE OF PROGRAM PARTICIPANT CONFIRMATION

Applicant

To Whom it May Concern:

This certificate is sent to you as part of the City's Information required under the Credit Agreement, dated _____, 1982, between the City and Crocker National Bank (the "Bank"), as amended (capitalized terms herein being used as therein defined).

The City hereby certifies that (i) the above named applicant is eligible for a loan under the Commercial Program, (ii) any information previously requested from the Bank by the City regarding the above named applicant was not requested, and has not been used, for any purpose other than the initial approval or declination of such applicant or on-going servicing of such loan or administration of the Commercial Program, and (iii) will not be requested nor used for any purpose other than the on-going servicing of such loan or administration of the Commercial Program.

With respect to the above named applicant, the following items are eligible for rehabilitation under the Commercial Program

Exterior: _____

Interior: _____

Other: _____

CITY OF SACRAMENTO

By: _____

Title: _____

EXHIBIT B

NOTICE TO APPLICANT
OF DISCLOSURE OF INFORMATION

You are making an application for a loan from Crocker National Bank ("Crocker") to improve your property under a program established between Crocker and the City of Sacramento (the "City").

In connection with your application, Crocker will be obtaining and verifying credit and other information about you, including obtaining a credit report and verifying the amount and sources of your income and your deposit and loan balances. In the event Crocker decides to make a loan to you, certain information concerning the loan, including the amount and other terms of the loan, will be disclosed to the City to the extent necessary to carry out the program. In addition, if Crocker does make you a loan and you prepay or default on your loan, Crocker will disclose this fact to the City as part of the program.

In the event Crocker decides not to make you a loan, this fact will be disclosed to the City by Crocker.

CONSENT TO DISCLOSURE OF INFORMATION

I have read and understand the foregoing. I consent to the disclosure by Crocker to the City of the credit and other information described above.

Date: _____

Applicant

(To be executed in duplicate;
one copy to be delivered to
application, one to Crocker.)