



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



July 29, 1986

CITY MANAGER'S OFFICE
RECEIVED
JUL 23 1986

Budget and Finance Committee
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Receipt of Bids - Riverview Plaza Frail Elderly Project

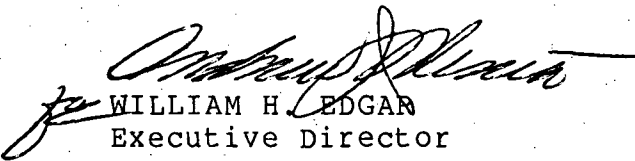
SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolution authorizing the actions contained in the attached report.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:



SOLON WISHAM, JR.
Assistant City Manager

Attachment

00960



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



July 29, 1986

Sacramento City Council
Housing Authority of the
City of Sacramento
Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Receipt of Bids - Riverview Plaza Frail Elderly
Project

SUMMARY

On July 2nd, we received construction bids for the Riverview Plaza Frail Elderly Project. The low bid was \$12,405,000, submitted by Campbell Construction Company.¹ This report recommends a strategy for reaction to that bid and recommends award of the contract to Campbell Construction Company.

BACKGROUND

On May 6th, your Council authorized us to advertise for bids on the project based on an overall project budget of \$13,135,896 of which the construction portion was estimated to be \$10,012,836.² We were disappointed at the sizeable spread

¹Reflects \$92,000 in deductive alternates. See Attachment 1 for a listing of bids received and deductive alternates.

²Our independent estimator's final estimate was \$12,200,000. Upon review by the project architect, his estimate was revised to \$11,000,000. The bids themselves reflect a fairly tight spread of costs and, in our opinion, were indicative of the true cost of the project.

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Governing Bodies

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between the previous estimate and the low bid, however, find it indicative of a rather adverse construction bid climate which has been prevalent lately. It is impossible to predict if or when this climate will change. Compounding this concern is the fact that over \$3,000,000 in previously arranged federal loans and grants and \$7,890,000 in low interest loans from the state will be lost unless we are able to proceed with construction this summer. As a result, we are proposing a revised strategy for proceeding with the project with the following key elements:

1. Elimination of deductive alternates (see Attachment 1);
2. Borrowing against the previously uncommitted income generated from the commercial/office portion of the project (\$144,096);
3. Allocation of a small additional amount of Community Development Block Grant and mortgage revenue bond funds to the project (\$297,337); and
4. Deferral of posting of certain escrow and/or furnishings accounts until 1988, and use of some 1988 tax increment revenues to fund those accounts (\$161,312).

The total project budget now stands at \$15,184,545 (see Attachment 2, pg. 1b). The difference between the \$15,184,545 and the previously approved \$13,135,896 (\$2,048,649) is proposed to be made up as follows:

1. We are proposing to borrow an additional \$1.49 million against the project to be amortized by an annual payment of \$144,096 to be taken from the \$168,346 in previously unpledged commercial income from the project (see Attachment 3). California Housing Finance Agency (CHFA) has offered to lend us \$1,340,000 of the additional funds at 10.25 percent (30 year amortization) and \$150,000 at three percent (deferred payment) provided that we are willing to guarantee the debt with a back-up pledge of tax increment funds beginning in 1988. Attachment 4 provides a projection of tax increment cash flow from the Downtown project area for 1986, '87, and '88 and also indicates existing demands against that cash flow. From the information provided, it is clear that we can afford to make this guarantee even with no increase in tax increment flow over the 1986 level (i.e., worst case scenario).
2. The posting of \$161,312 in refundable escrows is proposed to be deferred until 1988 and then funded from 1988 tax increment revenues.

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Governing Bodies
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3. The balance of \$397,337 is proposed to be taken now from current CDBG contingency funds (see Attachment 5) in the amount of \$297,337 and mortgage revenue bond administrative fees (see Attachment 6) in the amount of \$100,000.

POLICY IMPLICATIONS

There are several significant policy implications which should be considered when taking this request under submission:

1. The provision of housing for the frail elderly has long been high on the list of priorities for the City Housing Authority. It would be extremely difficult to ever again bring together the mix of resources currently assembled to make this project possible.
2. Despite the relatively high overall cost of the project, from the perspective of investment of local funds, it is still a bargain. The total "local" cost of \$4,710,789, 432,557 per unit (net of refundable escrows) is, we believe, quite low when considering the 124 low-income housing units and 23,000 + square feet of commercial/office space to be built (see Attachment 2, pg. 3).
3. Not only will our housing objectives be furthered via this project, but also the addition of an attractive mixed-use development into the target Downtown neighborhood will, we think, add considerably to furtherance of the Downtown redevelopment plan. The amount of local tax increment funds being put into the project construction is \$2,577,985 (\$20,970 per unit) which will contribute directly to our mandatory goal of using 20 percent of our tax increment funds for low-income housing. This amounts to a goal of \$3.0 million in three years and the \$2,577,985 represents 85%, or that goal (see Attachment 4).
4. Having a facility of this nature next to our existing administrative offices and housing complex at 630 "I" Street will allow us to achieve economies of operation which could not otherwise be achieved at an alternate site.
5. The project could serve some of the population otherwise displaced from Single Room Occupancy hotels in the Downtown area and would provide an alternative housing opportunity in Downtown.

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ENVIRONMENTAL REVIEW

Previously completed.

FINANCIAL DATA

See above.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of July 21, 1986, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Glud, Lopez, Moose, Pettit, Sanchez, Wooley

NOES None:

ABSENT: None

RECOMMENDATION

Staff recommends approval of the attached resolutions which:

1. Award the contract for construction of the Riverview Plaza project to Campbell Construction Company.
2. Authorize the Executive Director to execute loan documents for an additional \$1.49 million in CHFA loan funds for the project to be amortized by the income generated from the commercial/office side of the project. Authorize a guarantee of tax increment funds, beginning in 1988, to back up this loan.
3. Authorize the use of an additional \$161,312 in 1988 tax increment funds for the posting of refundable escrows required when the permanent loan is taken out.
4. Authorize the use of an additional \$297,337 in Community Development Block Grant contingency funds and an additional \$100,000 in mortgage revenue bond administrative fees for this project.

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5. Authorize the Executive Director to execute such loan documents, agreements, and contracts as required to implement the construction of this project within the funding parameters outlined in this report.

Respectfully submitted,



WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: John Molloy
440-1360

0039N

RESOLUTION NO.

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

APPROVING THE PLEDGE OF ADDITIONAL DOWNTOWN
TAX INCREMENT FUNDS TO FINANCE
THE RIVERVIEW PLAZA (HODAG) PROJECT AND
THE TRANSFER OF FUNDS

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

Section 1. The Executive Director is hereby authorized to pledge up to \$170,000 annually in Downtown Tax Increment funds, beginning in 1988, as a guarantee for the loan for the Riverview Plaza (HODAG) Project. This \$170,000 is in addition to all other tax increment funds previously pledged for this same Project.

Section 2. The Executive Director is further authorized to pledge \$161,312 of 1988 Downtown Tax Increment revenues for this Project.

Section 3. The transfer of \$426,000 from Oak Park Developer Assistance funds (Fund 223, Cost Center 0730) to 1986 Community Development Block Grant Contingency funds (Fund 223, Cost Center 4286) is hereby authorized.

Section 4. The transfer of \$297,337 from 1986 Community Development Block Grant Contingency funds (Fund 223, Cost Center 4286) to the Riverview Plaza project (Fund 223, Cost Center 0412) is hereby authorized.

Section 5. The Executive Director is hereby authorized to execute into any contracts and other binding agreements or document as may be required to evidence these pledges.

Section 6 This resolution shall take effect immediately.

CHAIR

ATTEST:

SECRETARY

0356L

RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

APPROVING AWARD OF CONSTRUCTION CONTRACT
AND ADDITIONAL FINANCING FOR THE
RIVERVIEW PLAZA (HODAG) PROJECT

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

Section 1. The Executive Director is hereby authorized to execute a construction contract approved by the Agency Counsel, with Campbell Construction Company in the amount of \$12,405,000 for construction of the Riverview Plaza Project and to execute all other documents as may be required for the Project.

Section 2. Kenneth Stroth is hereby designated as the Contracting Officer for the Riverview Plaza Project. Michael Ordonia shall be the Acting Contracting Officer in Mr. Stroth's absence.

Section 3. The Executive Director is hereby authorized to borrow up to an additional \$1.49 million from the California Housing Finance Agency to finance the Riverview Plaza Project and to pledge up to \$170,000 in income generated from the commercial rents on the project to amortize such additional debts.

Section 4. The Executive Director or his designee is hereby authorized to execute all loan documents, pledges, and other agreements as may be necessary to obtain the loan and make the pledge referenced above in Section 3.

Section 5. This resolution shall take effect immediately.

CHAIR

ATTEST:

SECRETARY

0356L

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

AUTHORIZING THE TRANSFER OF COMMUNITY DEVELOPMENT BLOCK
GRANT CONTINGENCY FUNDS AND MORTGAGE REVENUE
BOND ADMINISTRATIVE FEES TO FINANCE THE
RIVERVIEW PLAZA (HODAG) PROJECT

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The transfer of \$426,000 from Oak Park Developer Assistance funds (Fund 223, Cost Center 0730) to 1986 Community Development Block Grant Contingency funds (Fund 223, Cost Center 4286) is hereby authorized.

Section 2. The transfer of \$297,337 from 1986 Community Development Block Grant Contingency funds (Fund 223, Cost Center 4286) is hereby authorized for use on the Riverview Plaza (HODAG) project (Fund 223, Cost Center 0412).

Section 3. An additional \$100,000 in 1986 Mortgage Revenue Bond Administrative Fees (Fund 249, Cost Center 0412) is hereby authorized for use on the Riverview Plaza (HODAG) project.

MAYOR

ATTEST:

CITY CLERK

0356L

BID OPENING RECAPITULATION

<u>BIDDER</u>	<u>AMOUNT</u>
Continental Heller	\$12,694,000
Blount Brothers	\$13,837,000
Hensel-Phelps	\$13,585,000
Campbell Construction	\$12,497,000
NVE	\$13,234,000

BID ALTERNATE

- Number 1: Omit modular closet system in residential units.
- 2: Omit stair system between common living rooms.
- 3: Omit ceramic tile floor agora and exterior sidewalk "tile band". Finish surface to be scored concrete.

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HODAG PROGRAM REVENUES

REVENUE SOURCE	1984 HODAG APPLICATION	PREBID	CONSTRUCTION AWARD	DIFFERENCE*
CHFA BASIC LOAN	6,000,000	5,700,000	7,040,000**	1,340,000
CHFA DEFERRED LOAN	0	700,000	850,000**	150,000
HODAG GRANT	2,000,000	2,000,000	2,000,000	0
SECTION 108 LOAN	1,000,000	1,000,000	1,000,000	0
URBAN RENEWAL PAYBACK	500,000	500,000	500,000	0
REGULAR CDBG	0	159,175	456,512	297,337
CURRENT MORT./REV. BOND FEES AND MISC. REVENUE	0	106,482	206,482	100,000
MORT./REV. BOND FEES (87/88)	0	131,122	131,122	0
DOWNTOWN T.I. CASH	500,000	711,000	711,000	0
DOWNTOWN T.I. (FROM BOND)	0	810,673	810,673	0
DOWNTOWN T.I. (1987)	0	645,000	645,000	0
DOWNTOWN T.I. (1988)	0	250,000	411,312	161,312
TEMPORARY ESCROW PLEDGES	0	422,444	422,444	0
	<u>10,000,000</u>	<u>13,135,896</u>	<u>15,184,545</u>	<u>2,048,649</u>

* Difference from Pre-bid estimate.

** Increase amortized by commercial income secured by T.I. pledges (\$144,096) annually.

0531I

PROJECT BUDGET

Construction Period Expenses

HoDAG Application Costs	\$ 53,958
Soils and Engineering	19,960
Site Acquisition	188,000
Architectural Design	432,043
Permits	230,000
Construction Inspection	322,828
Construction	12,405,000
Furnishings	130,000
Required Escrows & Refundable Fees	583,756
Marketing	58,800
Nonrefundable Loan Fees	288,000
Construction Loan Interest	<u>482,200</u>
Total	\$15,184,545

HO DAG CONSTRUCTION BUDGET SYNOPSIS

	1984 Based on \$8,213,000		1985 Based on \$10,012,836		1986 Based on \$12,405,000
	<u>Cost</u>	<u>Sq. Footage</u>	<u>Cost</u>	<u>Sq. Footage</u>	<u>Cost</u> <u>Sq. Footage</u>
<u>I. Commercial</u>					
Total Commercial Sq. Footage		18,000		23,231	23,231
Total Construction Cost	\$ 813,087		\$ 991,270		\$1,228,095
Cost per Sq. Ft.	\$ 45.17		\$ 42.67		\$ 52.86
<u>II. Residential</u>					
Total Residential Sq. Footage		70,032		74,552	74,552
Total Construction Cost	4,311,825		5,256,738		6,512,625
Cost per Sq. Ft.	61.56		70.51		87.35
<u>III. Parking</u>					
Total Parking Sq. Footage		23,668		23,668	23,668
Total Construction Cost	361,372		440,564		545,820
Cost per Sq. Ft.	15.26		18.61		23.06
<u>IV. Misc. Space, e.g. Dining, Common Space, Exercise/Recreation Area</u>					
	3,154,000	n/a	3,652,000	n/a	4,118,460 n/a
<u>V. Project Admin., Loan Fees, Land Cost</u>					
	1,359,716		2,795,324		2,779,545
TOTAL	\$10,000,000		\$13,135,896		\$15,184,545
0327J					

ANALYSIS OF LOCAL COSTS

SUMMARY

Section 108 Loan	\$1,000,000
Urban Renewal Payback	500,000
Regular CDBG	456,512
Miscellaneous Revenues	106,482
Mortgage Revenue Bond Fees	231,122
Downtown Tax Increment	2,577,985
Temporary CDS	422,444
	<hr/>
	\$5,294,545
Less Refundable Escrows & Fees	583,756
	<hr/>
	\$4,710,789

PROJECT ANALYSIS	PROJECT COSTS BASED ON		
	LOCAL CONTRIBUTION (\$4,710,789)	CONSTRUCTION BID (\$12,405,000)	TOTAL PROJECT COST (\$15,184,545)
PER SQ. FOOT COST			
. COMMERCIAL	\$25.90	\$52.86	\$64.70
. RESIDENTIAL			
. NET - W/O MISC. SPACE	\$33.17	\$87.35	\$106.93
. GROSS - WITH MISC. SPACE*	\$54.15	\$142.59	\$174.55
. PARKING	\$8.75	\$23.06	\$28.22
PER UNIT COST			
. RESIDENTIAL W/O MISC. SPACE	\$19,944.87	\$52,521.16	\$64,289.40
. RESIDENTIAL WITH MISC. SPACE*	\$32,557.62	\$85,734.55	\$104,944.79
. PER UNIT COST BASED ON TOTAL AMOUNT	\$37,990.23	\$100,040.32	\$122,456.00

* Dining, Common Areas, Exercise and Recreation Areas

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HODAG PROJECT BUDGET

	<u>August 1984</u>	<u>May 1986</u>	<u>July 1986</u>
HoDAG Application Costs	\$ 10,000	\$ 53,958	\$ 53,958
Soils and Engineering	13,000	14,960	19,960
Site Acquisition	498,000	198,000	188,000
Architectural Design	289,688	461,092	432,043
Permits	160,000	186,778	230,000
Construction Inspection	N/A	233,971	322,828
Construction	8,213,000	10,012,836	12,405,000
Furnishings	N/A	155,200	130,000
Required Escrows and Refundable Fees	163,667	740,572	583,756
Marketing	50,000	93,800	58,800
Nonrefundable Loan Fees (CHFA 2.50 + EIB 1.50 + 24,000 legal fees	240,000	255,000	288,000
Construction Loan Interest	362,645	528,629	482,000
Total	10,000,000	13,135,896	15,184,545

0318J
KS:cmc
7/23/86

MORTGAGE REVENUE BOND PROGRAM
REVENUE FUND STATUS

January 1, 1986 Fund Balance	\$422,000
Uncollected Bond Application Fees	141,000
Trustee Fees Due in 1986	365,000
1986 Staff Costs	(245,000)
Allocated to Public Housing Substantial Rehabilitation Program	(232,000)
Allocated to Public Housing Construction Program (Nov. 1984 Report)	(350,000)
Developer Refund Fund	(40,000)
Mortgage Credit Certificate Program Feasibility Study	(3,000)
Defeasance (\$150,000 due July and \$400,000 due December 1986)	550,000
Pledged to Construction of New Units at South Area Emergency Housing Center	(160,000)
Pledged to Public Housing Construction from Defeasance (April 1986 Report)	(150,000)
Sale of Excess Land - Public Housing Program	93,000
Rehab Bond Issue - Costs of Issuance	(70,000)
Legal Fees - Defeasance	(10,000)
Interest Earnings	20,000
Additional Amount Committed to Public Housing Construction (April 1986 Report)	(200,000)
Homeless Program (Travelers Aid)	(30,000)
Pledge to Riverview Plaza (This Report)	<u>(100,000)</u>
 Estimated Year End Fund Balance	 \$ 1,000

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STATUS OF CDBG CONTINGENCY

Year/ Cost Center	Project	Current Alloc.	Recom. Alloc.	Net Change to Conting.	Comments
	Beginning 1986 Contingency Balance			\$ 75,117	
86/0730	Oak Park Developer Asst. Donner Sch.	426,000	0	+426,000	Project cancelled due to lack of private funds
85/0412	HoDAG	659,111	956,512	-297,400	
85/4302	Gardenland Imp. # 5	480,000	530,000	- 50,000*	To cover low bid & change orders
85/4423	Gleaners State- wide	10,000	22,500	- 12,500*	To cover costs of completing handi- capped restroom & refrigeration unit for Gleaner facility
	Ending Balance			\$141,000	

*Pending amendments to be brought forward for City Council action in a separate report. They are shown here to indicate the proposed Contingency balance.

ANNUAL COMMERCIAL INCOME ANALYSIS

15,447 gross leasable office square feet x 1.05 (triple net) =

\$16,219 x 12	\$194,632
10 percent vacancy	<u>- 19,463</u>
(a)	\$175,169

7,784 gross leasable retail square feet x 1.40 (fully serviced) =

\$10,987 x 12	\$130,771
16 percent vacancy	<u>- 20,923</u>
(b)	\$109,848

\$285,017	(a + b)
<u>- 61,332</u>	Already pledged to debt service
\$223,685	
<u>- 55,539</u>	Already pledged to operating expenses
\$168,346	Unencumbered balance

This analysis is based on actual rents that could be achieved in today's rental market.