



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



8

December 4, 1990

Budget & Finance Committee
Transportation/Community
Development Committee
Sacramento, CA

Honorable Members in Session:

SUBJECT: Execution of Owner Participation Agreement with Legal
Services of Northern California for Rehabilitation of
517 12th Street and Authorization to Allocate Funds

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 approval of the attached resolutions
approving the agreement.

Respectfully submitted,

ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



December 11, 1990

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Execution of Owner Participation Agreement (OPA) with
Legal Services of Northern California for Rehabilitation
of 517 12th Street and Authorization to Allocate Funds

SUMMARY

This report requests authorization to enter into an Owner Participation Agreement (OPA) with Legal Services of Northern California (Developer) for rehabilitation of a 3,200 square foot commercial historic structure at 517 12th Street. As part of the OPA, the Agency will award a permanent financing loan of \$350,000 to the developer.

BACKGROUND

Legal Services of Northern California has submitted a proposal to the Agency to rehabilitate a commercial historic structure located at 517 - 12th Street for office use. A map of the parcel is attached as Exhibit "A". The developer is a non-profit organization providing legal services for the elderly, disabled and poor.

By way of qualification the developer has already purchased and rehabilitated for their use a one-story, 5,140 square foot brick office building located at 515 - 12th Street. This \$395,000 project was a joint private/public development assisted by a \$50,000 Agency loan.

SUMMARY OF PROPOSAL

The developer proposes to rehabilitate a two story brick historic structure, located at 517 - 12th Street. The building is located in a C-2 zone within the boundaries of the Alkali Flat 12th Street Commercial Revitalization Plan Area. The primary purpose of the Alkali Flat/12th Street Commercial Revitalization Plan is to encourage development in the 12th Street Commercial Area. The Plan was undertaken as a coordinated effort between the public and private sector to arrest disinvestment and stimulate reinvestment in this area.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
December 11, 1990
Page 2

The subject structure is currently vacant and the developer proposes to rehabilitate the structure to provide office space for the staff of Legal Services of Northern California, the Voluntary Legal Services Program, and approximately 300 square feet of free office space to a non-profit organization providing bilingual services to the residents of the Alkali Flat Project Area.

The structure, which currently has an interior area of 3,200 square feet, will be expanded to a total of 5,200 square feet of usable office space.

The structure's original integrity is intact and the developer proposes to restore the complete building, emphasizing its natural features, including exposing its metal trusses and tin roof. The building is important as a rare remnant of 19th century industrial design, having been built as a station for the Central California Electric Company. The structure is well composed and handsomely arched windows serve not only functional purposes, but as the principal design features. The arches and proportions of the building reflect classical design origins. Rehabilitation plans call for complete restoration of all external surfaces, including the front, to its original appearance.

Staff has prepared the following estimate of cost for the project based on the developer's proposal.

<u>PROPOSAL COST</u>		<u>SOURCE OF FUNDS</u>	
Acquisition (Land & Improvement)	\$170,000	Private Loan	\$200,000
Rehabilitation	\$520,000	Developer Equity	\$140,000
		Alkali Flat Developer Assistance	\$350,000
TOTAL COST	<u>\$690,000</u>	TOTAL FUNDING	<u>\$690,000</u>

The estimated after-rehabilitation value of the project based on comparable sales data and an income value appraisal is \$695,000. (Please see Developer's Proposal and Agency Proforma attached as Exhibits "B" and "C".)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
December 11, 1990
Page 3

As indicated in Exhibit "C", staff analysis indicates that a variable rate (1% to 7.5%) fifteen year loan of \$350,000 is required to make the project feasible. The developer proposes to complete construction within 180 days after receipt of rehabilitation loan funds.

Approval of this project has the following advantages:

1. Saves a historically and architecturally significant building in the Alkali Flat Redevelopment Project Area;
2. Significantly improves the appearance of the vacant structure at 517 - 12th Street;
3. Eliminates blight by the rehabilitation of a vacant and substandard building;
4. Significantly improves the physical appearance of the 12th Street Commercial Area; and
5. Provides for access to a much needed service in the Alkali Flat area.

An Owner Participation Agreement (OPA) will be prepared by the Agency and executed by the Developer. The OPA will restrict the project to office/commercial use for the term of the loan (15 years). This loan is conditioned upon the use of the building by Legal Services or its affiliates. Any substantial change from that use must be approved in writing by the Agency. The loan will become due and payable upon sale of the property.

FINANCIAL DATA

Under the Alkali Flat Developer Assistance Program fund, the Agency would provide a 15-year variable interest (1% - years 1 and 2; 3% - years 3 and 4; 5% - years 5 and 6, and 7.5% years 7-15) loan of \$350,000 (pro-forma included as Exhibit 'C'). Legal Services of Northern California will provide an equity contribution of \$140,000 which equals 20% of project costs and a private loan of \$200,000 to complete the project. The Alkali Flat Developer Assistance Program fund currently has a balance of \$529,616, leaving a balance of \$179,616 if this loan is approved. An additional \$190,000 of Developer Assistance will be available in the 1991 budget.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
December 11, 1990
Page 4

POLICY IMPLICATIONS

This recommendation is consistent with the Alkali Flat Redevelopment Plan, Implementation Strategy and the goals of the Agency's Alkali Flat Developer Assistance Program guidelines.

In order to achieve the Agency's goal to close out the Alkali Flat Project Area. Staff is updating the Alkali Flat Redevelopment Project Area Implementation Strategy which was adopted in 1984. The revised implementation strategy will be the planning document used to promote the orderly phase out of the Agency's activities in the Alkali Flat Project. Staff is planning to present the revised Implementation Strategy at the January 2, 1991, Commission meeting. This strategy will propose key catalyst project including additional development along 12th Street and targeted housing projects.

ENVIRONMENTAL REVIEW

Approval of an OPA and funding for this project is an administrative action exempt from environmental review per CEQA Guidelines Section 15378(b)(3). The developer has submitted the project to the City for appropriate environmental review. The Planning Commission and Design Review/Preservation Board has approved the project.

MBE/WBE EFFORTS

The developer will be advised of the Agency's MBE/WBE goals of 20% and 5%, respectively, and will be required to demonstrate efforts to meet these goals.

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

At its regular meeting of October 17, 1990, the Alkali Flat PAC voted unanimously to recommend approval of this project and authorization for the Executive Director to execute the Owner Participation Agreement with Legal Services of Northern California.

AYES: Bustamante, Camacho, Colmenarez, Dankman, Giannini,
Glauz, Olivo, Ortiz, Shehadeh, Williams

NOES: None

ABSTAIN: None

ABSENT: Bautista, Cabral, Murguia, Viarnes

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
December 11, 1990
Page 5

VOTE AND RECOMMENDATION OF THE COMMISSION'S LOAN COMMITTEE

At its special meeting of October 30, 1990, the Sacramento Housing and Redevelopment Commission's Loan Committee voted unanimously to recommend approval of this project and authorization for the Executive Director to execute the Owner Participation Agreement with Legal Services of Northern California.

AYES: Kaiser, Strong, Tobe

NOES: None

ABSTAIN: None

ABSENT: Simpson, Wooley

VOTE AND RECOMMENDATION OF THE COMMISSION

At its special meeting of November 28, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Diepenbrock, Moose, Pernel, Strong ,
Wiggins, Williams, Yew, Simpson

NOES: None

NOT PRESENT TO VOTE: Simon

ABSENT: Wooley


SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
December 11, 1990
Page 6

RECOMMENDATION

The staff recommends adoption of the attached resolution, which authorizes the Executive Director to: 1) execute an Owner Participation Agreement and all documents related thereto, with Legal Services of Northern California for rehabilitation of the historic commercial building at 517 12th Street; 2) approve permanent financing of \$350,000 from Alkali Flat Tax Increment Funds to the developer to finance this project.

Sincerely,



ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL

WALTER J. SLIPE
City Manager

Contact Person: Anne Moore
440-1315

F:\JR\STAFFRPT\OPA LEGALSER.ALK

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

OWNER PARTICIPATION AGREEMENT WITH LEGAL SERVICES OF NORTHERN CALIFORNIA AND AUTHORIZATION TO ALLOCATE ALKALI FLAT TAX INCREMENT FUNDS

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

Section 1: The Executive Director is hereby authorized to execute an Owner Participation Agreement ("OPA") with Legal Services of Northern California, in accordance with the staff report for this Resolution and as approved by Agency Counsel, for rehabilitation of 517 12th Street. The Executive Director is further authorized to take all necessary action, including execution of all other agreements and documents required in connection with such OPA.

Section 2: A loan to Legal Services of Northern California in the sum of \$350,000 for rehabilitation of the subject property under the terms described in the Owner Participation Agreement is hereby approved.

CHAIR

ATTEST:

SECRETARY

p:\share\reso\LEGSER.NOR

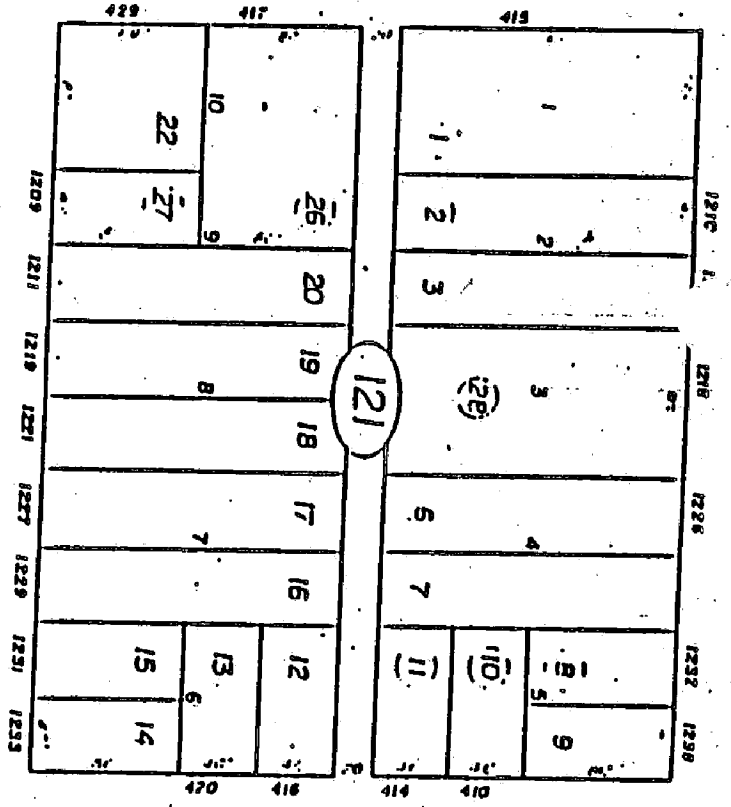
FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



ST. A

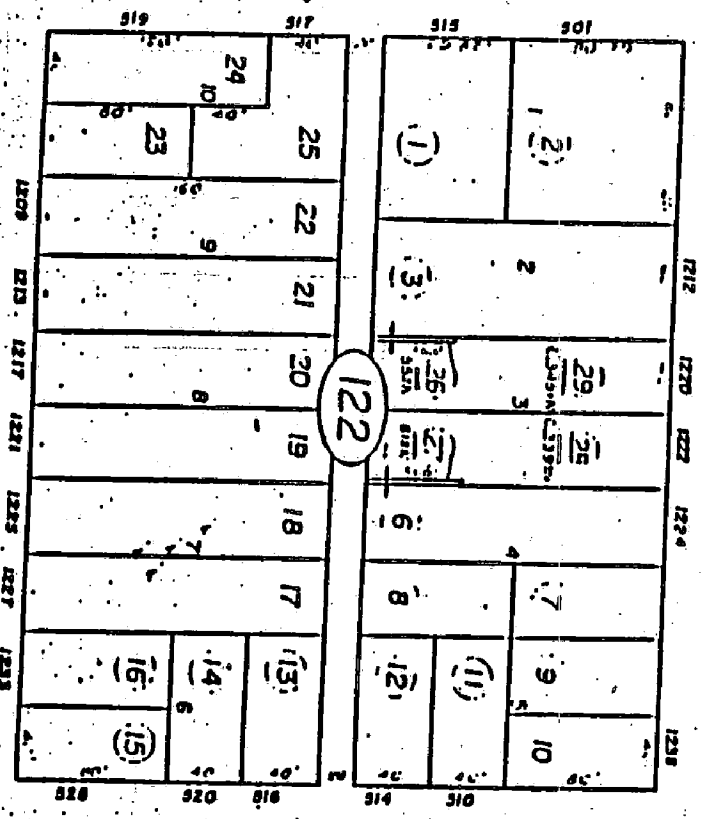


ST. B

E



12 lh



13 lh

EXHIBIT B

POTENTIAL DEVELOPER INQUIRY

1. Identification of Land

517 - 12th Street-Sacramento, CA

ADDRESS

25

PARCEL NUMBERS (S)

2. Current owner of Land

Frank and Mildred Dolinar

3. How will you develop the property? Please be specific as to land use, building size and construction material.

See Attachment 1

4. List your development experience. Give location, number, type and cost of each project. Add additional sheets if necessary.

Legal Services of Northern California has purchased and
totally renovated 515 - 12th Street in 1986. In 1988 LSNC
also renovated its office in Chico located at 541 Normal Ave.
Chico.

5. What do you estimate is the total cost of your proposed project?

\$ 690,000

6. How will you finance the project? Check all which apply:

	<u>SOURCE</u>	<u>AMOUNT</u>
a)	Conventional Loan	<u>200,000</u>
b)	Personal Cash (Equity/Assets)	<u>140,000</u>
c)	Investor Equity	
d)	Other (Please explain)	<u>350,000</u>

Low interest Loans and/or grants from the
Sacramento Housing and Redevelopment Agency

7. What type of assistance are you requesting from the Redevelopment Agency? Indicate type and amount.

LSNC requests assistance in the form of low interest loan of
6% or less on the amount of \$350,000 which represents 50% of
the costs of purchase and renovation of the property.

8. Who will occupy the completed structure? List potential occupants by company name (if known) or by type. For example: renters, homeowners, retail shops, offices, restaurants, etc.

Legal Services of Northern California; Voluntary Legal Serv
Program of Northern California; Non-profit organization,
providing bilingual services and assistance to residents of
Alkali PAC

9. Please Provide:

NAME: Victor Geminiani
BUSINESS NAME: Legal Services of Northern California
ADDRESS: 515 12th Street, Sacramento, CA 95814
WORK PHONE: 916/444-6760
HOME PHONE: 916/446-2639

RETURN THE COMPLETED QUESTIONNAIRE TO:

SACRAMENTO REDEVELOPMENT AGENCY
NEIGHBORHOOD DEVELOPMENT DIVISION
630 I STREET, SECOND FLOOR (C-25)
SACRAMENTO, CALIFORNIA 95814

ATTENTION: Tim Quintera

1826K

Attachment 1:

(3.) How will you develop the property? Please be specific as to land use, building size and construction material.

The property will be developed to house legal services for the elderly, disabled and poor provided by Legal Services of Northern California (LSNC). Legal Services of Northern California is attempting to secure grants to begin new free telephone advice on legal issues for all elderly in Sacramento County. In addition, it is projected 1990 census figures will provide a program rationale for increasing staff in the Sacramento office of Legal Services of Northern California.

In addition, the Voluntary Legal Services Program (VLSP), which is a joint project of LSNC and the Sacramento County Bar will be housed in the building. VLSP is a project which provides free services to low-income people by a panel of 450 pro bono private lawyers. In the last year VLSP has created a number of panels, including new Elderlaw, AIDS, and Homeless panels. The program is also in the process of establishing a Refugee Rights panels in which 50 lawyers have currently expressed interest in joining, and an Asian panel in which 32 lawyers have expressed interest in joining. During the last year VLSP has experienced a 25% growth in clients represented and a 20% growth in active attorney participation. Similar increases are projected during the coming years. The staff has been increased by 1-1/2 people to a total of 3-1/2. Continued growth in staff is projected as the panel participation and cases handled dramatically increased over the coming years.

LSNC and VLSP projects that staffing needs over the next two years will require approximately 4,900 square feet.

In addition to LSNC and VLSP, approximately 300 square feet will be offered free of charge to a non-profit organization which may be funded to provide bilingual services and assistance to residents of the Alkali Flat neighborhood. The free space will include all costs for utilities and maintenance. Depending on available space, other organizations providing services to residents of Sacramento may be offered space at below market costs.

As presently designed, the total building will have approximately 5,200 square feet of usable office space. The main building floor is approximately 2,400 square feet. We intend to build an L-shaped mezzanine within this space to gain approximately an additional 1,200 square feet. The rear building will have two stories each with approximately 800 square feet of space on each floor for a total of 1,600 square feet.

It is the current intention to restore the complete building, emphasizing its natural features including exposing its metal trusses and tin roof. The building is important as a rare remnant of 19th century industrial design, having been built as a station

for the Central California Electric Company. The structure is well composed and handsomely arched windows serve not only functional purposes but as the principle design features. The arches and proportions of the building reflect classical design origin. Current plans call for complete restoration of all external surfaces, including the front, to its original appearance.

apr24vv

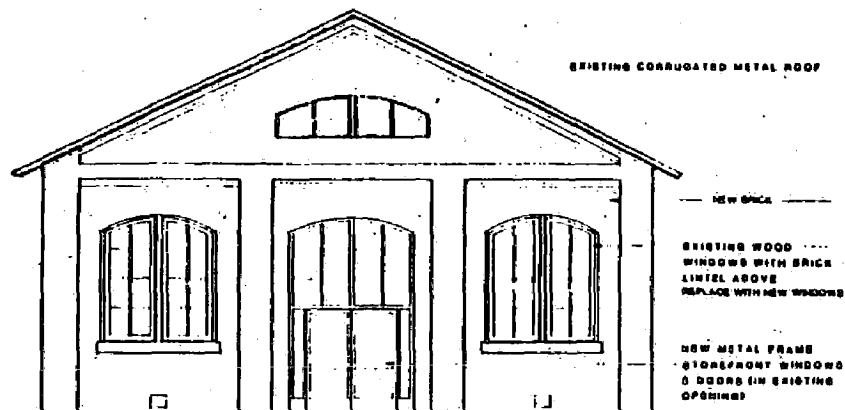
SUBJECT PHOTOGRAPHS



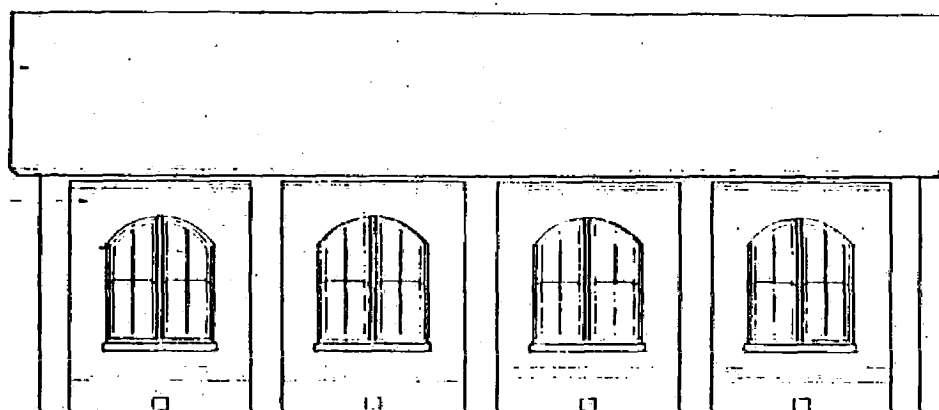
Looking east across 12th Street at the front and north side of the building.



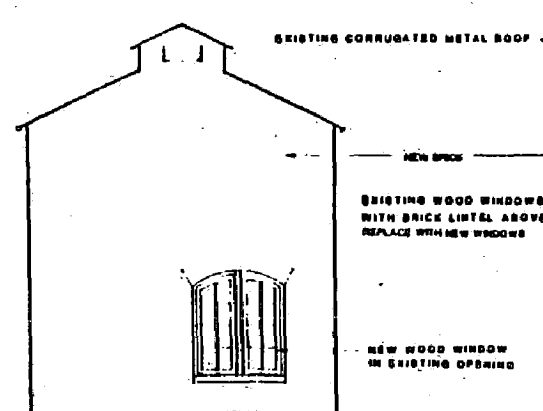
Looking west across the alley at the back and north sides of the building.



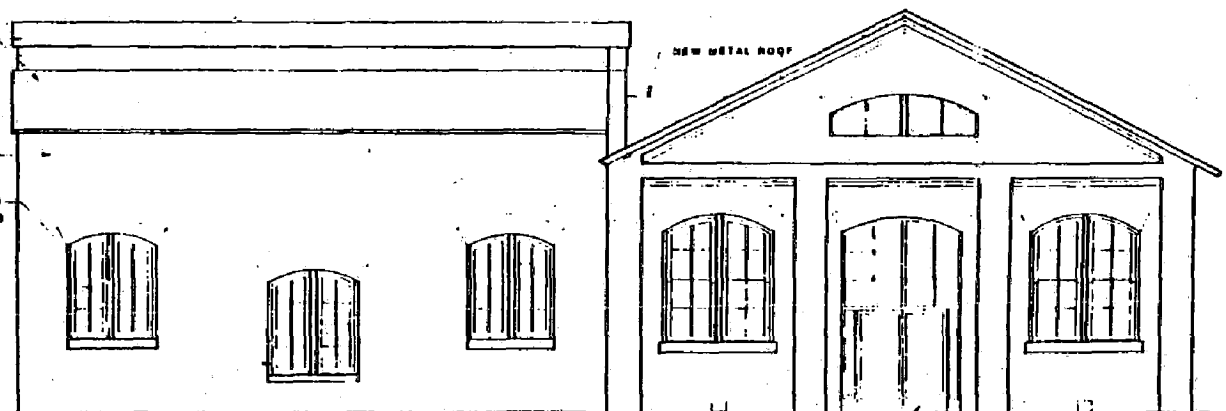
WEST ELEVATION



NORTH ELEVATION



SOUTH ELEVATION



EAST ELEVATION

**EXHIBIT C
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
APPLICATION FOR DEVELOPER ASSISTANCE**

I. PROJECT DESCRIPTION

A. **Project Name:** Legal Services of No. Cal.
 B. **Project Location:** 517 12th Street, Sacramento, CA 95811

C. **Project Description (describe type of use, number of units, or square footage uses):**

The building will have approximately 5,200 square feet and will house the staff of Legal Services of Northern California, the Voluntary Legal Services Program and a profit organization providing bilingual services to residents of Alkali Flat.

<u>Floor Area</u>	<u>Use</u>	<u>Units</u>	<u>New Construction</u>	<u>Rehab</u>
<u>5,200 sq. ft.</u>	<u>offices</u>	<u></u>	<u></u>	<u>x</u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>

Current Zoning: C-2 **Size of Site:** 80'x80' less

Proposed Building Coverage (sq. ft.): 5,200 sq. ft.
(20'x80' land only) sq

Proposed Parking: Available space for 3 automobiles

Type of Site Control:

Anticipated Construction Start Date: October 1, 1990

II. PROJECT DEVELOPER

Name: Legal Services of Northern California

Address: 515 12th Street, Sacramento, CA 95814

Phone Numbers 916/444-6760

Legal Status of Developer (corporation, partnership, individual):

Non-profit Corporation

Proposed Team Participants: Please name and give the phone number of your development team members:

Architect/Engineer: Cynthia Easton 916/442-5319

Contractor: Not presently chosen

Accountant: Essary, Dal Porto & Lowe 916/444-0680

Other:

Development Experience: Please list or attach a summary of your past development experience including a description of the development, the development team members, and your role in the project:

In 1986 LSNC purchased and totally renovated the location at 12th Street. Cynthia Easton was the architect who worked with LSNC in designing the office and Sierra View Construction Co completed the construction. In 1988 LSNC also rehabilitated office in Chico, CA, located at 541 Normal Ave. The architect was Schleiger & Gilmore and the contractor was Robin Trenda.

Lender references: Please list the name and phone number of lenders you have worked with before:

Business Banking Representative

Wells Fargo Bank, 10th and J St., Sacramento 916/45

III. PROJECT DEVELOPMENT COST SUMMARY:

A. **Existing Indebtedness:** (If the proposed site or project has existing financing please describe):

	<u>LOAN #1</u>	<u>LOAN #2</u>
AMOUNT:	N/A	
USED FOR:		
TERM:		
BALLOON PAYMENT:		
INTEREST RATE:		
SECURED BY:		
LENDER:		
ANNUAL PAYMENT:		

B. **Proposed Development Costs:** (Use attachment 1 to develop and support your estimates):

DEVELOPMENT

Total Acquisition Costs	\$	<u>170,000</u>
Total Construction Costs	\$	<u>520,000</u>
Hard Costs	\$	<u> </u>
Soft Costs	\$	<u> </u>
Other (Specify)	\$	<u> </u>
TOTAL	\$	<u>690,000</u>

FINANCING COSTS

Interim Financing of \$ 550,000 amount assumed at _____ % interest through construction period of 9 months and lease-up/sale period of n/a months.
 Proposed Lender(s) Wells Fargo Bank and SHRA

IV. INCOME ESTIMATES: (Please use annual information)

	Type of Units	No. of Units	x	Monthly Rent	x 12	= Ann Inc
Residential	EF	_____		_____		\$ _____
	1 BR	_____		_____		_____
	2 BR	_____		_____		_____
	3 BR	_____		_____		_____
	4 BR	_____		_____		_____

Sub-TOTAL \$ _____

Sq.Ft. x \$ Per Sq.Ft./month

Commercial/	_____					
Retail	n/a	x	\$ _____	x 12	=	\$ _____
Office	n/a	x	_____	x 12	=	\$ _____
Parking Spaces	n/a	x	_____	x 12	=	\$ _____

TOTAL ANNUAL PROJECT INCOME \$ _____

V. EXPENSES: (Please use annual data and use Attachment 2 to develop and support your estimates):

ANNUAL VACANCY LOSS	\$	n/a
ANNUAL EXPENSES	\$	n/a
TOTAL	\$	n/a

VI. PROJECT VALUE ESTIMATES:

Please estimate the after rehabilitation or after construct value of the project based on:

Comparable data of \$ 1.25 per sq.ft. or
 Capitalization rate of _____ % or
 Gross Rent Multiplier of 10.
 Other (describe) _____

TOTAL AFTER VALUE: \$ 695,000 per Appraisal.

VII. PROPOSED FINANCING:

A. Private Financing:

Amount: \$200,000

Terms (Permanent Loan): Conventional at current rates

Proposed Lenders:

Wells Fargo Bank

B. Equity Contributions:

Amount: \$140,000

Source (cash on hand, investor capital):

C. Developer Assistance Request:

Amount: \$350,000

Uses: Low interest loan

VIII. MARKETING INFORMATION

A. Do you have a marketing study for this project?

YES _____

NO X _____

B. Please list your proposed marketing or lease-up agent

ATTACHMENT 1
 DEVELOPMENT COST BREAKDOWN

1. Land Costs

a.	Acquisition Costs	\$	170,000
b.	Closing Costs		
c.	Other (Specify)		
	TOTAL	\$	170,000

2. Construction Costs (Hard Costs)

a.	Demolition and Site Preparation	\$	(.60 sq
b.	Off Site Improvements		1.15
c.	Building Shell Construction Costs		
	Commercial sq.ft. x \$ 62		sq.ft.
	Residential sq.ft. x \$		sq. ft.
d.	Tenant Improvements	\$	(\$11
e.	Parking	\$	-
	Surface/Lot # of spaces		
	Structure Parking # of floors		
	and # of spaces		
f.	Landscaping	\$	-0-
g.	Other Costs (Specify)	\$	(.25 sq
	permits, fees, etc.		

TOTAL CONSTRUCTION \$ 520,000

*Survey of prior use of site and testing for hazardous chemicals and asbestos.

ATTACHMENT 2
 VACANCY AND EXPENSES BREAKDOWN

1. VACANCY

1. 80% of space to be leased or sold within 12 of construction completion.
2. The estimated operating vacancy rate is 0 %.
3. Estimated average annual income loss due to vac for the first year of stabilized occupancy:
 \$ _____

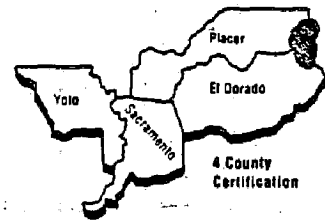
2. ANNUAL OPERATING EXPENSES

1. Taxes	\$ 125
2. Insurance	3,500
3. Utilities	9,000
4. Landscape Maintenance	-0-
5. Building Maintenance	2,500
6. Advertising/Marketing	500
7. Legal, accounting and other professional services	0
8. Property Management Agent	-0-
9. Replacement Reserves	-0-
10. Other (Specify) <u>Parking</u>	1,200
<hr/>	
11. Existing Debt Service Obligations (See Section III A)	-0-
12. New Debt Service Estimates	40,000
ESTIMATED TOTAL EXPENSES	\$ 58,025

1988K

**G S C D C
GREATER SACRAMENTO CERTIFIED
DEVELOPMENT CORPORATION**

10301 Placer Lane, Suite 200
Sacramento, CA 95827
916/369-1582



Date: October 19, 1990
To: Tim Quintero, SHRA
From: Raymond F. Sebastian, GSCDC
Re: Legal Services of Northern California (LSNC)

A handwritten signature in dark ink, appearing to read 'RAY', is written over the 'From' and 'Re' lines of the letterhead.

REQUEST

Legal Services of Northern California is requesting a funds to acquire land and to construction a building at 517 12th Street, Sacramento, California. The property is located within a revitalization area of the City of Sacramento.

The total project cost is as follows:

Land Acquisition	\$170,000
New Construction	\$461,155
Contingency	\$ 58,845
Total:	\$690,000

The project financing is as follows:

Wells Fargo, 1st DOT	\$200,000
SHRA, 2nd DOT	\$350,000
Borrower injection	\$140,000
Total:	\$690,000

The new facility will allow the organization to expand and improve its existing services throughout Northern California. The 5,200 s/f facility will primarily be occupied by one of their legal service organizations and they will also be supplying free office space to a non-profit organization providing bilingual services and assistance to residents of the Alkali Flat neighborhood.

BUSINESS HISTORY

In June of 1956, Legal Aid Society was created as a non-profit organization to provide legal services to the elderly, disabled and poor. Within the first year over 2,850 low income clients were provided with legal assistance. After 10 years, the organization opened four offices to provide service for the residents of Sacramento and Yolo counties. In 1971, the first program case was brought to the California Supreme Court. This case struck down a

statute which authorized prejudgment attachment. By 1975, the program had expanded to Placer County and a number of program cases had been taken before the California Supreme Court. As of September 1980, the program extended into Butte, Shasta, Trinity, Modoc, Siskiyou, Lassen, Amador, Calaveras, Sierra, Nevada, El Dorado, Plumas, Glenn, Tehama counties and Chico and the name was changed to Legal Services of Northern California. Since 1980, Legal Services has added two more offices to their program and have represented a number of cases to the California Supreme Court and the Supreme Court of the United States.

FINANCIAL ANALYSIS

The 1987, 1988, and 1989 year-end financial statements and the April 1990 statement have been used to analyze the corporation's financial position.

LSNC's financial spread is as follows:

(000)	FYE 1987	FYE 1988	FYE 1989	INTERIM 4/30/90
Revenue	2,344.9	2,383.1	2,547.9	1,026.0
Oper Expense	2,323.8	2,366.4	2,522.1	982.8
Net Income	21.1	16.7	25.8	43.2
Plus:				
Depreciation	70.9	61.7	60.4	20.2
Interest	4.9	4.5	5.1	unknown
Total	75.8	66.2	65.5	20.2
Net Cash Flow	96.9	82.9	91.3	63.4
Coverage Ratio	.8	.7	.8	1.7
Annual Debt Service After Project Completion:				
Existing Debt, P&I		\$ 55,688		
Bank, 1st DOT, P&I		\$ 28,881		
SHRA, 2nd DOT, P&I		\$ 30,642		
Total:		\$115,211		

Legal Services of Northern California receives annual grants and contracts through the Federal Government and other County and State programs. Being that the organization is supported by grants, operating expenses are charged against this income source at its highest potential. In other words, the corporation spends what it receives in grants.

Overall, The corporations revenue has continued to increase over the years and the operating expenses have been maintained within their income potential. The net cash flow for the interim period

concludes an adequate coverage ratio (1.7) to support the proposed permanent financing.

The majority of the corporations debt is through low interest rate financing programs. As such, the net profit can be very deceiving, as it does no account for principal reductions on outstanding debts. The above cash flow analysis takes this into account and shows a fairly accurate picture of LSNC's ability to support the proposed debt from historical data. In addition, a projected cash flow analysis has been prepared in order to support the corporations ability to repay the proposed debt.

LSNC's historical balance sheet positions are as follows:

(000)	FYE	FYE	FYE
ASSETS	<u>1987</u>	<u>1988</u>	<u>1989</u>
C/A	440	630	587
F/A	<u>0</u>	<u>1168</u>	<u>1153</u>
T-A	440	1798	1740
LIAB & F/B			
C/A	173	332	337
LTD	<u>0</u>	<u>489</u>	<u>380</u>
T-L	173	821	717
F/B	<u>267</u>	<u>977</u>	<u>1023</u>
T-LIAB & F/B	440	1798	1740
RATIO'S			
Working Cap.	267	298	250
Current Ratio	2.5	1.9	1.7
Debt/Worth	.6	.8	.7

The balance shows the corporation in a healthy position. Their working capital has been fairly stable and remains strong at approximately \$250,000; current ratio shows a slight declined, due to the corporation securing debt to acquire their own office buildings; and debt/worth is stable.

COLLATERAL

The proposed property is located within a revitalization of the City of Sacramento at 517 12th Street, Sacramento, California. The building is a frame and metal structure. The proposed construction of the building includes a 1,200 s/f L-shaped mezzanine and 5,200 s/f of office space. The rear of the building will have two stories with each floor having approximately 800 s/f.

Interim/construction financing with Wells Fargo Bank has been approved for \$200,000 which will be secured by a certificate of deposit. The Bank's funds will be used to acquire the property, but they will not secure a lien position on the land until the

project has been completed and bank management has approved permanent financing. Wells Fargo will not supply the Agency or borrower with a permanent loan commitment, but they have forwarded a proposal letter to supply permanent financing after management has reviewed and approved the LSNC audited December 31, 1990 financial statement, which should be completed in May 1991. SHRA has requested a firm permanent loan commitment from Wells Fargo Bank prior to SHRA's approval, but with no success. The commercial loan officer at Wells Fargo Bank feels very comfortable that permanent financing will be approved next year, but senior credit personnel will not release a firm commitment until LSNC's cash flow for 1990 has been reviewed.

LSNC will be injecting \$140,000 into the project.

SHRA will provide \$350,000 to construct the facility. SHRA will also be responsible for reviewing and approving the construction bids and for controlling all construction funds (Bank, SHRA and LSNC) to insure that the project is completed within the budget guidelines and within a timely manner.

During construction, SHRA will be in a first lien position on the property with \$0 funds disbursed, as bank and borrower funds will be used to acquire the property and start the initial stages of construction. Upon project completion and final bank approval for permanent bank financing, Wells Fargo will take a first lien position on the property and supply LSNC with long term financing.

SHRA's financing will be for \$350,000. Initially, SHRA will be in a first lien position. Upon project completion and the funding of permanent financing, SHRA will hold a 2nd lien position on the real estate property with a term of 15 years. The proposed annual interest rate and payments are as follows:

<u>Year</u>	<u>Annual Interest Rate</u>	<u>Annual Payment</u>
1	1.0%	\$ 3,500 (I/O)
2	1.0%	\$ 3,500 (I/O)
3	3.0%	\$32,547
4	3.0%	\$32,547
5	5.0%	\$36,059
6	5.0%	\$36,059
7-15	7.5%	\$39,952

SHRA's payments have been structured based on the corporations ability to support the proposed financing (see projections enclosed).

SHRA's exposure upon project completion and the funding of permanent financing is as follows:

Land & Building, Appraised Value		\$695,000
Land & Building, at cost		\$690,000
Bank, 1st DOT	\$200,000	
SHRA, 2nd DOT	<u>\$350,000</u>	\$550,000
Loan to value, based on project cost:		79.7%
Loan to value, based on appraised value:		79.1%

SHRA's exposure on the property during construction will range from 0% to 50% depending on the percentage of project completion.

The final loan to value upon project completion and permanent financing in place will be 79% to 80%, which should adequately protect the interest of SHRA.

CONCLUSION

LSNC will be injecting \$140,000 or 20% of the project cost in to the project. Wells Fargo Bank is willing to participate with interim financing for \$200,000 and possibly permanent financing for \$200,000. SHRA's exposure during construction in minimal (0% to 50% loan-to-value), and at only an 80% loan-to-value upon project completion and the funding of permanent financing. LSNC has used the SHRA for other financing projects and has performed as-agreed. Their cash flow is tight, but is offset by their strong liquidity position and their secondary source of repayment (real estate).

LEGAL SERVICES OF NORTHERN CALIFORNIA
CASH ACCOUNT ANALYSIS

	MONTH	MONEY RATE ACCOUNT	CD #001	CD #010	CD #006	TOTAL
1	SEP 1988	\$153,861		\$100,000	\$121,407	\$375,268
2	OCT 1988	\$246,665	\$67,621	\$100,000	\$122,641	\$536,927
3	NOV 1988	\$227,372	\$67,621	\$100,000	\$122,641	\$517,634
4	DEC 1988	\$276,478	\$68,655		\$123,998	\$469,131
5	JAN 1989	\$258,373	\$69,175		\$123,998	\$451,546
6	FEB 1989	\$206,904	\$69,175	\$100,000	\$125,370	\$501,449
7	MAR 1989	\$181,083			\$125,370	\$306,453
8	APR 1989	\$263,861	\$69,711	\$100,000	\$126,854	\$560,426
9	MAY 1989	\$217,349	\$69,711		\$126,854	\$413,914
10	JUN 1989	\$123,858		\$100,000	\$128,543	\$352,401
11	JUL 1989	\$267,593	\$70,936		\$128,543	\$467,072
12	AUG 1989	\$217,978	\$70,936	\$100,000	\$130,318	\$519,232
13	SEP 1989	\$209,151			\$130,318	\$339,469
14	OCT 1989	\$360,675	\$72,356	\$100,000	\$132,043	\$665,074
15	NOV 1989	\$327,217	\$72,356		\$132,043	\$531,616
16	DEC 1989	\$142,458	\$73,721	\$100,000	\$133,758	\$449,937
17	JAN 1990	\$320,170	\$74,421			\$394,591
18	FEB 1990	\$250,957	\$74,421	\$100,000	\$135,484	\$560,862
19	MAR 1990	\$243,833			\$135,484	\$379,317
20	APR 1990	\$376,622	\$75,113	\$100,000	\$137,198	\$688,933
21	MAY 1990	\$314,001	\$75,113			\$389,114
22	JUN 1990	\$216,369		\$100,000	\$138,945	\$455,314
23	JUL 1990	\$292,885	\$76,473			\$369,358
24	AUG 1990	\$269,080	\$76,473	\$100,000	\$140,736	\$586,289
	TOTAL	\$5,964,793	\$1,293,988	\$1,300,000	\$2,722,546	\$11,281,327

LEGAL SERVICES OF NORTHERN CALIFORNIA

YEARS	1	2	3	4	5	6	7	8	9	10
Revenue	3,061,343	3,153,183	3,247,779	3,345,212	3,445,569	3,548,936	3,655,404	3,765,066	3,878,018	3,994,3
Tangible Oper Expense	2,938,889	3,027,056	3,117,868	3,211,404	3,307,746	3,406,978	3,509,187	3,614,463	3,722,897	3,834,5
Closing Costs, est.	10,000	0	0	0	0	0	0	0	0	0
Existing Debt, P&I	67,546	55,668	55,668	55,668	55,668	55,668	55,668	55,668	55,668	55,6
Wells Fargo, Interim	24,000	0	0	0	0	0	0	0	0	0
Wells Fargo, Perm. P&I	0	28,881	28,881	28,881	28,881	28,881	28,881	28,881	28,881	28,8
SHRA, Perm. P&I	3,500	3,500	32,547	32,547	36,059	36,059	39,952	39,952	39,952	39,9
Total Expenses	3,043,935	3,115,105	3,234,964	3,328,500	3,428,354	3,527,586	3,633,688	3,738,964	3,847,398	3,959,0
Net Cash Flow	17,408	98,078	12,815	16,712	17,215	21,349	21,715	26,102	30,620	35,2
FINANCING										
Wells Fargo, Interim										
Amount	200,000									
Interest	12.0%									
Annual Payments	24,000									
Remaining Balance	200,000	0	0	0	0	0	0	0	0	0
Wells Fargo, Perm.										
Amount	200,000									
Interest Rate	12.05%	12.05%	12.05%	12.05%	12.05%	12.05%	12.05%	12.05%	12.05%	12.05%
Annual Payments	0	28,881	28,881	28,881	28,881	28,881	28,881	28,881	28,881	28,81
Remaining Balance	0	194,946	189,247	182,823	175,380	167,416	158,211	147,833	136,193	122,9
SHRA										
Amount	350,000									
Interest Rate	1.0%	1.0%	3.0%	0.03	5.0%	0.05	7.5%	7.5%	7.5%	7.5
Annual Payments	3,500	3,500	32,547	32,547	36,059	36,059	39,952	39,952	39,952	39,9
Remaining Balance	350,000	350,000	327,648	304,615	283,304	260,902	239,801	217,063	192,559	166,1
SBC Injection	140,000									
PROPERTY EXPOSURE										
Property Value	695,000	729,750	766,238	804,549	844,777	887,016	931,366	977,935	1,026,832	1,078,11
Total Mtg Balance	350,000	544,946	516,895	487,438	458,884	428,318	398,012	364,896	328,692	289,06
Loan to Value	50.36%	74.68%	67.46%	60.59%	54.32%	48.29%	42.73%	37.51%	32.01%	26.8

LEGAL SERVICES OF NORTHERN CALIFORNIA

YEARS	11	12	13	14	15
Revenue	4,114,189	4,237,615	4,364,743	4,495,685	4,630,556
Tangible Oper Expense	3,949,621	4,068,110	4,190,153	4,315,858	4,445,334
Closing Costs, est.	0	0	0	0	0
Existing Debt, P&I	55,668	55,668	55,668	55,668	55,668
Wells Fargo, Interim	0	0	0	0	0
Wells Fargo, Perm. P&I	28,881	28,881	28,881	28,881	27,081
SHRA, Perm. P&I	39,952	39,952	39,952	39,952	38,375
Total Expenses	4,074,122	4,192,611	4,314,654	4,440,350	4,566,458
Net Cash Flow	40,067	45,004	50,089	55,326	64,098
FINANCING					
Wells Fargo, Interim					
Amount					
Interest					
Annual Payments					
Remaining Balance	0	0	0	0	0
Wells Fargo, Perm.					
Amount					
Interest Rate	12.05%	12.05%	12.05%	12.05%	12.05%
Annual Payments	28,881	28,881	28,881	28,881	27,081
Remaining Balance	108,073	91,310	72,410	51,102	27,081
SHRA					
Amount					
Interest Rate	7.5%	7.5%	7.5%	7.5%	7.5%
Annual Payments	39,952	39,952	39,952	39,952	38,375
Remaining Balance	137,697	107,032	73,986	38,375	0
SBC Injection					
PROPERTY EXPOSURE					
Property Value	1,132,082	1,188,686	1,248,120	1,310,526	1,376,052
Total Mtg Balance	245,770	198,342	146,396	89,477	27,081
Loan to Value	21.71%	16.69%	11.73%	6.83%	1.97%