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## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

September 4, 1980

CITY MANAGER'S OFFICE  
**RECEIVED**  
SEP 4 1980

Housing Authority of the  
City of Sacramento  
Sacramento, California

CITY GOVERNING BOARD  
PHILLIP L. ISENBERG, MAYOR  
LLOYD CONNELLY  
BLAINE H. FISHER  
THOMAS R. HOEBER  
DOUGLAS N. POPE  
JOHN ROBERTS  
LYNN ROBBE  
ANNE RUDIN  
DANIEL E. THOMPSON

Honorable Members in Session:

SUBJECT: San Carlos Motel

### SUMMARY

By adopting the attached resolution, you authorize the Executive Director to accept the proposal submitted by Mark III Electrical and Plumbing Contractors to purchase and rehabilitate the former San Carlos Motel pursuant to the requirements of that certain Lease between the Housing Authority of the City of Sacramento and the County of Sacramento. You also authorize the Executive Director to execute any and all necessary legal documents to implement that proposal.

### BACKGROUND

On July 25, 1980, you authorized the Executive Director to execute an Amendment to that certain Lease between the County of Sacramento and the Housing Authority of the City of Sacramento pertaining to the former San Carlos Motel and you further authorized the Executive Director to solicit bids for the sale of that Motel subject to the leasehold interest of the County of Sacramento. Immediately thereafter the Executive Director did indeed solicit proposals for the purchase and rehabilitation of the Motel. However, despite extensive advertising and solicitation efforts, only one proposal was received. That proposal, submitted by Mark III Electrical and Plumbing Contractors of Sacramento, offers to purchase the San Carlos Motel for \$40,000.

On September 10, 1980, the City Council is scheduled to consider the granting of a special use permit to the Housing Authority of the City of Sacramento applying on

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the City of Sacramento  
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behalf of the County of Sacramento and Midtown Manor to allow the use of the former San Carlos Motel as a mental health residential facility.

If the City Council should deny that permit, this item should be deemed withdrawn.

If the City Council should grant such a permit, the Authority would be in a position to proceed with a sale to a private investor for rehabilitation of the building for use as a mental health residential facility.

Despite two efforts to solicit interest in the purchase and rehabilitation of the former Motel, Agency staff has received only the single proposal mentioned above from Mark III Electrical and Plumbing Contractors. As a result, Agency staff believes that the proposal thus received is representative of the interest in the private sector in such an arrangement. In view of the extensive rehabilitation required and in view of the constraints upon the return allowed by the Lease with the County of Sacramento, Agency staff believes that the Mark III proposal fairly reflects the economic value of the former Motel subject to the current leasehold interest of the County. As a result, it is recommended that the proposal for purchase and rehabilitation by Mark III Electrical and Plumbing Contractors be accepted and that the sale of the Motel subject to the leasehold interest of the County be achieved based upon that proposal.

As of July 31, 1980, the most recent data available as of this writing, the Authority has expended \$232,708.46 in connection with the San Carlos Motel. Additionally, it should be noted that the Authority is continuing to incur costs at the rate of approximately \$5,000 per month for each additional month after that date of which it retains ownership. It is estimated that if the Authority chooses to accept the aforementioned proposal, the actual sale would not occur before the third or fourth week of September, 1980. As a result, it may reasonably be anticipated that the Authority's cost basis at the time of sale will approximate at least \$240,000.

The funds expended by the Authority were obtained from Project 2-A Tax Increment Funds belonging to the Redevelopment Agency of the City of Sacramento. The Council previously authorized \$1 million per year for subsidized housing from 2A Tax Increment Funds. Staff believes this project falls within that category.

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## VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of September 3, 1980, the Sacramento Housing and Redevelopment Commission considered the attached resolution. By the following vote, the Commission recommended adoption of the attached resolution contingent upon the granting by the City Council of the special use permit.

AYES: Kneprath, Luevano, Serna, B. Miller  
NOES: A. Miller, Walton  
ABSTAIN: Teramoto  
ABSENT: Coleman, Fisher

The Commission expressly withheld any recommendation as to the use permit.

## RECOMMENDATION

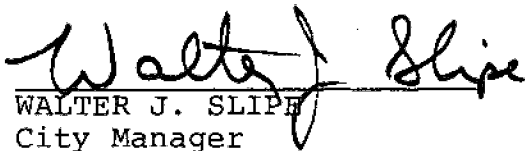
I recommend that you adopt the attached resolution. The total cost is \$11,900 per unit. This is the least expensive public housing we will have ever built.

Respectfully submitted,



WILLIAM G. SELINE  
Executive Director

TRANSMITTAL TO COUNCIL:



WALTER J. SLIPP  
City Manager

Contact Person: William G. Seline

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

Adopted by the Housing Authority of the City of Sacramento

September 10, 1980

RESOLUTION AUTHORIZING SALE OF THE  
FORMER SAN CARLOS MOTEL SUBJECT  
TO THE LEASEHOLD INTEREST OF THE  
COUNTY OF SACRAMENTO FOR USE AS A  
MENTAL HEALTH RESIDENTIAL FACILITY

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF  
SACRAMENTO:

Section 1. The Executive Director is hereby authorized to accept the proposal from Mark III Electrical and Plumbing Contractors for the purchase and rehabilitation of the former San Carlos Motel as a mental health residential facility, subject to the leasehold interest of the County of Sacramento.

Section 2. The Executive Director is also authorized to execute all legal documentation necessary to occasion the rehabilitation and redevelopment of the former San Carlos Motel in a manner consistent with the requirements of the aforesaid leasehold interest of the County of Sacramento.

\_\_\_\_\_  
CHAIRPERSON

ATTEST

  
\_\_\_\_\_  
SECRETARY

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

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\_\_\_\_\_  
CHAIRPERSON

ATTEST

  
\_\_\_\_\_  
SECRETARY

SAN CARLOS MOTEL

Sale to Developer for Rehabilitation  
 or  
 Agency Retains and Rehabilitates

APPROVED  
 SACRAMENTO HOUSING AUTHORITY  
 Date 9/10/80

	<u>Agency Purchase Price</u>	<u>Total Investment to Date</u>	<u>Purchase Offer by Developer</u>	<u>Agency Contribution to Housing</u>	<u>Rehab. Costs</u>	<u>Source of Rehab Funds</u>	<u>Total Investment</u>	<u>Occupancy Date for Lessee</u>	<u>Lease Rate</u>	<u>Ongoing Maintenance Responsibility</u>	<u>Net Income Per Year</u>	<u>Net Income 5 Years</u>
<u>OPTION A:</u>												
Developer-Owned	\$220,000	\$235,000	\$40,000	\$195,000	\$260,000	Cash Resources	\$300,000	1/1/81	\$3,800/mo. \$45,600/yr.	Developer	-	-
<u>OPTION B:</u>												
Agency-Owned	\$220,000	\$235,000	--	\$235,000	\$260,000	2-A Tax Increments	\$495,000	*3/1/81 **6/1/81	\$3,800/mo. \$45,600/yr. \$228,000/5 yrs.	Agency*** \$12,125/1st yr. +10%/yr. for next 4 yrs.	\$33,475/1st yr. \$30,795 Avg. for 5 years	\$153,976

NET INCOME 2nd FIVE YEARS -  
 \$207,867 if 7%/yr Rent Increase  
 \$230,967 if 10%/yr Rent Increase

NET INCOME 3rd FIVE YEARS  
 \$280,620 if 7%/yr Rent Increase  
 \$311,800 if 10%/yr Rent Increase

\* Fast track approvals - plans within 3 weeks; staff approval only; negotiate with contractor - cost + 10%; rapid building permit processing.

\*\* If architectural selection, plan approvals, bidding necessary, normal building permit process.

\*\*\* Maintenance, inspections, insurance, periodic interior/exterior painting.



# CITY OF SACRAMENTO

## OFFICE OF THE CITY CLERK

915 I STREET

CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814

TELEPHONE (916) 449-5426

LORRAINE MAGANA  
CITY CLERK

September 16, 1980

Housing Authority  
630 "I" Street  
Sacramento, CA 95814

On September 10, 1980, the City Council adopted the following for property located at 2830 Stockton Blvd., a 23-unit complex known as the San Carlos Motel:

Adopted Option B - Agency retains ownership and rehabilitates.

Staff is to prepare a report on the following due September 23, 1980:

- a. Specific calendar on fast-track approval.
- b. Ten-year lease and actual lease amendments.
- c. Availability of insurance for vandalism.

Sincerely,

  
Lorraine Magana  
City Clerk

LM/mm/33

cc: City Manager  
Planning Department  
City Attorney  
County Health Department  
Ms. Susan Azeltini