



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



12

June 9, 1987

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement with
RICHARD L. MALLET for Purchase of Two Parcels and
Rehabilitation of Historic Home Under the Alkali Flat
Historic Infill Program

SUMMARY

The attached report is submitted to you for review and
recommendation prior to consideration by the Redevelopment Agency
of the City of Sacramento.

RECOMMENDATION

The staff recommends adoption of the resolution authorizing
execution of the Disposition and Development Agreement.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Jack R. Crist

JACK R. CRIST
Deputy City Manager

Attachment



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



June 15, 1987

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

Subject: Execution of Disposition and Development Agreement with RICHARD L. MALLET, an individual, for purchase of two parcels of land and rehabilitation of historic home under the Alkali Flat Historic Infill Program [PUBLIC HEARING]

SUMMARY

This report authorizes the Executive Director to enter into a Disposition and Development Agreement and related documents with RICHARD L. MALLET for purchase of 511 8th Street and 800 E Street from Redevelopment Agency of the City of Sacramento. Mr. Mallet has proposed to move a threatened historic house, currently located at 317 11th Street, to the 511 8th Street location and rehab the two-story building. An adjacent parcel at 800 E Street will be developed as parking and appropriately landscaped.

Staff has determined that implementation of this project is consistent with the Alkali Flat Redevelopment Plan, and is recommending approval.

BACKGROUND

In March of this year Agency staff commenced advertisement of the Alkali Flat Historic Infill Program. Mr. Richard L. Mallet of Sacramento submitted the first proposal to move a threatened historic home on April 13, 1987. Mr. Mallet is an experienced rehabilitation contractor who has completed four other homes in the central city; two of these home are located in Alkali Flat (1001 and 1011 F Street). The house to be moved is listed as a priority structure on the City's Official Register. Presently the building is "gutted" and requires total interior reconstruction. The new location is within a National Historic

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District and will require that the project be monitored by the State Office of Historic Presentation (OHP). The developer has made contact with OHP regarding the project. Following a review of the proposal, staff prepared a project proforma (attached hereto) and met with Mr. Mallet to discuss the project's financial needs.

SUMMARY OF PROPOSAL

Mr Mallet will arrange to move a two-story frame Victorian house of 1800 square feet from 317 11th Street, an M-1 Industrial zone, to 511 8th Street, an R3A zone and rehab the structure on-site. To do so, he will acquire 800 E Street for required parking since the parcel at 511 8th Street is both landlocked and inadequate for on-site parking. Mr. Mallet will act as his own contractor and will contribute \$50,000 of his own funds to the success of the project. A low-interest (3%) loan of \$30,000 and a significant land write down is requested to complete the project. The developer would commence construction approximately one week after close of escrow and complete rehabilitation within one year.

Mr. Mallet's prepared estimate of costs for the project is \$122,910. The breakout of project components follows:

House Acquisition	\$ 500
House Move/Foundations	20,725
Rehabilitation	55,885
Land Costs	45,800
	<u>\$ 122,910</u>

The developer proposes to rent the completed house for \$650.00 monthly giving him a total income of \$7800 annually. Expenses and vacancy losses reduce the net income to \$3,246 annually. Looking at the estimated "after-rehabilitation" value of the project from comparable sales data and using a 10% capitalization rate, it is estimated that the after rehabilitation value is approximately \$85,000. Please see Developer's proposal and agency proforma attached.

Because there is insufficient value in the project to make it feasible, the developer has requested a significant land write down from \$45,800 to \$3,000 which represents the estimated difference between all other developer costs exclusive of land and the estimated project after rehabilitation value.

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Staff has met with Mr. Mallet and discussed the subsidy required to complete the project. Mr. Mallet presented the following information in support of his proposal:

APPROVAL OF THIS PROJECT HAS THE FOLLOWING ADVANTAGES

1. Saves an endangered historically and architecturally significant building in the Alkali Flat Redevelopment Area.
2. Puts both the land and the house back on the city's property tax roll.
3. Provides three additional off-street parking spaces.
4. Significantly improves the appearance of both the current 11th Street and vacant 8th Street sites.
5. Eliminates the City's cost of maintaining Sites 6 & 7.
6. Removes two City owned trees, that are in very poor condition, and replaces them with a new healthy tree at the developer's expenses (Permit dtd. 8 Apr. '87).
7. Opens the M-1 Zoned lot at 317 11th Street for development.
8. Improves the balance of low income and moderate income housing in the Alkali Flat Area.
9. Advances the goals of the Central City Plan for more residential housing and for a 24 hour Downtown community environment.

Staff concurs with the advantages presented and recommends that the subsidy be granted in the interests of furthering the goals of the Alkali Flat Redevelopment Project Area. The DDA has been prepared by an Agency attorney and restricts the project and its adjacent parking to residential use for the life of the loan or until 2002 A.D. when the Alkali Flat Redevelopment Plan expires.

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FINANCIAL DATA

Under the Historic Infill Program, the Agency will loan Mr. Mallet \$30,000 at 3% interest for 15 years. (Cost Center A00690 Historic Infill Program). The Agency will also write down its land cost to \$3000. Mr. Mallet will provide \$50,000 of his own funds to complete the project.

<u>Revised Project Cost</u>		<u>Financing</u>	
House Acquisition	\$ 500	Developer Cash	\$50,110
Move & Foundations	20,725	Agency Loan	30,000
Rehabilitation	55,885		
Land Costs	3,000		
	<u>\$80,110</u>		<u>\$80,110</u>

Mr. Mallet has submitted a personal financial statement evidencing sufficient assets, real estate and bonds to finance his portion of the project and staff is able to testify as to its adequacy. Mr. Mallet has also executed the DDA as confirmation of the terms; a copy of the executed DDA is on file with the Agency and the City Clerk's office.

POLICY IMPLICATIONS

It has become apparent that the cost of implementing the Historic Infill Program is considerably more than originally anticipated. This can partially be attributed to very high house moving costs and partly to the condition of the structure to be rehabilitated. Staff has evaluated available information and recommends that the program guideline limiting rehabilitation assistance to \$15,000 be waived for this project in order to obtain the goals/advantages listed on page 3 of this report.

ENVIRONMENTAL REVIEW

Residential rehabilitation projects are exempt from the environmental review process under the California Environmental Quality Act (CEQA).

VOTE AND RECOMMENDATION OF THE ALKALI FLAT PROJECT AREA COMMITTEE (PAC)

At its regular meeting of June 3, 1987, the Alkali Flat Project Area Committee voted to recommend approval of this project and authorization for the Executive Director to execute the Disposition and Development Agreement with Richard L. Mallet.

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VOTE AND RECOMMENDATION OF THE COMMISSION

At its regular meeting of June 15, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending that you adopt the attached resolution. The vote was as follows:

AYES:

NOES:

ABSENT:

RECOMMENDATION

The staff recommends adoption of the attached resolution which authorizes the Executive Director to execute a Disposition and Development Agreement with Richard L. Mallet for purchase of two parcels of land and rehabilitation of a three bedroom home under the Historic Infill Program.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Trish Davey - 440-1322

0156Q

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

AUTHORIZING EXECUTION OF DISPOSITION AND DEVELOPMENT AGREEMENT WITH RICHARD L. MALLET FOR PURCHASE OF LAND AND REHABILITATION OF HOUSE UNDER ALKALI FLAT HISTORIC INFILL PROGRAM

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

Section 1: The Executive Director is hereby authorized to execute a Disposition and Development Agreement and related documents, as approved by Agency Counsel with Richard L. Mallet, an individual, for the purchase of land indentified as 511 8th Street (APN: 002-104-02) and 800 E Street (APN: 002-104-03) as part of the Alkali Flat Historic Infill Program.

Section 2: The Executive Director is further authorized to make a \$30,000 loan on the terms set forth in the staff report filed with this resolution to the developer from the 1987 Capital Improvement Budget (Cost Center A00690) Historic Infill Program.

Section 3: The Executive Director is authorized to take such other actions which are reasonably necessary to carry out the provisions of this resolution.

CHAIR

ATTEST:

SECRETARY

WPP100(L)
154WPP1

PROPOSAL FOR HISTORIC INFILL PROJECT

SCOPE: Move and restore an 1892 Victorian, 2-story, frame structure from the current location at 317 11th Street to Sites 6 and 7 described in the Historic Infill Program Guidelines. The house is a priority structure on the Official Register of Architecturally and Historically Significant Buildings and is listed in Vanishing Victorians.

The home is now located on an M-1 zoned lot in Alkali Flat(across from Crystal Creamery)

Sites 6 & 7 will be merged to provide a professionally landscaped L shaped lot, smaller than a standard 40X160 city lot, but adequate for this house and three off-street parking spaces with access on 8th Street.

E STREET

27.58'

17.5'

40'

8TH STREET

REHABILITATION COSTS

1.	317 11th Street:	
	a. Remove garage, house foundation, two large concrete slabs, and all debris.	<u>\$ 1,800.</u>
	b. Remove two large City trees and plant one new tree i.a.w. 8 Apr. '87 Permit.	<u>950.</u>
2.	Move house-317 11th St. to 511 8th St.	<u>11,500.</u>
3.	Foundation (Footing & 24" Stem Wall	<u>4,475.</u>
4.	Framing	<u>1,500.</u>
5.	Driveway, parking area, & walkways	<u>1,500.</u>
6.	Roof(Remove existing, 3/8" ext. ply. sheath, 15# felt, Class A Comp.).	<u>3,500.</u>
7.	Front and rear (2-Story) porches and stairs(incl. turned redwood balusters, newells, porch posts and milled handrails).	<u>11,500.</u>
8.	Exterior preparation and painting.	<u>3,400.</u>
9.	Windows(22 double hung) & ext doors.	<u>4,000.</u>
10.	Plumbing(copper & ABS).	<u>3,000.</u>
11.	Electrical(200 Amp underground serv)	<u>2,750.</u>
12.	Central Heat & Air Cond. Split Sys.	<u>5,100.</u>
13.	Insulation(Fiberglass R-11 & R-19).	<u>1,000.</u>
14.	Trim(Doors, Windows, Baseboards, Wainscott, & Chair rail).	<u>1,975.</u>
15.	Sheet Roc(Hang, tape, & finish).	<u>2,750.</u>
16.	Interior paint & wallpaper.	<u>1,725.</u>
17.	Cabinets(Kitchen & bath).	<u>1,625.</u>
18.	Appliances(Ra, Ref, Dish washer, GD)	<u>1,600.</u>

19. Water Heater(50 Gal.)	<u>160.</u>
20. Light Fixtures.	<u>650.</u>
21. Ceramic Tile.	<u>780.</u>
22. Carpets & Vinyl(Mat'l & Instal).	<u>3,240.</u>
23. Exterior Redwood Siding(Perimeter & Bk. Wall).	<u>2,520.</u>
24. Landscape & Sprinkler System.	<u>1,500.</u>
25. SAWDCO.	<u>135.</u>
26. Permits, Plans, & Specifications	<u>360.</u>
27. Misc.(Locksets, Deadbolts, Hinges, Alarm Sys.).	<u>1,000.</u>

76,045.

\$42.25 / sq ft.

Δ 8,955.

27.58 x 80 = 2206.4
 40 x 90 = 3600.0
 5806.4

40 x 160 6400.0
 Δ 593.60

DEVELOPMENT EXPERIENCE

The developer is an Electrical Engineer and also has a degree in Business Management. He has been renovating Victorian and contemporary buildings in the downtown area for 15 years. He is a long time resident of Sacramento and an active member and past Preservation Chairman of Sacramento Old City Association.

He has been involved in the Alkali Flat redevelopment effort through the renovation of two homes there and through active membership in the Alkali Flat Neighborhood Improvement Association.

Another more contemporary renovation, completed by the developer, is an 18 unit apartment building at 1416 Q Street. This building was completed in December of 1984 and sold in February of 1985. Portions of this building were featured in the May '84 Cal-Life section of the Sacramento Bee.

The following are before and after photographs of Victorian homes completely renovated by the developer.

They are:

1316 25th Street	1800sq.ft.	Single Family Residence
1001 F Street	3400sq.ft.	Two Family Residence
1011 F. Street	3500sq.ft.	Four Family Residence

A. PROJECT: HISTORIC INFILL : DESCRIPTION:
 LOCATION: 511 2th St./300 E St. : Moving/rehab 1 unit
 Akali : SHRA finance
 DATE: May 26, 1987 :

B. PROJECT COSTS		ASSUMPTIONS
Land cost - parcel 1	28,800	Cap rate 10.00%
Land cost - parcel 2	17,000	
House acquisition	500	
House move	20,725	
Rehabilitation	55,885	
Total project costs	122,910	

C. SOURCES OF FUNDS		FINANCING ASSUMPTIONS
Equity	50,000	SHRA loan
SHRA loan	30,000	Interest rate 3.00%
Land grant - parcel 1	28,800	Term 15
Land grant - parcel 2	17,000	
Total	122,910	

D. USES & INCOME			NUMBER	RENTS	SUM	INCOME ASSUMPTIONS
Commercial (sq.ft.)	0	0	0	0	0	Resid.
Residential						
Single family home	1	650	650			Income inflation rate 1.04
						Vacancy rate 5.00%
						Expense inflation rate 1.04
						Expenses 2,896
Total	1	650	650			

F. CASH FLOW

YEAR	1	2	3	4	5	6	7	8	9	10
Gross scheduled income	7,800	8,112	8,436	8,774	9,125	9,490	9,869	10,264	10,675	11,102
Vacancy	390	406	422	439	456	474	493	513	534	555
Effective gross income	7,410	7,706	8,015	8,335	8,669	9,015	9,376	9,751	10,141	10,547
Operating expenses	2,896	3,012	3,132	3,258	3,388	3,523	3,664	3,811	3,963	4,122
Net operating income	4,514	4,695	4,882	5,078	5,281	5,492	5,712	5,940	6,178	6,425
Debt service	2,486	2,486	2,486	2,486	2,486	2,486	2,486	2,486	2,486	2,486
Cash flow before tax	2,028	2,208	2,396	2,592	2,795	3,006	3,226	3,454	3,692	3,939
Rate of return (BT)	4.06%	4.42%	4.79%	5.18%	5.59%	6.01%	6.45%	6.91%	7.38%	7.88%

G. PROJECT FEASIBILITY

Value (@ cap rate)	45,140	46,946	48,823	50,776	52,807	54,920	57,117	59,401	61,777	64,248
Deficit/(surplus)	(77,770)	(75,964)	(74,087)	(72,134)	(70,103)	(67,990)	(65,793)	(63,509)	(61,133)	(58,662)