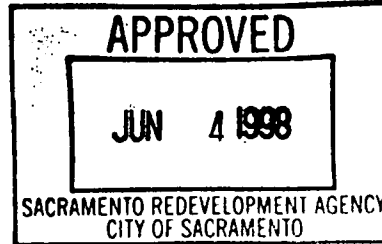




APPROVED
BY THE CITY COUNCIL

JUN 4 1998

OFFICE OF THE
CITY CLERK



5.1

May 20, 1998

Redevelopment Agency and
City Council of the City of Sacramento
Sacramento, California

Honorable Members in Session

SUBJECT: DEL PASO NUEVO HOMEOWNERSHIP PROJECT - LOAN SECURITY;
PROPERTY ACQUISITIONS; DEDICATION OF LAND AND
IMPROVEMENTS

LOCATION AND COUNCIL DISTRICT: Norwood Avenue, South Avenue, Altos
Avenue and Arcade Creek, District 2

RECOMMENDATION:

Staff recommends approval of the attached resolutions which authorize:

- The pledge of program income, Del Paso Heights Redevelopment Area tax increment revenues, and Agency owned property as security for the Section 108 Guaranteed Loans for the Del Paso Nuevo Project;
- Acquisition of property for the Del Paso Nuevo project;
- Dedication of land, improvements or easements to the City, County and other public utilities.

CONTACT PERSONS: Beverly Fretz-Brown, Director of Housing Development,
440-1357. Alberto Esquivel, Program Manager of Housing
Development, 440-1350

FOR COUNCIL MEETING OF: June 4, 1998

SUMMARY

This report requests authorization to pledge Del Paso Nuevo program income, Agency-owned properties and Del Paso Heights tax increment revenue received from property within the Del Paso Nuevo project as security for Section 108 guaranteed loans. The security is required by the

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
City Council of the City of Sacramento
May 20, 1998
Page 2

Funding Approval/Agreement for the Del Paso Nuevo Homeownership Project included as Attachment I. This report also requests authorization for the Agency to acquire additional properties, and to dedicate land, improvements or easements to the City, County or other public utilities.

REDEVELOPMENT ADVISORY COMMITTEE ACTION

At its meeting of May 19, 1997 the Del Paso Heights Redevelopment Advisory Committee recommended approval of the EDI grant application and Section 108 Loan application and use of tax increment to secure and repay the loans. A staff update on the use of tax increment for the Section 108 loans was provided at the Committee's May 14, 1998 meeting.

COMMISSION ACTION

At its meeting of May 20, 1998, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolutions. The votes were as follows:

AYES: Castello, Dobbins, Hoag, Rotz, Simon, Earland

NOES: None

NOT PRESENT TO VOTE: Cespedes, Taylor

ABSENT: Amundson, Holloway, Newsome

BACKGROUND

Section 108 Guarantee

At its meeting of June 3, 1997, the City Council authorized the acceptance of a \$5 million Economic Development Initiative (EDI) grant and the application for \$5,445,000 in Section 108 loan guarantees for development of the Del Paso Nuevo Homeownership Project. (A map of the Del Paso Nuevo project is shown as Attachment II). The Section 108 loan program allows local governments to borrow funds against future CDBG entitlements for financing community and economic development projects, which are too large to be financed from annual CDBG entitlements and for which other sources of financing are unavailable. The EDI and guaranteed loan funds will be used to pay for land, infrastructure and community facilities to support 300 new single family homes in the Del Paso Nuevo area. The Del Paso Nuevo Section 108 loans will be repaid over 20 years with an approximate average annual debt service payment of \$476,000.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
City Council of the City of Sacramento
May 20, 1998
Page 3

Pursuant to the conditions of the EDI grant award, an amended EDI application and the application for loan guarantees were submitted to HUD on June 6, 1997. The application for loan guarantees was approved in September with the condition that the City provide "additional security" for the guaranteed loans. While HUD requires that local jurisdictions commit to repay Section 108 loans from future CDBG funds, HUD also requires additional security in the event that the CDBG program is discontinued in the future. Other typical forms of security acceptable to HUD are CDBG program income, liens on real and personal property, debt service reserves, and tax increment. Staff is recommending that the Agency pledge tax increment funds generated from the Del Paso Nuevo project area, CDBG program income that may result from Del Paso Nuevo activities and liens on real property owned or acquired by the Redevelopment Agency and the City of Sacramento in Del Paso Nuevo and including any property acquired for the Robertson Community Center expansion.

The additional security will be identified in a Contract for Loan Guarantee Assistance that will be executed at the time the guaranteed obligations are issued. Under existing authorities, the Executive Director has executed the Section 108 Funding Approval/Agreement which is required to finalize the EDI Grant Agreement. Agreement on the provision of additional security is the final condition to drawing down funds.

Property Acquisitions

At its meeting of July 29, 1997, the Redevelopment Agency authorized the acquisition of 46 properties for the Del Paso Nuevo Project. These properties were necessary to purchase for public improvements in a master plan application that was submitted to the City Planning Department in August 1997. An extensive community participation process resulted in modifications to the plan and a reduction in the overall number of properties needed for first phase improvements; however, five properties not included in the previous authority are available and needed to develop Del Paso Nuevo. The proposed list of additional acquisitions is included in Attachment III.

Dedication of Land for Public Improvements

The first physical improvement in Del Paso Nuevo (scheduled to begin in the summer of 1998) is a 500-foot realignment of Ford Road at Norwood Avenue as shown on Attachment IV. Because this realignment is on Agency-owned property, the Agency is required to dedicate the right of way to the City and to provide an easement for future utilities. As many of the future Del Paso Nuevo improvements will occur on Agency-owned land, staff is requesting authorization to dedicate land, public improvements and easements to the City, County and other public utility companies for public improvements related to Del Paso Nuevo in the future.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
City Council of the City of Sacramento
May 20, 1998
Page 4

FINANCIAL CONSIDERATIONS

The three sources of security will be used for the Section 108 loans are:

- 1) Program income generated from Del Paso Nuevo activity;
- 2) Available Del Paso Heights tax increment generated from approximately 280 parcels in the Del Paso Nuevo area bounded by South Avenue, Altos Avenue, Norwood Avenue and Arcade Creek.
- 3) Liens on property acquired or owned by the City or Agency for the Del Paso Nuevo Project.

In the relatively unlikely event that the CDBG program is discontinued, HUD security will be drawn first from program income, second from tax increment and third from property liens. As Section 108 loan principal is paid down the amount of security obligated will decrease.

The Agency is in the process of recommending an amendment to extend the Del Paso Heights Redevelopment Plan until the year 2020. If the Redevelopment Plan is extended, anticipated tax increment revenue to be generated from within Del Paso Nuevo in the next 12 years is expected to total approximately \$2,780,000. The pledge of tax increment security to HUD will not exceed this amount.

The approximate average annual debt service on the Section 108 loans is \$476,000 over 22 years. The debt service repayment plan will use CDBG funds to make annual repayments for the first 12 years. If the Redevelopment Plan is extended, tax increment pledged for security along with CDBG funds will be used to pay the remaining 10 years of debt service on the Section 108 loans.

POLICY CONSIDERATIONS

The action recommended in this report is consistent with previously approved policies to benefit low- and moderate- income persons, to provide homeownership opportunities, and to eliminate slums and blight in low-income communities.

ENVIRONMENTAL REVIEW

The proposed actions are consistent with and in furtherance of the Del Paso Nuevo Project adopted March 10, 1998. Per CEQA Guidelines Section 15162, no further environmental review is required for the proposed actions. The actions are exempt from NEPA per 24 CFR Part 58.34(a)(11).

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
City Council of the City of Sacramento
May 20, 1998
Page 5

M/WBE REVIEW

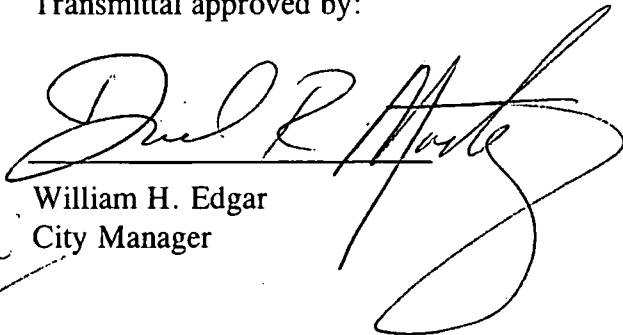
M/WBE considerations are not required with the activity in this report.

Respectfully submitted by,



ANNE M. MOORE
Acting Executive Director

Transmittal approved by:



William H. Edgar
City Manager



RESOLUTION NO. 98-028

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**DEL PASO NUEVO PROJECT:
SECTION 108 LOAN AND GUARANTEE; PROPERTY ACQUISITIONS;
AND DEDICATION OF LAND/IMPROVEMENTS**

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

Section 1. Sacramento Housing and Redevelopment Agency is hereby authorized to pledge or provide the following as additional security or repayment for the Section 108 Loan guarantee for the Del Paso Nuevo project, as required by the Funding Approval/Agreement attached as Attachment I.

- 1) Available Del Paso Heights Redevelopment Area tax increment generated from the Del Paso Nuevo neighborhood area as shown on Attachment II and generally bounded by Norwood Avenue, South Avenue, Altos Avenue and Arcade Creek, in an amount not more than \$2,780,000. Such tax increment pledged as guarantee shall be that accruing from June 1, 1998, and ending on or before the termination of the redevelopment plan, but no later than June 1, 2020.
- 2) Real property owned or acquired by the Agency in the Del Paso Nuevo neighborhood area including but not limited to the following parcels:

ADDRESS	APN
3549 Norwood Avenue	0250-0130-016
Norwood Avenue	0250-0130-017
386 South Avenue	0250-0130-021
3555 Norwood Avenue	0250-0130-022
3545 Norwood Avenue	0250-0130-023

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

- 3) Program income directly generated from the use of Economic Development Initiative Grant and Section 108 Loan funds for the Del Paso Nuevo project.

Section 2. The Agency hereby determines that just compensation for each parcel of real property, or portion thereof to be acquired, identified in Attachment III shall be equal to the appraised fair market value of each such parcel (or portion thereof, as applicable) as determined by independent appraisal undertaken for that purpose by a qualified licensed appraiser.

Section 3. The Executive Director is authorized to negotiate and complete the voluntary purchase and sale of each of the properties identified in Attachment III at a price not substantially exceeding the amount of just compensation established above. The Executive Director is fully authorized to take all necessary action, including quiet title actions, and execute all necessary documents, in form approved by Agency Counsel, to complete such actions.

Section 4. The Executive Director is authorized to dedicate to the City, County, or any public utility districts having jurisdiction, any Agency-owned land, improvements or easements as necessary to carry out the Del Paso Nuevo project.

CHAIR

ATTEST:

SECRETARY

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

APPROVED
BY THE CITY COUNCIL

JUN 4 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-236

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**DEL PASO NUEVO PROJECT:
SECTION 108 LOAN AND GUARANTEE**

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

Section 1. The Mayor of the City of Sacramento and the Sacramento Housing
and Redevelopment Agency are hereby authorized to execute documents and take all other
actions necessary for the Del Paso Nuevo project Section 108 loan and its guarantee.

MAYOR

ATTEST:

CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

(8)



OFFICE OF THE ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

FUNDING APPROVAL/AGREEMENT

SEP 26 1997

Honorable Joseph Serna, Jr.
Mayor of Sacramento
Sacramento, CA 95814

Dear Mayor Serna:

Please be informed that the City of Sacramento's (hereafter "the City") request for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, has been approved. Such assistance is to consist of the guarantee of notes or other obligations in the principal amount of \$5,445,000.00, plus interest thereon, which shall be issued to finance activities described in application B-97-MC-06-0003.

This offer of commitment is subject, however, to the conditions specified in Item 8 of the Funding Approval (Form HUD-7082).

The first condition provides that in the event the City fails to submit notes or other obligations for inspection and guarantee by the Secretary of the Department of Housing and Urban Development (HUD) before October 1, 1998, the offer will expire as of such date.

The second condition provides that the repayment schedule for the guaranteed loan must be acceptable to HUD.

The third condition provides that the City shall provide additional security for the guaranteed loan and such additional security must be acceptable to HUD. The additional security shall be identified in the Contract for Loan Guarantee Assistance, specified by 24 CFR §570.705(b)(1), which will be executed at the time the guaranteed obligations are issued.

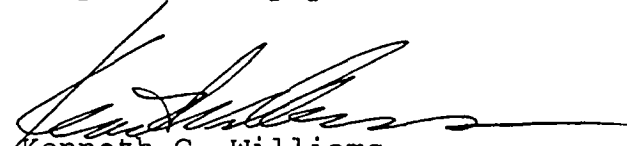
Please furnish us, at the address specified in the last paragraph of this letter, your timetable for execution of the activities described in your application. These activities will be financed through a public offering of Section 108 obligations. If you need funds prior to the next public offering, please notify HUD at the address below and instructions for obtaining interim financing will be provided.

In addition to the special conditions cited above, the release of funds for the project to be carried out with loan guarantee assistance is conditioned upon compliance by the

City with all applicable provisions of the HUD Environmental Review Procedures (24 CFR Part 58). In this regard a request for release of funds must be approved by HUD prior to the obligation or utilization of funds for the project.

Please execute the three enclosed copies of the Funding Approval and return two copies to the Department of Housing and Urban Development, Office of Block Grant Assistance, Financial Management Division, Room 7180, 451 Seventh Street, S.W., Washington, D.C. 20410. One copy should be retained for your files. The Funding Approval amends the Grant Agreement authorized by HUD on February 11, 1997, under the Funding Approval for grant number B-97-MC-06-0003 to include loan guarantee assistance. The Grant Agreement thereby incorporates this Funding Approval, the loan guarantee application, and Subpart M of the block grant regulations governing loan guarantees, as well as such agreements, schedules, and other documentation required to be submitted or executed in connection therewith.

Very sincerely yours,



Kenneth C. Williams
Deputy Assistant Secretary
for Grant Programs

Enclosures

**Funding Approval/Agreement
Title I of the Housing and Community
Development Act (Public Law 93-383)**

U.S. Department of Housing
and Urban Development
Office of Community Planning
and Development
Community Development Block Grant Program

HI-00515R of 20515R

1. Name of Grantee (as shown in Item 5 of Standard Form-424)	3. Grantee's 9-Digit Tax ID Number	4. Date Use of Funds May Begin
CITY OF SACRAMENTO, CALIFORNIA	5a. Project / Grant Number 1 B-97-MC-06-0003	6a. Amount Approved
2. Grantee's Complete Address (as shown in Item 5 of Standard Form-424)	5b. Project / Grant Number 2	6b. Amount Approved
630 I STREET SACRAENTO, CA 95814	5c. Project / Grant Number 3	6c. Amount Approved

Grant Agreement

This Grant Agreement between the Department of Housing and Urban Development (HUD) and the above named Grantee is made pursuant to the authority of Title I of the Housing and Community Development Act of 1974, as amended, (42 U.S.C. 5301 et seq). The Grantee's submissions for Title I assistance, the HUD regulations at 24 CFR Part 570 (as now in effect and as may be amended from time to time), and this Funding Approval, including any special conditions, constitute part of the Agreement. Subject to the provisions of this Grant Agreement, HUD will make the funding assistance specified here available to the Grantee upon execution of the Agreement by the parties. The funding assistance specified in the Funding Approval may be used to pay costs incurred on or after the date specified in 4 above provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-agreement costs may not be paid with funding assistance specified here unless they are authorized in HUD regulations or approved by waiver and listed in the special conditions to the Funding Approval. The Grantee agrees to assume all of the responsibilities for environmental review, decision making, and actions, as specified and required in regulations issued by the Secretary pursuant to Section 104(g) of Title I and published in 24 CFR Part 58. The Grantee further acknowledges its responsibility for adherence to the Agreement by subrecipient entities to which it makes funding assistance hereunder available.

U.S. Department of Housing & Urban Development (signature, name, title, date) <i>Kenneth C. Williams</i> X KENNETH C. WILLIAMS, DEPUTY ASSISTANT SECRETARY FOR GRANT PROGRAMS	Grantee (signature, name, title, date) X CITY OF SACRAMENTO, CALIFORNIA
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7. Check Only One: Category of Title I Assistance for this Funding Action	8. Special Conditions (check one) None Attached <input checked="" type="checkbox"/>	9a. Date HUD Received Submission:	10. Check One:			
		a. Entitlement, Sec 106(b)	a. Orig. Funding Approval			
		b. State-Administered, Sec 106(d)(1)	9b. Date Grantee Notified:	b. Amendment	<input checked="" type="checkbox"/>	
		c. HUD-Administered Small Cities, Sec 106(d)(2)(B)	9c. Date of Start of Program Year:	c. Amendment Number	1	
		d. Indian CDBG Programs, Sec 106 (a)(1)	11. Amount of Community Development Block Grant			
		e. Surplus Urban Renewal Funds, Sec 112(b)	a. Funds Reserved For This Grantee	FY 97	FY	FY
		f. Special Purpose Grants, Sec 107	b. Funds Now Being Approved			
g. Loan Guarantee, Sec 108 <input checked="" type="checkbox"/>	c. Reservation To Be Cancelled (11a minus 11b)					

12a. Amount of Loan Guarantee Commitment Now Being Approved: 5,445,000	12b. Name and Complete Address of Public Agency
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Loan Guarantee Acceptance Provisions for Designated Agencies

The public agency hereby accepts the Grant Agreement executed by the Department of Housing and Urban Development on the above date with respect to the above grant number(s) as Grantee designated to receive loan guarantee assistance, and agrees to comply with the terms and conditions of the Agreement, applicable regulations, and other requirements of HUD now or hereafter in effect, pertaining to the assistance provided it.

12c. Signature of Authorized Official (name, title, date) for Designated Public Agency
X

HUD Accounting Use Only

Batch	TAC	Program	Y	A	Reg	Area	Document No.	Project Number	Category	Amount	Effective Date	F
	153							B-97-MC-06-0003				
	176											

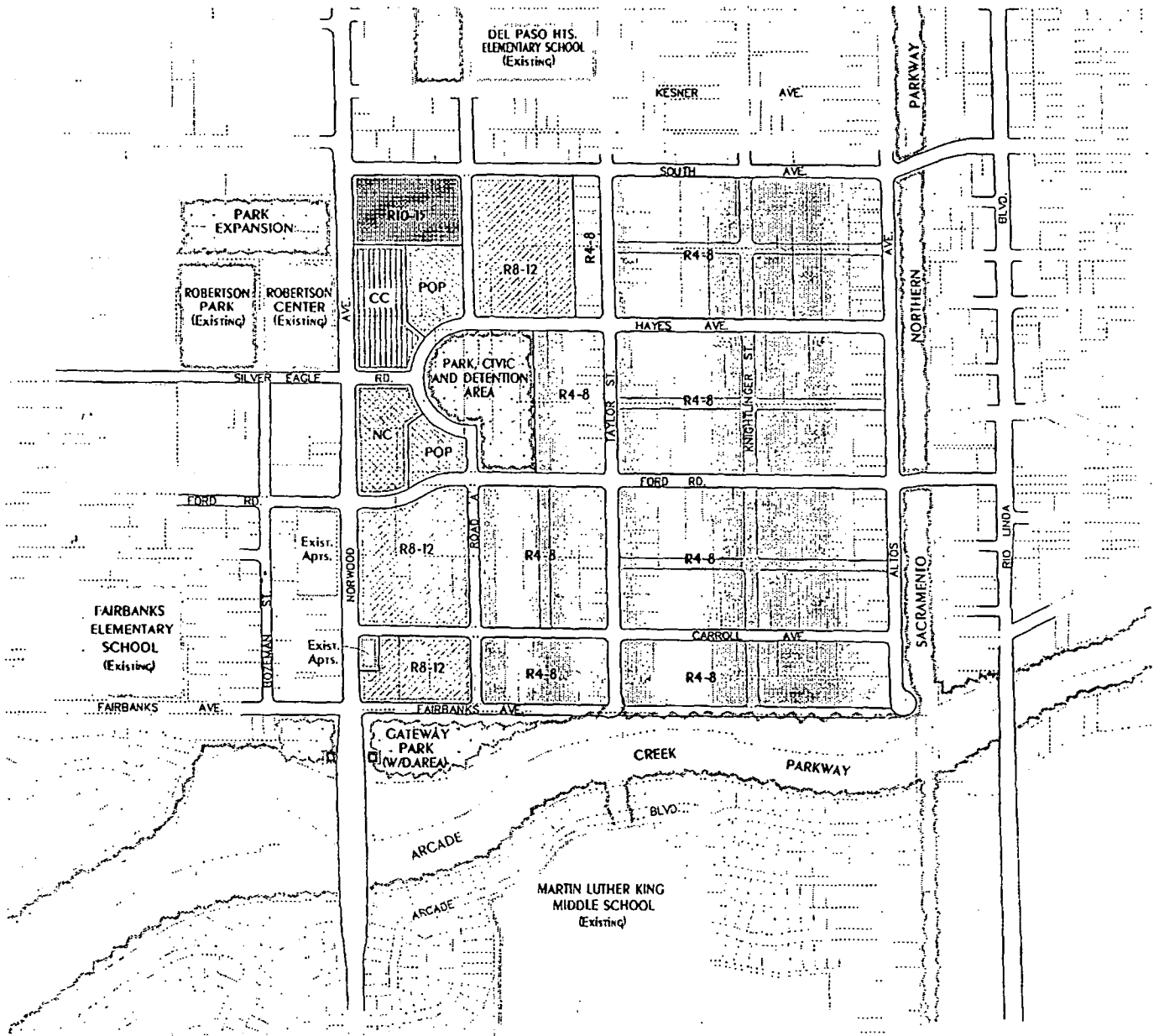
Date Entered PAS	Date Entered LOCCS	Batch Number	Transaction Code	Entered by:	Verified by:
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8. Special Conditions.

- (a) In the event the Borrower fails to submit notes or other obligations for inspection and guarantee by the Secretary of the Department of Housing and Urban Development (the Secretary) before October 1, 1998, the offer will expire as of such date.
- (b) The repayment schedule for the guaranteed loan must be acceptable to the Secretary.
- (c) The Borrower shall provide additional security for the guaranteed loan and such additional security must be acceptable to the Secretary. The additional security shall be identified in the Contract for Loan Guarantee Assistance specified by 24 CFR §570.705(b)(1) which will be executed at the time the guaranteed obligations are issued.

DEL PASO NUEVO

SACRAMENTO, CALIFORNIA



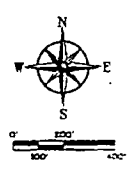
ROADWAYS

- PRIMARY ROADWAYS
(Fixed location)
- SECONDARY ROADWAYS
(Adjustable location)

LAND USE LEGEND

- RESIDENTIAL (4 - 8 DU / AC.)
- RESIDENTIAL (8 - 12 DU / AC.)
- RESIDENTIAL (10 - 15 DU / AC.)
- CONVENIENCE COMMERCIAL
- NEIGHBORHOOD COMMERCIAL
- PUBLIC / QUASI PUBLIC / MISC.
(School, Library, Church, Daycare)
- PARKS, CIVIC & DETENTION BASIN
- EXISTING APARTMENTS

	Gross AC.	NET AC.	UNITS
R4-8	103.4	82.7	330-662
R8-12	213	17.0	136-204
R10-15	4.7	3.8	38-57
CC	4.3		
NC	3.9		
POP	4.5		
Parks, Civic & Detention Basin	11.9		
APT	0.5		
TOTALS	154.5		504-925



**SPECIAL
PLANNING DIST.
LAND USE PLAN**

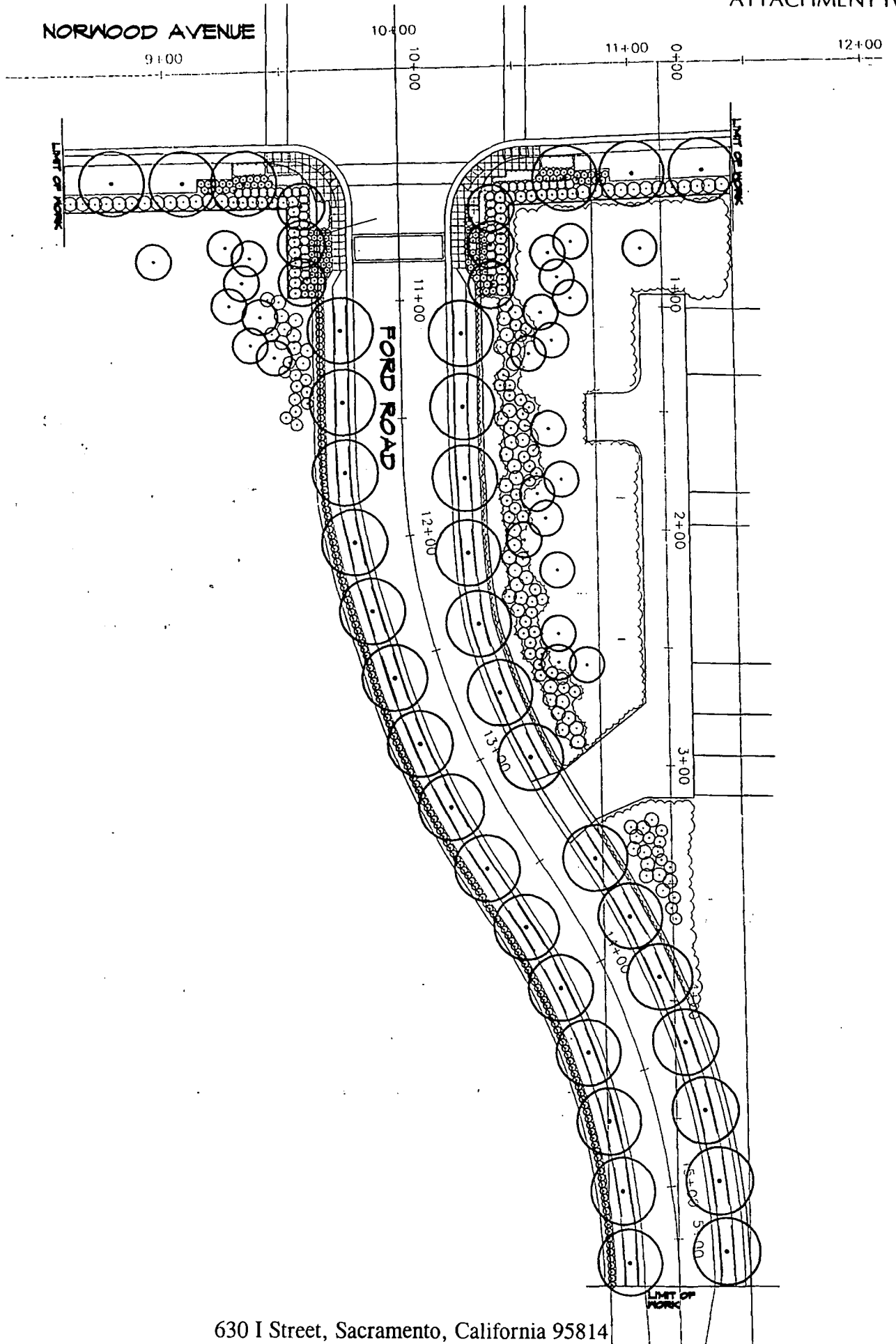
630 Street, Sacramento, California 95814

NOTE: DWELLING UNIT CALCULATIONS ARE BASED ON A GROSS TO NET FACTOR OF 80% TO ALLOW FOR 1/4" WIDE RESIDENTIAL ROADWAYS.



PARCELS TO BE ACQUIRED

ADDRESS	APN
540 Ford Road	250-0220-011
548 Ford Road	250-0220-010
455 Ford Road	250-0200-034
463 Ford Road	250-0200-033
3454 Norwood Avenue	250-0200-036



630 I Street, Sacramento, California 95814