

**RESOLUTION NO. 2004-752**

**ADOPTED BY THE SACRAMENTO CITY COUNCIL**

ON DATE OF SEP 21 2004

**APPROVAL TO AMEND THE 2004 COMMUNITY DEVELOPMENT BLOCK GRANT ACTION PLAN AND THE AGENCY BUDGET; APPROVAL OF PREDEVELOPMENT LOAN TO GMA INVESTORS, L.P FOR THE GLOBE MILLS ADAPTIVE REUSE PROJECT**

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

Section 1. All of the evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2. The 2004 Community Development Block Grant Action Plan is hereby amended to transfer \$100,000 from the Multi-Family Revolving Loan Fund to the Globe Mills Adaptive Reuse Project.

Section 3. The Sacramento Housing and Redevelopment Agency ("Agency") Budget is hereby amended to transfer \$100,000 from the Rehabilitation Revolving (CDBG) Loans – City to the Globe Mills Adaptive Reuse Project.

Section 4. The Executive Director of the Agency is authorized to execute loan documents for \$100,000 predevelopment loan with GMA Investors, L.P. for the Globe Mills Adaptive Reuse Project in accordance with the terms and conditions described in the staff report that accompanies this resolution.

HEATHER FARGO

\_\_\_\_\_  
MAYOR

ATTEST:

SHIRLEY CONCOLINO

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2004-752

DATE ADOPTED: SEP 21 2004



**Sacramento  
Housing &  
Redevelopment  
Agency**

September 1, 2004

6.1

City of Sacramento  
Sacramento, California



Honorable Members in Session:

**SUBJECT: PREDEVELOPMENT LOAN FOR GLOBE MILLS**

**LOCATION & COUNCIL DISTRICT**

1131 C Street, District 1

**RECOMMENDATION**

Staff recommends adoption of the attached resolution (page 8) which authorizes the Executive Director or her designee to:

- Amend the Agency budget and the 2004 Community Development Block Grant (CDBG) Program to transfer \$100,000 in CDBG funds from the Multi-family Revolving Loan Fund to the Globe Mills Adaptive Reuse project; and
- Execute loan documents with Globe Mills Development, LLC for a predevelopment loan of \$100,000 to cover certain predevelopment consultant costs for the rehabilitation and reuse of the Globe Mills property.

**CONTACT PERSONS**

Lisa Bates, Community Development Director 440-1316  
Jim Hare, Program Manager, 440-1313

**FOR COUNCIL MEETING OF:** September 21, 2004

**SUMMARY**

This report recommends approval of a \$100,000 predevelopment loan to further the proposed rehabilitation and conversion of Globe Mills property (site map included as Attachment I) to 110 units of affordable senior housing and 31 units of market-rate housing. Completion of the work funded by this loan will ready the project for a low-income housing tax credit application submission in February 2005.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City of Sacramento  
September 1, 2004  
Page 2

## **ALKALI FLAT PROJECT AREA COMMITTEE ACTION**

At its regular meeting of August 18, 2004 the Alkali Flat Redevelopment Project Area Committee (PAC) was provided an informational report about the predevelopment loan.

## **COMMISSION ACTION**

At its meeting of September 1, 2004, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Burruss, Gore, Harland, Hoag, Piatkowski, Stivers, Simon  
NOES: Coriano  
ABSENT: Burns, McCarty

## **BACKGROUND**

The predevelopment loan recommended in this staff report represents the latest progress toward preserving and redeveloping the Globe Mills property, a process that was initiated more than nine years ago. City and Redevelopment Agency initiatives to date have included fire suppression, building stabilization, Phase I and II environmental reports, pre-development architectural and engineering reports, and acquisition of two of the four Globe Mill parcels.

The proposed predevelopment loan is the direct outcome of a Request for Proposals (RFP), released in August 2003. Two developers responded to that RFP by the final deadline date of May 30, 2004. The Agency's selection committee met in June and unanimously chose the proposal submitted by GMA Investors, L.P. The proposal calls for the adaptive reuse of the Globe Mills property into 110 units of affordable senior housing and 31 units of market rate housing. The development plan calls for the conversion of the old mill buildings to loft-style market rate one-bedroom units and the construction of two new buildings onsite to accommodate the one-bedroom affordable senior units.

The principals in GMA Investors, L.P. are CFY Development, Inc., which will be the contractor and property manager, and Globe Mills Investors, LLC which owns the two of the four parcels comprising the Globe Mills site that are currently not under Agency ownership. The Agency has previously worked with CFY Development on two successful senior housing projects in the Auburn Boulevard Redevelopment Area. The most recent was Ladi Senior Apartments, a conversion of the former Dodge City Motel, which opened in fall, 2003. Its 147 units are fully leased and remain under management by CFY Development, Inc. The second project was a similar motel

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City of Sacramento  
September 1, 2004  
Page 3

conversion that transformed the former Town and Country Motel into the Auburn Square senior apartments, a well-managed development that has been fully leased since it opened in 1999.

A substantial progress has been made since the selection committee recommended GMA as the preferred developer for Globe Mills. Agency staff has held informational meetings with the Alkali Flat PAC and the City's Design Review and Preservation Board, and has convened an "all hands" meeting with City planning, design review, transportation, utilities, and fire departments. The Agency has initiated the project's environmental clearance as lead agency under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Finally, Agency staff responded to a July 15 application deadline for project funding through the Brownfields Economic Development Initiative (BEDI). The program, sponsored by the U.S. Department of Housing and Urban Development (HUD), would provide a significant portion of the project's financing. Awards will be announced in October 2004.

On its part, the development team has modified its development concept in response to comments received at PAC and Design Review Board meetings, and has submitted its project for planning entitlements. The modified development concept includes preservation of more existing structures on the site than was previously thought possible, including all of the main existing mill buildings. The developer has spent approximately \$250,000 to date, including acquisition of the two parcels (the vacant corner parcel and one parcel in the center of the mill structures).

The project schedule anticipates meeting the potential February 2005 application deadline for nine percent low income housing tax credits. The developer has an excellent track record in securing tax credit allocations for his projects; however the competition for these credits is keen. By the application deadline the project must have all planning entitlements in place, environmental clearance and site control secured. It then must successfully compete against other projects on a regional basis to win the tax credit award. If awarded (in May or June 2005), the project must be under construction within 150 days.

The predevelopment loan that is recommended in this report is not standard Agency practice. Developers typically assume the risk of the predevelopment phase and earn returns on their investments that reflect their upfront risk exposure. However, staff is recommending a predevelopment loan in this case due to the extremely blighted condition of the property, the degree of difficulty of rehabilitation, its status as a City landmark and potential for listing on the National Historic Register, the need to be in a position to move quickly into project construction and the uncertainties about project financing (see discussion below).

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City of Sacramento  
September 1, 2004  
Page 4

The terms of the Agency's \$100,000 predevelopment loan are as follows:

- **TERM:** Close of permanent financing or five years, whichever comes first.
- **RATE:** Zero percent if the project closes permanent financing within the term. Six percent if the project fails to close within the term; except if the loan meets conditions described below for loan forgiveness.
- **LOAN FORGIVENESS:** If the project fails to go forward through no fault of the developer, the loan may be forgiven, proportional to the amount of consultant work completed and delivered to the Agency. Developer shall show evidence of consultants and fees paid and shall deliver all work products to the Agency in order for a portion of the loan to be forgiven. Loan forgiveness will be on a \$1 for \$1 basis with the delivery and documentation of consultants and fees paid. The eligible consultant costs and fees will include the following: architectural, civil engineering, structural, electrical/mechanical, code, and a construction cost estimator.
- **SECURITY:** First Deed of Trust on developer's two parcels at 1131 C Street.
- **SUBORDINATION:** This loan may be subordinated to funds received from the tax credit investor.

### **FINANCIAL CONSIDERATIONS**

The source for the recommended predevelopment loan is reprogrammed CDBG Multi-family Revolving Loan funds.

This report does not provide detail on possible future need for funds for the Globe Mills overall construction and permanent project due to the evolving nature of those figures and pending uncertainties. As discussed above, the project's success is subject to winning one national and one regional competition for below-market financing. The project would have to be dramatically restructured and may not proceed at all, if it fails to win an allocation of low-income housing tax credits. In addition, financing will differ significantly depending on whether or not the project is successful in the BEDI competition. Once the BEDI award is announced in October, staff will be able to fine tune the amount of local funding that will be required to assist the project. As a preliminary estimate, the local funding requirement could range from \$3.5 to \$6.5 million and that requirement could be met with a combination of Alkali Flat tax increment, HOME and CDBG funds. We anticipate bringing forward a Disposition and Development Agreement and local funding strategy for Council consideration in the Fall of this year.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City of Sacramento  
September 1, 2004  
Page 5

## **POLICY CONSIDERATIONS**

The actions recommended in this report are consistent with the City of Sacramento's Strategic Plan goal to promote and support economic vitality. The request for a predevelopment loan does deviate from the Agency's existing Development Assistance guidelines by providing a predevelopment loan for architectural and other professional services. The exception is necessary due to the extremely blighted condition of the property, the uncertainties regarding project financing, the status of the property as a registered City landmark, the complicated nature of the project and the need to be able to move quickly into project construction upon the receipt of the tax credits.

Much of the work product funded by this predevelopment will be useful even if the project does not proceed as currently envisioned. Elements such as additional structural analysis, utility investigation, and civil work necessary to determine grade differentials will be useful in furthering any project that may occur on the site.

## **ENVIRONMENTAL REVIEW**

The Agency has assumed the responsibility of lead Agency for CEQA and NEPA environmental clearance. A notice of preparation of a project EIR was published on July 12, 2004 and the administrative draft EIR was released for comment on August 16, 2004. The project schedule calls for the Final EIR to be adopted and certified by December 15, 2004.

The proposed predevelopment loan does not commit the Agency to a definite course of action to approve the project. The terms of a Development and Disposition Agreement and permanent financing, which is the Agency's project approval stage, would occur after completion of the Final EIR. The predevelopment loan to fund feasibility studies is exempt from environmental review under CEQA per Guidelines Section 15262. The proposed predevelopment loan for an affordable housing project is Categorically Excluded from NEPA per 24 CFR Section 58.35(b)(6).

## **M/WBE CONSIDERATIONS**

The developer for this project was selected through a competitive RFP process. The Agency's standard procurement procedure was employed, including the following:

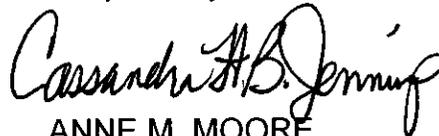
- the project was advertised on the BIDLINE and/or in minority publications;
- the Agency M/WBE Directory was used in solicitation

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

City of Sacramento  
September 1, 2004  
Page 6

Two firms responded the RFP. Neither were MWBE firms. The selected developer will be encouraged to solicit bids for the predevelopment studies from MWBE consultants.

Respectfully submitted,



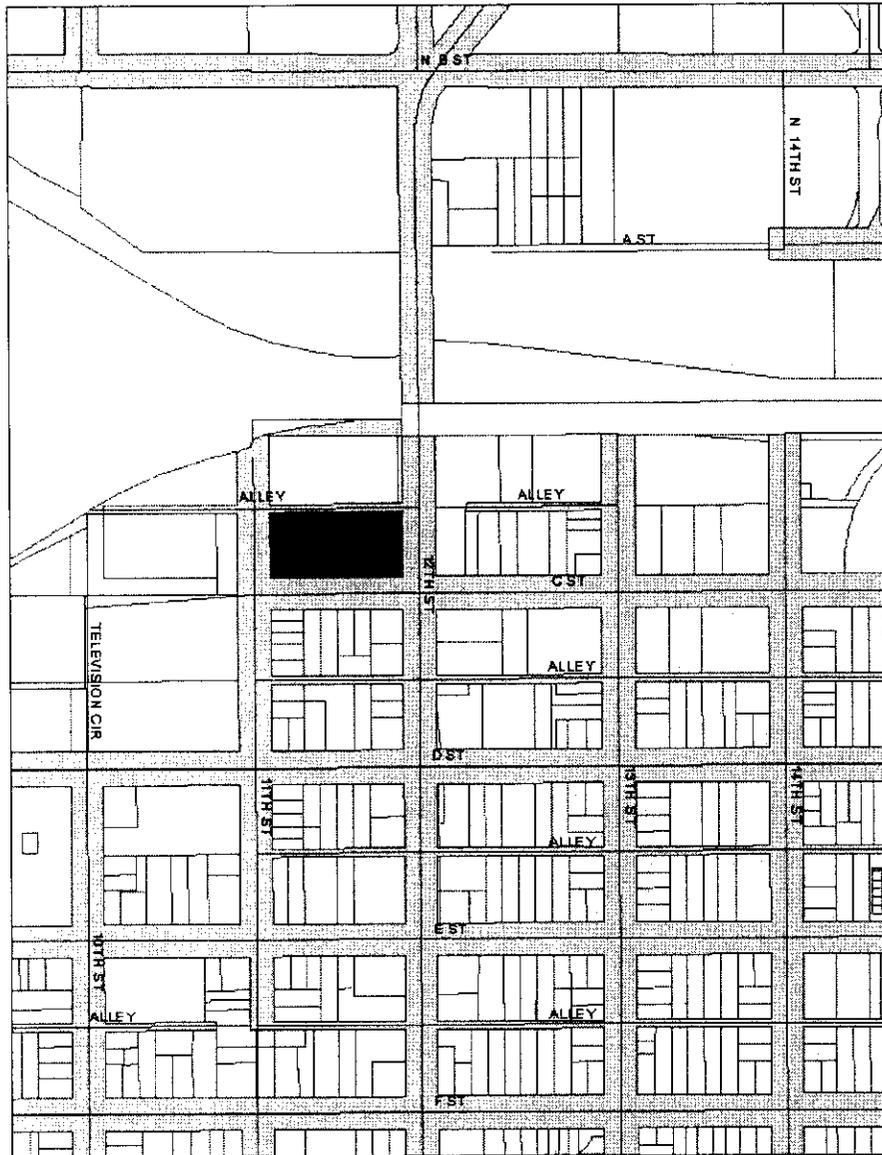
ANNE M. MOORE  
Executive Director

Transmittal approved,

  
ROBERT P. THOMAS  
City Manager

**TABLE OF CONTENTS:**

- 1) Attachment I: "Site Map", page 7
- 2) City Council Resolution, "Approving Predevelopment Loan", page 8



**Globe Mills**

**Legend**

 Globe Mills Parcels

