



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



12

August 14, 1990

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Various Matters re Application to HUD for Section 108
Loan

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolutions approving the application and amendment.

Respectfully submitted,

ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



August 21, 1990

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

Honorable Members in Session:

SUBJECT: Application to HUD for a Section 108 Loan; Approval of Use of Loan Proceeds; and Amendment to the 1990 CDBG Program

SUMMARY

The attached resolutions recommend:

- 1) approving the application for and use of Section 108 (Community Development Block Grant) loan funds for the site development of new public housing units and the acquisition and rehabilitation of private units to be added to the Agency's public housing stock, in the total amount of \$1,250,000; and
- 2) amending the 1990 City CDBG Program to reflect such changes; and
- 3) authorizing the Executive Director to execute all documents and perform all other actions necessary to consummate the purchase of housing units under Public Housing Development Project No. CA30-005-035.

BACKGROUND

As you know, we are currently involved in several public housing construction/rehabilitation efforts. As in the past, the funding provided for by the federal Department of Housing and Urban Development (HUD) for these programs does not cover the full costs of development. Therefore, in anticipation of a need for additional public housing development funds, your Council authorized us to borrow up to \$1,500,000 in new Section 108 funds in the 1990 Agency Budget. The purpose of this report is to more specifically describe the use of a portion of these funds and to hold a public hearing as required by federal regulations in order to amend the CDBG Statement of Objectives and Proposed Use of Funds.

8-21-90
All Districts

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Section 108 Loans, provided for under CDBG regulations, allow local governments to borrow against future CDBG grants in order to cover instances such as this where a large infusion of one-time funds are needed for capital projects benefitting low-income families. The guaranteed notes may only be used for the purpose of financing acquisition of real property, and rehabilitation of publicly owned real property, as well as related expenses specified in HUD regulations. We have used Section 108 loans before on Riverview Plaza and for an economic development project on 12th Street. The maximum amount of notes which HUD may guarantee for each local government is limited to three times the amount of the local government's annual CDBG grant.

New Public Housing Site Development

At the time we applied for funding from the federal Department of Housing and Urban Development (HUD) for funding for construction of 48 units of public housing for large families, we knew that the funding provided by HUD for construction would not cover the full costs of development of the units. At the time, we estimated the difference between what HUD would fund and the actual cost of the units at \$1.5 million and that figure was requested in the form of a 108 loan in the 1990 Agency Budget. (This request is within and implements that budget allocation).

Since that time, HUD has adjusted the allowable cost limits such that our current estimate of need for local funds is \$950,000. We are recommending that those funds come from a Section 108 loan secured by City Community Development Block Grant funds.

Since being awarded the 48 units by HUD, staff issued a request for qualified architectural services and entered into contract for design services with the firm of Niiya Architects/Cynthia Easton Architect, A Joint Venture. Additionally, sites were selected per the "fair share" scattered site distribution policies. The sites selected and approved per Resolution 88-0527 for this program are as follows:

Fairgrounds Drive - (Located at Broadway and Fairgrounds)

APN: 011=0200-012

Units: 24

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West Silver Eagle - (Located east of Northgate Boulevard)
APN: 250-0121-027
Units: 10

Connie Drive - (Located north of El Camino Avenue)
APN: 266-0382-001, 002, 003
Units: 14

The schematic documents together with the revised Development Program Budget have been submitted to HUD for review. We are currently proceeding with the final construction documents and anticipate advertising the project for bid in August of 1990. (The subject of a companion report).

Total estimated development cost of the project is \$5,793,156. Current federal and local government allocations amount to \$3,640,276. In addition to this amount, HUD has recently amended its "prototype limits" for a typical unit and is in the process of increasing its allocation by \$1,202,880. Therefore additional funds in the amount of \$950,000 are required. The use of this Section 108 loan is recommended as no other source is available.

In accordance with prevailing CDBG regulations, the funds borrowed will be used for site improvements only, not for actual construction of the structures themselves.

Acquisition and Rehabilitation.

On March 19, 1990, the Authority approved Amendment No. 39 to the Annual Contributions Contract (ACC). The stated amendment provides for Development Grant Authority of \$3,147,500 to purchase and rehabilitate up to fifty (50) 3-bedroom public housing units for rent to low-income families. As with the new construction program, this amount is far below what we need to carry out the program. HUD will now allow us to increase that amount pursuant to a "prototype" adjustment.

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An application has been submitted to HUD for an additional \$1,415,000. If approved and funded, staff estimates that \$300,000 of additional local funds will be required. Funds are not available from any other source; therefore this amount will be included in the proposed 108 loan application for \$1,250,000 which is within the amount authorized in the 1990 Budget.

Staff is also requesting that the Executive Director be granted the authority to consummate the purchase of the units under this program. Due to the highly competitive real estate environment in Sacramento, it is imperative that we be able to rapidly proceed with purchases as suitable properties are found. The time required to prepare reports and schedule for the Commission and Council's pre-approval, would otherwise result in units being lost to those who are able to close a transaction rapidly. For that reason, staff recommends that the Executive Director be authorized to complete purchase transactions and provide status reports to the Commission and Council on a quarterly basis.

FINANCIAL DATA

The proposed loan funding breakdown consists of \$950,000 for new housing and \$300,000 for substantial rehabilitation, totalling \$1,250,000.

The available source of funds for the purpose of repayment of the proposed loan will be City Community Development Block Grant funds. The first repayment will be made in 1991, and will be reflected in the 1991 Projected Use of CDBG Funds. The term of the loan will be six years and payment will be negotiated with HUD to fit the availability of funds. The interest rate is estimated to be from 8.5 - 10%.

A full detailing of all previous Section 108 loans is included on Attachment A. As can be seen, these loans have a substantial effect on the CDBG budget, as they reduce the amount of future CDBG funds available for other vital programs. Internal policy provides for an annual City Section 108 loan repayment threshold of \$500,000. The proposed loan will significantly increase this amount, therefore, the repayment overage will effect existing CDBG programs to some degree. Specific program reductions may include a reduction in CDBG Housing Rehabilitation and Economic Development programs. Final details will be outlined in the 1991 Agency budget.

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This action does not result in an amendment to the Agency's 1990 budget as the budget anticipated applying for these loans.

MBE/WBE REVIEW

Minority and women contractors will be encouraged to bid on rehabilitation projects funded under this program. All HUD and Agency MBE/WBE requirements will be adhered to in the advertising and awarding of bids.

ENVIRONMENTAL REVIEW

NEPA: The three public housing sites have been previously reviewed for federal requirements. The Environmental Review Records are on file in the Environmental Coordinator's office, and FONSI's (Findings of No Significant Impact) have been published.

CEQA: The project architect will be responsible for submitting project applications to the City Environmental Services Division for further CEQA review.

POLICY IMPLICATIONS

The actions proposed in this staff report are consistent with previously approved policy which is to scatter public housing in the City pursuant to a Fair Share Plan.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of August 6, 1990 the Sacramento Housing and Redevelopment Commission adopted a motion recommending the adoption of the attached resolution. The votes were as follows:

AYES: Diepenbrock, Moose, Pernell, Simon, Strong, Wiggins,
Williams, Wooley, Yew
NOES: None
NOT PRESENT TO VOTE: Amundson
ABSENT: Simpson

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RECOMMENDATION

The staff recommends adoption of the attached resolutions which:

- 1) authorize the Executive Director to prepare an application to HUD for a Section 108 Loan against future CDBG allocation;
- 2) amend the CDBG statement of objectives and proposed use of funds; and
- 3) authorize the Executive Director to execute all documents and perform all other actions necessary to consummate the purchase of Public Housing Units under Project No. DA30-005-035.

Respectfully submitted,



ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Linda DeLong, 440-1322

LW90-84

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPLICATION FOR SECTION 108 LOAN FOR PUBLIC HOUSING AND AMENDMENT TO THE CDBG PROGRAM

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE
CITY OF SACRAMENTO:

Section 1: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby authorized and directed to prepare and submit an application to the U.S. Department of Housing and Urban Development for a Section 108 loan for \$1,250,000 against future Community Development Block Grant (CDBG) allocations for public housing and to execute all related documents required to consummate this loan.

Section 2: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby directed to schedule a public hearing to amend the CDBG statement of objectives and proposed use of funds in accordance herewith.

MAYOR

ATTEST:

CITY CLERK

SHARE\RESO\LW90-98

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**APPLICATION FOR SECTION 108 LOAN
FOR PUBLIC HOUSING AND
AMENDMENT TO THE CDBG PROGRAM**

**NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT
AGENCY OF THE CITY OF SACRAMENTO:**

Section 1: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby authorized and directed to prepare and submit an application to the U.S. Department of Housing and Urban Development for a Section 108 loan for \$1,250,000 against future Community Development Block Grant (CDBG) allocations for public housing and to execute all related documents required to consummate this loan.

Section 2: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby directed to schedule a public hearing to amend the CDBG statement of objectives and proposed use of funds in accordance herewith.

CHAIR

ATTEST:

SECRETARY

SHARE\RESO\LW90-97

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF _____

RESOLUTION APPROVING THE ACQUISITION AND REHABILITATION OF LOW-INCOME HOUSING UNITS UNDER PROJECT NO. CA30-PO05-035

WHEREAS the Housing Authority wishes to purchase and rehabilitate up to 50 Low-Income Housing Units in the City of Sacramento.

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

Section 1: Executive Director is hereby authorized to execute all documents and perform all other actions necessary to consummate the purchase of up to 50 Low-Income Housing Units meeting the qualifications and within the scope of Public Housing Development Project No. CA30-005-035.

CHAIR

ATTEST:

SECRETARY

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

CITY OF SACRAMENTO
 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
 1990 PROJECTED USE OF FUNDS

1990 PROPOSED
 BUDGET

I. CAPITAL IMPROVEMENTS

A. Target Area Improvements (See Attachment 1)	\$1,129,615
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SUBTOTAL	\$1,129,615
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II. HOUSING PROGRAMS

A. Housing Rehabilitation Loan Fund	219,579
B. Housing Rehabilitation Loan Fund (Program Income)	250,000
C. Housing Rehabilitation Administration	405,421*
D. Emergency Repair Grants	170,000
E. Relocation Program	15,000
F. Building Code Inspection	80,000
G. Section 108 Loan Repayments	532,000
H. Neighborhood Housing Services	150,000
I. Cape Cod Village Home Construction	70,000
J. Public Housing Production	<u>1,250,000</u>

SUBTOTAL	\$3,142,000
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III. PUBLIC SERVICES

A. Workrecreation	\$132,000
B. Shared Housing	50,000
C. Housing Outreach Maintenance Education (HOME) - Lutheran Social Services	10,910
D. Homeless Program for the Mentally Ill - TLCS	286,375
E. Job Bank	<u>10,000</u>

SUBTOTAL	\$ 489,285
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* The Housing Rehabilitation Division will administer programs in addition to the CDBG Loan Fund and the ERP Program including Rental Rehabilitation, Moderate Rehabilitation, Acquisition and Rehabilitation, and Proposition 77 and 84 Programs.

CITY OF SACRAMENTO
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
1990 PROJECTED USE OF FUNDS

1990 PROPOSED
BUDGET

IV. ECONOMIC DEVELOPMENT

A. Economic Development (Loans and Administration)	\$ 202,000	
B. Economic Development Loans (Program Income)	<u>48,000</u>	
SUBTOTAL		\$ 250,400*

V. ADMINISTRATION

A. CDBG Program Administration	351,791	
B. Human Rights/Fair Housing Commission	128,625	
C. Del Paso Heights Project Area Administration	<u>72,185</u>	
SUBTOTAL		\$ 552,601

VI. CONTINGENCY **\$ 43,829**

TOTAL **\$4,357,730**

SOURCE OF FUNDS:

Entitlement Estimate	\$3,406,000	
Reprogramed Funds	653,330	
Program Income (Housing Rehabilitation)	250,000	
Program Income (Economic Development)	48,400	
Section 108 Guarantee Loan	<u>1,250,000</u>	
TOTAL		\$5,607,730

*Economic Development funds will be targeted to the
commercial strips of Franklin and Stockton Boulevard.

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SECTION 8 LOAN REPAYMENTS--CITY

PROJECT/NUMBER	AMOUNT OF	DUE DATE	INTEREST	1990	1991	1992	1993	1994	1995	1996	TOTAL
HODAG FRAIL ELDERLY 85 B-85-MC-06-0003	\$1,000,000.00	3/1	12.322 6 YEARS	\$202,544.32	\$209,142.40	\$216,520.08	\$223,980.42				\$1,329,671.61
12TH STREET COMM. MOTELS REVITAL-ALKALI B-85-MC-06-0003	\$750,000.00	2/17	6.998 6 YEARS	\$157,329.46	\$157,329.46	\$157,329.46	\$157,329.49				\$974,907.96
HOUSING PROD. FAMILY B-88-MC-06-0003	\$500,000.00		9.0 6 YEARS	\$112,628.00	\$107,987.50	\$111,897.50	\$109,937.50	\$112,500.00	\$114,187.50		\$713,355.00
PUBLIC HOUSING LOAN REQUESTED 1990**	\$1,250,000.00		10.0* 6 YEARS	NO PAYMENT	\$125,540.00	\$114,252.00	\$108,752.00	\$487,500.00	\$485,812.00	\$600,000.00	\$1,921,856.00
CITY TOTALS	\$3,500,000.00			\$472,501.78	\$599,999.36	\$599,999.04	\$599,999.41	\$600,000.00	\$599,999.50	\$600,000.00	\$4,939,790.57

* ESTIMATED PERCENTAGE

** PAYMENTS WILL CONSIST OF AVAILABLE CDBG FUNDS PLUS UP TO \$50,000 ANNUALLY FROM BOTH THE ECONOMIC DEVELOPMENT AND HOUSING REHABILITATION CDBG ALLOCATIONS

8/1/90