



**Sacramento
Housing &
Redevelopment
Agency**

September 27, 2000

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

Honorable Members in Session:

SUBJECT: DEL PASO NUEVO - HOMEOWNERSHIP PROJECT - LOAN SECURITY

LOCATION & COUNCIL DISTRICT Del Paso Nuevo, District 2

RECOMMENDATION

Staff recommends adoption of the attached resolutions which authorize the Executive Director or her designee to substitute Del Paso Nuevo Redevelopment Agency-owned property with alternate Housing Authority-owned property as security for the Section 108 Guaranteed Loans for the Del Paso Nuevo Project.

CONTACT PERSONS

Lisa Bates, Program Manager, 440-1399, extension 1421
John Dangberg, Director, 440-1357

FOR COUNCIL MEETING OF October 10, 2000

SUMMARY

This report requests authorization to substitute existing real property pledged as security with new property for the Section 108 Guaranteed Loans for Del Paso Nuevo. Currently the Del Paso Nuevo Section 108 Loans are secured with real property in the Del Paso Nuevo (DPN) neighborhood, Del Paso Nuevo Program Income, and Del Paso Heights tax increment revenue received from within the Del Paso Nuevo Project. This action will replace certain real property from the DPN project with Agency-owned assets as collateral for the Section 108 loan.

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COMMISSION ACTION

It is anticipated that at its meeting of October 4, 2000, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending approval of the attached resolutions. In the event they fail to do so, you will be advised prior to your October 10, 2000 meeting.

BACKGROUND

In June 1997, the City Council authorized the acceptance of a \$5 million Economic Development Initiative (EDI) grant and the application of \$5,445,000 in Section 108 loan guarantees for development of the Del Paso Nuevo Homeownership Project. A map of DPN is included as Attachment I. 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 in DPN are being used to pay for land, infrastructure and community facilities to support 300 new single family homes in the Del Paso Nuevo area. While HUD requires that local jurisdictions commit to repay Section 108 loans from future CDBG funds, HUD also requires additional security if the CDBG program is discontinued in the future. To satisfy that requirement, the Council in June 1998 approved pledging three security sources as collateral to the Section 108 loan:

1. Tax Increment generated from the Del Paso Nuevo area not to exceed \$2,780,000;
2. Real Property purchased for the project for development and new infrastructure totaling \$2,700,000; and
3. Program income directly generated from the use of Economic Development Initiative Grant and Section 108 Loan funds for the Del Paso Nuevo Project.

The Del Paso Nuevo Section 108 loan will be repaid over 20 years with an approximate average annual debt service payment of \$500,000.

Currently the Agency has 43 Del Paso Nuevo properties valued at \$2,684, 000 securing the Section 108 loan. Because these properties are being developed for infrastructure and homes, the property will need to be released and additional security provided. Rather than continue to secure and unsecured property from the project as it is developed, which is expensive and staff intensive to administer, the Agency is recommending a one-time substitution of security with

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other Agency-owned assets. The potential assets would include one or more of the following potential Agency-owned properties:

- Oak Park Duplexes (2937-2960 35th/36th Street) 24 three bedroom units that are owned and managed by the Housing Authority.
- La Victorianas (505 10th Street) 40 one bedroom units in Alkali Flat that are also owned and managed by the Housing Authority.
- Commerce Circle (320 Commerce Circle) Office and warehouse building owned by the Housing Authority. This property will be used as collateral only if needed to satisfy HUD's loan to value requirements.

Staff estimates that the appraised value of these two properties will approximate \$4 million in value. To satisfy HUD's 80 percent loan to value requirements on property security, the \$2.78 million in security may require property value of \$3.475 million. The Agency will be negotiating with HUD to allow for a higher loan to value such that the Commerce Circle property is not needed for security. An appraisal of these properties is currently being prepared to determine the value. The security would remain until the year 2020 or until the Section 108 loans are repaid.

FINANCIAL CONSIDERATIONS

In the 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.

The approximate average annual debt service on the Section 108 loans is \$500,000 over 22 years. The previously approved debt service repayment plan is to use CDBG funds to make annual repayments for the first 12 years and then use tax increment generated from Del Paso Nuevo along with CDBG funds to pay the remaining 10 years of debt service.

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. The action is also consistent with the City's recent actions to securitize City assets for the issuance of redevelopment bonds.

ENVIRONMENTAL REVIEW

The proposed actions are administrative and are exempt from environmental review per CEQA Guidelines section 15378(b)(3), and from NEPA per 24 CFR Part 58.34(a)(11).

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M/WBE CONSIDERATIONS

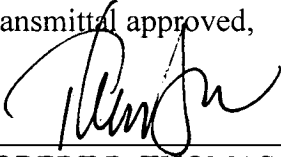
The items discussed in this report have no M/WBE impact.

Respectfully submitted,



ANNE M. MOORE
Executive Director

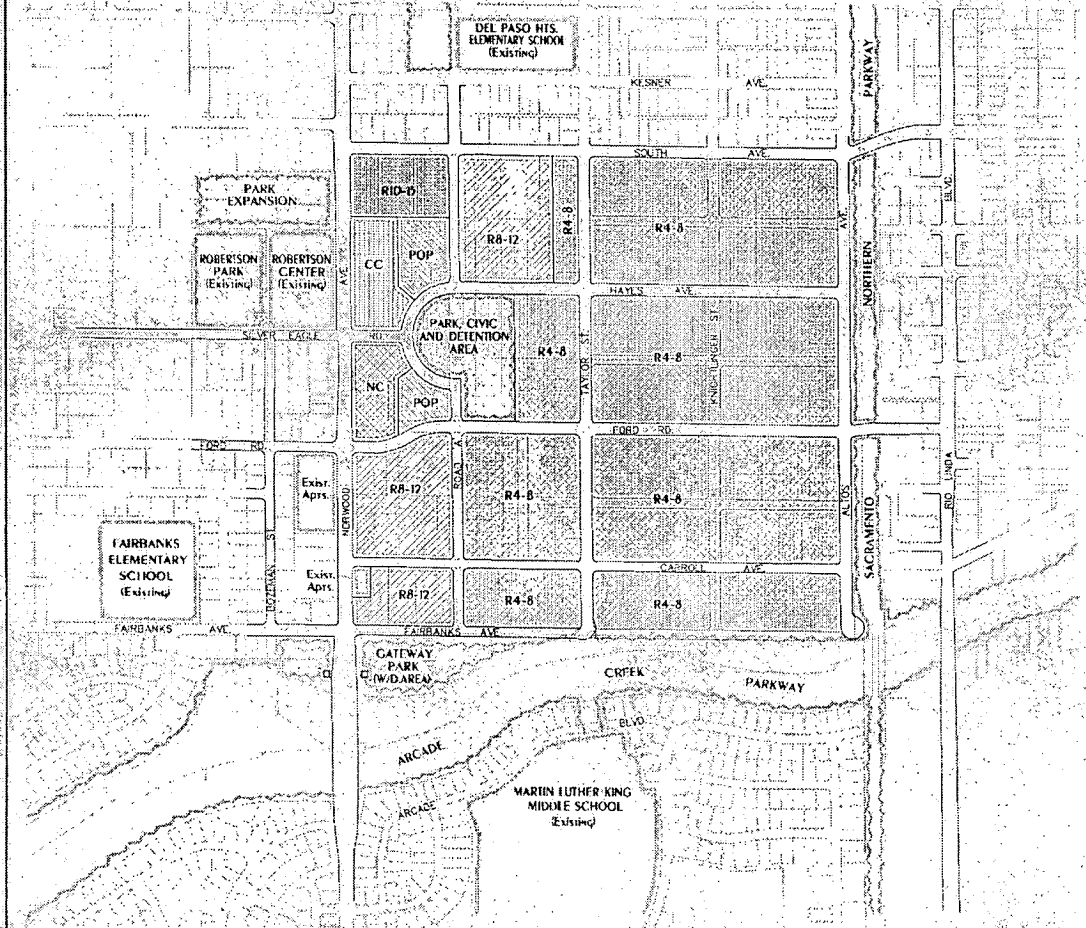
Transmittal approved,



 ROBERT P. THOMAS
City Manager

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

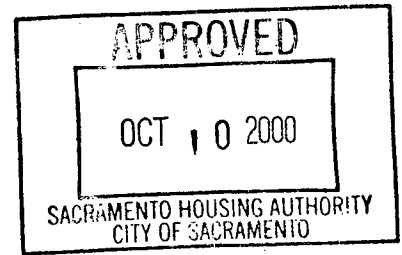
	Gross AC.	Net AC.	Units
R4-B	103.4	82.7	330-662
R8-12	213	17.0	166-204
R10-15	4.7	3.8	38-57
CC	4.3		
NC	3.9		
POP	4.5		
Parks, Civic & Detention Basin	11.9		
APT	0.5		
TOTALS	643		504-923



SPECIAL PLANNING DIST. LAND USE PLAN



NOTE: DENSITY AND UNIT CALCULATIONS ARE BASED ON A GROSS TO NET FACTOR OF .805 TO ALLOW FOR PERCENT EFFICIENT ROADWAYS.



RESOLUTION NO. 2000-011

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

**DEL PASO NUEVO:
SUBSTITUTION OR ADDITION OF REAL PROPERTY SECURITY
UNDER DEED OF TRUST TO U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT**

WHEREAS, certain of the real property pledged by the Redevelopment Agency of the City of Sacramento to the U.S. Department of Housing and Urban Development ("HUD") under one or more deeds of trust (collectively, the "Deed of Trust") securing the Section 108 loan for the Del Paso Nuevo project ("Project") must be released from the Deed of Trust in order to allow its development as part of the Project; and

WHEREAS, the Housing Authority of the City of Sacramento owns the following real property ("Housing Authority Property"):

- Las Victorianas, 505 10th Street, APN 002-0116-051-00;
- Oak Park Duplexes, various addresses on 35th and 36th streets, APN 013-0143-038-00 and 013-0143-030-00; and
- 320 Commerce Circle, APN 275-0251-017-00.

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

Section 1. The Executive Director is authorized to execute one or more deeds of trust, or amendments to the existing Deed of Trust, to provide the Housing Authority Property as substitute or additional security as may be required by HUD as security for the Section 108 Loan for the Project, and to take any other actions reasonably necessary to comply with HUD's requirements for the Section 108 Loan and assist the Redevelopment Agency of the City of Sacramento in the implementation of the Project accordingly, all documents to be in a form approved by Agency Counsel.

CHAIR

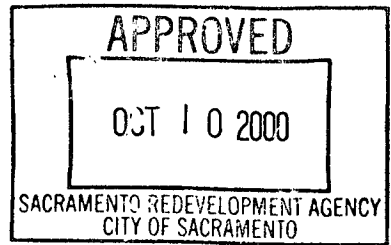
ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



RESOLUTION NO. 2000-062

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

**DEL PASO NUEVO:
SUBSTITUTION OR ADDITION OF REAL PROPERTY
SECURITY UNDER DEED OF TRUST TO U.S. DEPARTMENT
OF HOUSING AND URBAN DEVELOPMENT**

WHEREAS, certain of the real property pledged to the U.S. Department of Housing and Urban Development ("HUD") under one or more deeds of trust (collectively, the "Deed of Trust") securing the Section 108 loan for the Del Paso Nuevo project ("Project") must be released from the Deed of Trust in order to allow its development as part of the Project; and

WHEREAS, the Housing Authority of the City of Sacramento owns the following real property and has authorized its encumbrance as substitute security under the Deed of Trust ("Housing Authority Property"):

- Las Victorianas, 505 10th Street, APN 002-0116-051-00;
- Oak Park Duplexes, various addresses on 35th and 36th streets, APN 013-0143-038-00 and 013-0143-030-00; and
- 320 Commerce Circle, APN 275-0251-017-00.

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

Section 1. The Executive Director is authorized to obtain from HUD full or partial reconveyances of the Deed of Trust and to offer the Housing Authority Property as substitute or additional security as may be required by HUD for the Deed of Trust, and to take any other actions reasonably necessary to comply with HUD's requirements for the Section 108 Loan and to implement the Project accordingly, all documents to be in a form approved by Agency Counsel.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ (7)

Section 2. This resolution shall take effect only upon the adoption of a resolution of the Housing Authority of the City of Sacramento authorizing the use of the Housing Authority Property as security for the Section 108 Loan for the Project.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ (8)