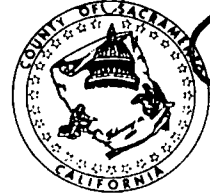




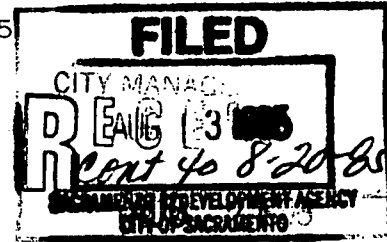
**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**

*Agency Report*



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Redevelopment Agency of the  
City of Sacramento  
Sacramento, California



Honorable Members in Session

SUBJECT: Request for Loan of Tax Increment Funds to the Pacific Group, Ltd. for Deli-King Tenant Improvements.

SUMMARY

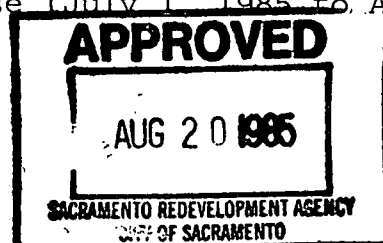
The attached resolution authorizes the Executive Director to execute the attached loan agreement with the Pacific Group, Ltd. for Tenant Improvements.

BACKGROUND

The Pacific Group, Ltd. has requested financial assistance to complete tenant improvements to the North Point Business Park in Del Paso Heights located at Norwood Avenue and Highway 80. This area is designated as a developer assistance area in the Amended Redevelopment Plan and Implementation Strategy. The applicant has received two prior loans from the Agency for tenant improvements at the Business Park.

The applicant began construction of North Point Business Park in January of 1982. The final phase of construction was completed in September of 1984. The Project consists of 54,200 square feet of office/warehouse and office space and 71% is currently occupied (copy of site plan attached). The applicant has, to date, invested a total of \$1.3 million to construct the business park and complete tenant improvements. In order to attract tenants to the business park it has been necessary for the applicant to provide all tenant improvements free of charge. To be able to maintain a positive cash flow while leasing up the remaining space, the applicant has requested from the Agency below market rate financing.

The applicant is requesting the Agency loan at this time to complete tenant improvements for expansion of the Deli-King, a delicatessen and related food service facility. Deli-King has a 110 month lease (July 1, 1985 to August 31, 1994) with the Pacific



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# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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Group, Ltd., for 1,160 square feet of space. The initial lease rate is \$398.20 per month increasing for the period of December to August, 1986 to \$788.80 per month. Due to increased business the Deli-King has found it necessary to expand its facility. The cost of the improvements are \$31,000. The Agency loan would be for \$27,000 to cover the cost of walls, the mechanical unit, electrical, plumbing, floor covering, and some finish items. The applicant will finance \$4,000 of the tenant improvements.

The lease rates charged for this business park are comparable to similar warehouse developments in the Sacramento area (although this project also includes office development.) The typical range is from \$0.20 to \$0.40 per square foot for the shell. The \$0.34 shell rate for this project does not include the cost of tenant improvements which the redeveloper finances. The actual pricing at the redeveloper's costs are as follows:

## DELI-KING

1,160 total sq. ft.	Lease rate quoted:	\$ 788.80
Cost of Construction \$31,000	Owners cash equity:	\$4000.00
<u>COST:</u>	.34 shell	394.40
	Improved \$27,000 at 13.5%	<u>498.55</u>
	over 7 years	\$ 892.95

<u>PROPOSED:</u>	.34 shell	394.40
	Improved \$27,000 at 6.0%	
	over 7 years	<u>394.43</u>

TOTAL BASE RENT: \$ 788.83

NET SUBSIDY: \$ 104.12

The applicant's savings realized by below market rate financing will be reflected in the tenants rates. The tenant has indicated that within a year they anticipate the need to hire 1 additional full time food service worker and 1 part time food service worker, efforts will be made to hire local residents.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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## FINANCIAL DATA

The applicant has requested loans from the Developer Assistance Program (cost center 0576). The Loan agreement for Deli-King would be as follows: a loan of \$27,000 fully amortized over a seven (7) year term, at an interest rate of six (6) percent, with monthly payments of \$394.43. The collateral for this loan would be a third trust deed on the property located at 3901 Norwood Avenue, subordinate only to easements for utilities, taxes not yet due and senior deeds of trust in a cumulative amount not exceeding Two Million Three Hundred Thousand Dollars and No Cents (\$2,300,000.). The appraised value of the property is \$3,000,000. The tax increment flow for Del Paso Heights will increase by approximately \$500.00 per year. Repayment of the Agency loan would begin one month after the loan agreement is executed.

## POLICY IMPLICATIONS

The proposed loan for tenant improvements is in conformance with the previously approved Developer Assistance Program policies.

## VOTE AND RECOMMENDATION OF PROJECT AREA COMMITTEE

At its regular meeting of July 18, 1985 the Del Paso Heights Project Area Committee voted to recommend denial of the Pacific Group, Ltd.'s loan request. The Project Area Committee's comments are included with this report as Attachment II.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting Aug. 15, 1985, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Glud, Luttrell, Pettit, Wooley, Angelides

NOES: None

ABSENT: Lopez, Moose, Sanchez, Teramoto, Walton

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

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RECOMMENDATION

The staff recommends the adoption of the attached resolution which authorizes the Executive Director to execute the loan agreement with the Pacific Group, Ltd.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe, Jr.*

For:

Walter J. Slipe  
City Manager

Contact Person: THOMAS V. LEE, 440-1315

34

# RESOLUTION NO. 85-070

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

August 13, 1985

## TENANT IMPROVEMENT LOAN FOR THE NORTH POINT BUSINESS PARK (DELI-KING)

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

Section 1: The Executive Director is authorized to execute a loan agreement with Pacific Group, Ltd., to cover part of the cost of providing tenant improvements for Deli-King. The loan agreement shall be in a form approved by the Agency Counsel, and shall provide at a minimum:

- (a) A maximum loan amount of \$27,000;
- (b) An interest rate of six percent;
- (c) A note which is due and payable in seven years;
- (d) A third deed of trust on the subject property as security;
- (e) A provision that disbursements will be made only to pay for completion of tenant improvements for Deli-King;
- (f) A plan for hiring Del Paso Heights Project Area residents, acceptable to Agency.
- (g) Any other provisions which in the opinion of Agency Counsel are necessary to assure appropriate use of loan funds and repayment of such funds to the Agency.

Section 2: Prior to execution of the loan agreement, Agency staff shall complete a review of the partnership credit worthiness.

CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

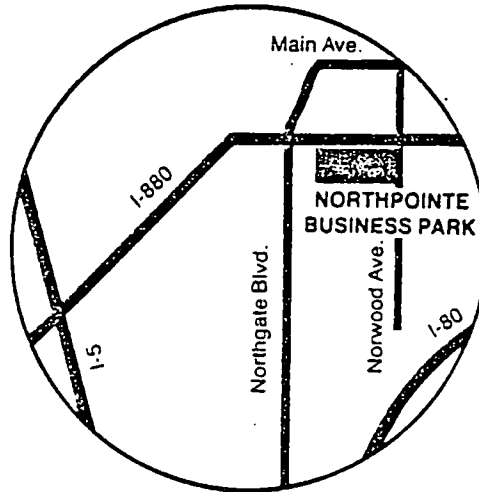
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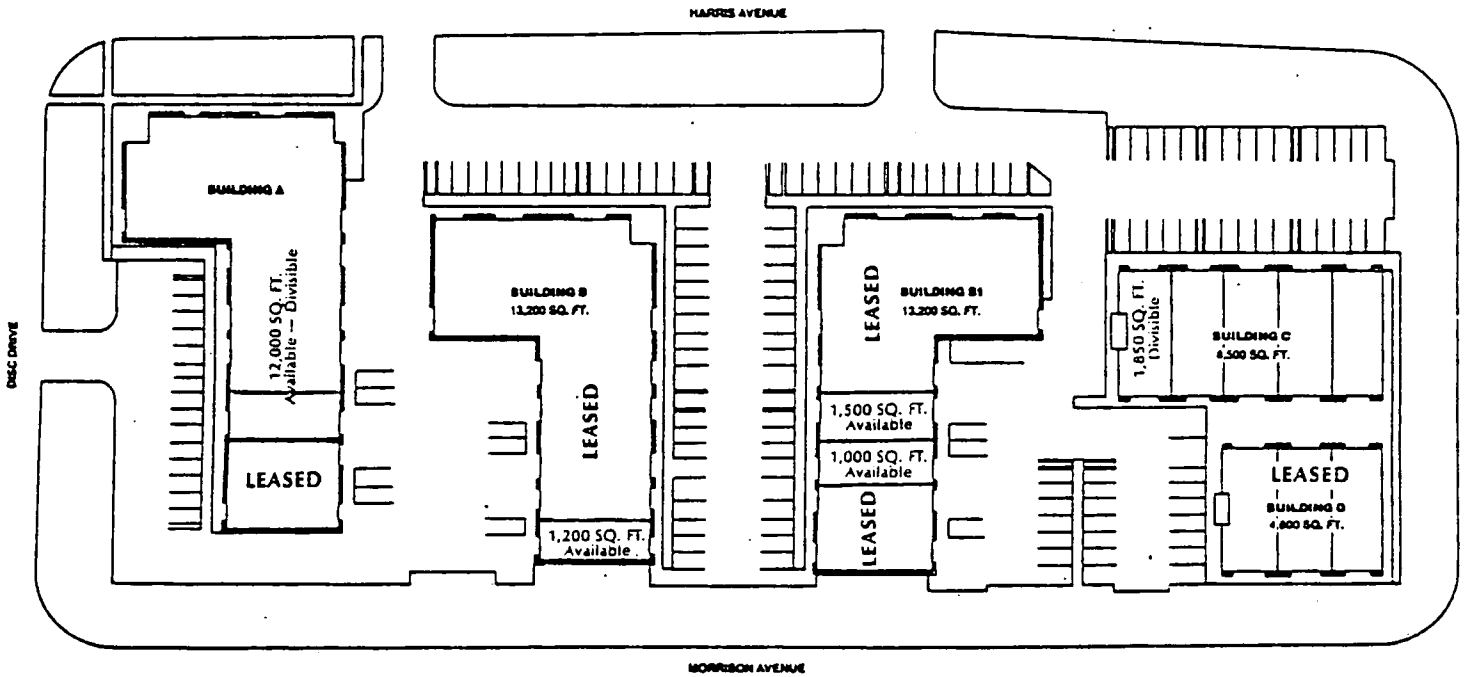
# AREA MAP

ATTACHMENT I

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# SITE PLAN



# Del Paso Heights Project Area Committee

TELEPHONE 927-4571 — 1228 GRAND AVENUE — SACRAMENTO, CALIFORNIA 95838

TO: Nadine Ford                      DATE: July 22, 1985  
 FROM: DPH PAC  
 SUBJECT: Loan Request from Pacific Group Ltd.

## MEMBERS

Johnnie R. Morris  
 Chairperson  
 Norvell Burton  
 1st V. Chairperson  
 Don Scherba  
 2nd V. Chairperson  
 Elone Smith  
 Secretary/Treasurer  
 Eugene Baber  
 Helen Barrow  
 Robert Bell  
 Wendell Burnett  
 Auntine Burney  
 Estelle Canedy  
 Jane Compton  
 Sophia Crump  
 Elvira Dumas  
 Dave Feiling  
 Clifford Frazier  
 Alee Heidelberg  
 Mamie Johnson  
 Martha Jones  
 Pauline Lyons  
 Fairreatha Matheny  
 John Thomas  
 Edna Williams

The PAC, at the regular meeting of July 18, 1985, reviewed the request of Pacific Group Ltd.

The vote was 18 ayes to "DENY THE REQUEST" for the following reasons:

- \* The Tax Increment monies would be better spent on new construction rather than tenant improvement.
- \* This company has already been approved (over the objection of PAC) for 2 previous loans for tenant improvement.)
- \* A seven year loan for a possible 1 fulltime and 1 parttime employee is not a good ratio.

*Evelyn Dooley*  
 Evelyn Dooley, DPH PAC/  
 Executive Director

## STAFF

Evelyn Dooley  
 Executive Director  
 Tanya Craig  
 Administrative Asst.  
 Julia Watson  
 PAC Secretary

cc Councilman Johnson  
 Bill Edgar

