



CITY OF SACRAMENTO

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CITY PLANNING DEPARTMENT  
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PLANNING DIRECTOR

October 5, 1981

City Council  
Sacramento, California

CITY MANAGER'S OFFICE  
**RECEIVED**  
OCT 7 1981

Honorable Members, in Session:

SUBJECT: Business Rehabilitation Loan Program,  
CDBG Interest Subsidy

SUMMARY

This report recommends the selection of a lender for the City's Business Rehabilitation Loan Program. Guidelines and a \$50,000 CDBG allocation for the program were previously approved by the Council.

The staff recommends that contract negotiations be entered into with Crocker National Bank.

BACKGROUND

At their regular meeting of July 7, 1981, the Council approved the interest subsidy form of the Business Rehabilitation Loan Program. Funding of \$50,000 was allocated from CDBG. Council also requested that proposals be solicited from local lending institutions for participation in the rehabilitation loan program. Target areas selected for first year loans were 12th Street in Alkali Flat and Franklin Boulevard in the City Farms area.

Requests for proposals were sent to 47 lenders with offices or branches in Sacramento. Five proposals were received from the following five banks: Security Pacific, Wells Fargo, BankCal, First Interstate and Crocker.

Proposals were evaluated based on the following criteria:

- 1) Leverage ratio - the maximum amount of loan funds to be made available for loans.
- 2) Amount of write-down of the interest rate - the amount of reduction of costs to the loan applicant.

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**APPROVED**  
BY THE CITY COUNCIL

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- 3) The allowable payback period - allowing maximum flexibility to loan applicant.
- 4) The location of bank branches in or near the target areas.
- 5) Amount of loan fees to be charged by the lender.
- 6) The limits on total amount of each loan.
- 7) Affirmative action plan or program of the lender.

Based on these criteria, Crocker National Bank has submitted the best proposal (See Attachment A) and is the recommended lender. Crocker's proposal contains the following features:

- 1) A 5:1 leverage ratio making \$250,000 available for lending in the target areas.
- 2) Six percentage points write-down to the loan applicant. Sample savings for the applicant would be \$105 per month on a \$25,000 loan at 19.75% market rate interest written down to 13.75% (\$434 and \$329 per month respectively).
- 3) Payback period of up to 15 years.
- 4) While Crocker has no branches in the two target areas, there are branches close by. (No other lenders submitting proposals had branches in the target areas.)
- 5) Loan fees of 1½ points will be charged to the applicant, the lowest quoted by lenders submitting proposals.
- 6) Loans will be made from \$5,000 to \$50,000 or up to 80% of the value of property and improvements less encumbrances.
- 7) Crocker, and all lenders submitting are "equal opportunity lenders."

Crocker is currently under contract to Sacramento County for the County's Business Rehabilitation Loan Program. According to County staff Crocker has performed satisfactorily.

#### FINANCIAL DATA

The 1981-82 CDBG Application allocated \$50,000 for the business rehabilitation loan program. Crocker has allocated \$250,000 for loans to be made to businesses in the target areas. No additional funding is requested at this time.

RECOMMENDATION

Staff recommends that the City Council:

- 1) Approve the selection of Crocker National Bank as the lender for the Business Rehabilitation Loan Program.
- 2) Authorize the staff to enter contract negotiations with Crocker National Bank.

Respectfully submitted,

  
Thomas V. Lee  
Senior Planner

Recommendation Approved:



Walter J. Slope  
City Manager

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attachment

October 13, 1981  
All Districts