



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



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April 1, 1985

Redevelopment Agency of the
City of Sacramento
Sacramento, California

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Honorable Members in Session:

SUBJECT: Establishment of Policies and Procedures for
Developer Assistance Program within Redevelopment
Project Areas

APPROVED
APR - 9 1985
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

SUMMARY

The proposed Developer Assistance Program of direct loans to developers within Redevelopment Project Areas will formalize loan policies and procedures needed to assist in the revitalization of portions of the City and County through a financial tool that is flexible and powerful. The program will provide developers with a "competitive edge" and assist in attracting private capital to Redevelopment Areas.

BACKGROUND

The Agency at present has established policies and procedures for three financing programs funded by Community Development Block Grant (CDBG) which are designed to help existing property owners, business operators and commercial and industrial developers within designated Economic Development Target Areas (EDTA). The three programs are:

1. Commercial/Industrial Development Loan Program

This is a direct-funded loan, private to public leverage ratio of 3:1, used for loan guarantees, lease guarantees, interim and permanent financing at variable interest rates. The maximum loan amount is \$200,000, the maximum term ten years and the maximum interest rate is 9%.

2. Commercial Rehabilitation Loan

This program provides interest subsidy through private lending institutions, interest rate approximately six points below market rate, maximum loan of \$100,000.

3. Facade Rebate

This program provides up to \$5,000 rebate for facade improvements, 1:1 to leverage ratio of private to public, consistent with design guidelines.

4-9-85
All Districts(1)

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These programs are offered to all of the Agency's EDTA Areas, however only portions of Oak Park and Alkali Flat are both Redevelopment Areas and EDTA Areas. In these cases the areas would be eligible for both CDBG and tax increment funds. In other areas within Redevelopment Project Areas the Agency could utilize and fund these programs with tax increment funds.

In order to implement the proposed revitalization strategies in Oak Park, Del Paso Heights, Alkali Flat and the Downtown area, the Agency needs an additional program that can be used to assist commercial and industrial developers in different and more powerful ways with added flexibility needed to address unusual situations.

In the past the Agency has participated with developers' assistance in a variety of ways, utilizing tax increment funds, e.g.:

1. CADA - loans for various residential projects.
2. Club Can't Tell - leasehold improvements.
3. 16 units Single Room Occupancy (SRO) - loan to fund joint Agency, CADA and private lender project.
4. Sequoia Hotel - residential loan that includes State and private funds.
5. Crest Theater (proposed leasehold loan).
6. 17th Street Commons - residential construction loan.
7. Bridgeway Towers - infrastructure/foundation.

In order to provide the Redevelopment Division staff with all of the necessary array of financial tools to implement the updated Redevelopment Plans and to provide policy guidance and procedures for future utilization of tax increment funds by developers, the Agency's Developer Assistance Program within Redevelopment Project Areas is being recommended. Program highlights are as follows:

1. The intent of the Developer Assistance Program is to provide a flexible funding loan tool designed to make projects financially feasible and to give developers within Redevelopment Project Areas a competitive edge. Projects not carrying out the intent of the Redevelopment Plan will not be eligible.
2. These funds shall be used for projects that need expansion, rehabilitation or for new construction and creation of additional new jobs. Projects already under construction are not eligible.
3. The Developer Assistance Program can be used for acquisition of land (not for speculation), land write-downs, lease and loan guarantees, new construction loans, interim and take-out loans, provision of infrastructure both on-site and off-site, and leasehold improvements for commercial and industrial or mixed use projects.

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4. The term of the loan, interest rate, amount and any conditions will be flexible to fit each situation to ensure project feasibility. The loans should be looked upon as "gap" financing to make projects feasible.
5. The loan shall help implement the Redevelopment Plan through an Owner Participation or Development Disposition Agreement approved by the Agency.

FINANCIAL DATA

This report sets policy guidelines for the use of tax increment funds for future loans to developers and does not commit any dollars for a specific project.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of April 1, 1985 the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Lopez, Luttrell, Moose, Pettit, Sanchez,
Wooley, Angelides
NOES: None
ABSTAIN: Ose
ABSENT: Teramoto, Walton


POLICY IMPLICATION

The action proposed in this staff report is to establish new policy guidelines that are consistent with previously approved policy guidelines for other loan programs and there are no policy changes being recommended.

RECOMMENDATION

The staff recommends adoption of the attached resolution approving the Developer Assistance Program for direct funded loans within Redevelopment Project Areas.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE
City Manager

Contact Person: Leo Goto

RESOLUTION NO. 85-028

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

April 9, 1985

DEVELOPER ASSISTANCE PROGRAM

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

Section 1: The Developer Assistance Program
for direct loans within Redevelopment Project Areas,
as described in the Staff Report, is hereby approved.

CHAIR

ATTEST:

SECRETARY



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

GUIDELINES FOR DEVELOPER ASSISTANCE PROGRAM

APRIL 1, 1985

Purposes of Program

1. To provide a flexible financing tool of direct loans to developers within Redevelopment Project Areas that bridge the "financing gap" between private funds and market support. This program is used to supplement other existing economic development loan programs by the Agency. This flexible approach will enable selected projects to go forward that might otherwise not be able to proceed under one of the Agency's regular loan programs, other subsidized loan programs by the State or Federal Government or market rate financing.
2. To create new jobs wherever possible in conjunction with the revitalization of Central Business Districts and neighborhood commercial/residential areas.

Scope of Program

1. The Developer Assistance Program will be applicable within Redevelopment Project Areas.
2. Program funds shall be used for projects that need expansion, rehabilitation or for new construction and creation of additional new jobs. Projects already under construction are not eligible.
3. The Developer Assistance Program can be used for acquisition of land (not for speculation), land write-downs, lease and loan guarantees, new construction loans, interim and take-out loans, provision of infrastructure both on-site and off-site, leasehold improvements for commercial and industrial or mixed use projects and rental assistance in residential projects.
4. The term of the loan, interest rate, amount and any conditions will be flexible to fit each situation to ensure project feasibility. The loans should be looked upon as "gap financing" to make projects feasible.

Program Requirements

1. Any developer receiving loan funds from this program shall enter into a Developer Disposition Agreement (if buying land from the Agency) or an Owner Participation Agreement with the Agency.
2. The developer's contractor shall be signatory to the Greater Sacramento Area Plan.
3. The developer equity should be at least 10% of the total project cost, if possible.

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4. The private to public leverage ratio may be approximately 3:1 with preference given to projects that have a higher leverage ratio.

Project Selection Criteria

1. Projects must be consistent with and carry out the intent of the Redevelopment Plan and overall implementation strategy.
2. Projects ready to go with developer financing in place will have priority over others.
3. Developer and/or lender financing committed to projects without any conditions would rank the highest, those with conditions would rank lower and financing letters of interest would not be acceptable.
4. Projects must show a demonstrated "financing gap" between what the market can support and private sector funding.
5. Projects with higher private to public Agency fund leverage ratios will be ranked in priority over those with lower leverage ratios.
6. The creation of new jobs is an important component to this program.
7. Projects that require fewer Agency dollars per new private job will be ranked higher in priority than those showing a higher unit cost per Agency dollar.

Review and Approval Process

1. Interested developers shall be given a copy of these guidelines and application for developer assistance form attached.
2. Staff shall review application form initially for reasonableness and adequacy. Staff shall analyze project and determine if a "financing gap" exists and to what degree. Staff may require additional project or pro forma information. If staff is convinced the project needs public financing and meets the selection criteria then a loan agreement shall be prepared including amount, terms, conditions and securities. The loan agreement shall be part of an Owner Participation Agreement or Developer Disposition Agreement whichever is applicable.
3. The Developer Assistance Program shall be administered by the Redevelopment Division with review and recommendation by the Sacramento Housing and Redevelopment Commission and approved by the Redevelopment Agencies of the City and County of Sacramento.

