



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

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November 4, 1980

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City Council of the
City of Sacramento
City Hall, 915 I Street
Sacramento, California 95814

NOV 12 1980

Honorable Members in Session:

SUBJECT: Contract with DHUD under Urban Development Action Grant
(UDAG) Program for Kanpai Corporation, Inc.

SUMMARY

Attached is a resolution authorizing execution of a Grant Agreement with the Department of Housing and Urban Development under the Urban Development Action Grant program. This Contract obligates DHUD to pay \$226,239 to the City of Sacramento for a loan to the Kanpai Corporation to construct leasehold improvements to create a Japanese restaurant in the Barriga-Frey Building at 1109-1113 Second Street in Old Sacramento.

BACKGROUND

On April 29, 1980 you approved and authorized the submittal of an Urban Development Action Grant Application for leasehold improvements to construct a 7,288 square feet Japanese restaurant in Old Sacramento with the assistance of a ten-year variable interest rate UDAG loan.

UDAG loan	\$217,814
Local lending institution (Bank of America)	272,000
Developer's Equity (Kanpai Corporation)	<u>68,000</u>
	\$557,814

The terms of the UDAG loan are for 1% interest only the first three years and 10.5 interest for years four through eight. The payments for years nine and ten will be towards principal only. In addition, the Developer is required to pay the City 50% of the net cash flow over 12% of the initial Developer's investment up to a 25% return on Developer's equity. The principal will be repaid with \$4,000 payments years four through eight and two balloon payments years nine and ten of \$100,000 each year, or such other amounts as shall be required to pay the balance of the principal indebtedness in full upon the maturity of the term of the loan.

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Funds (loan repayment and interest) reverting back to the City of Sacramento will be placed into a UDAG Revolving Fund to assist other developments in compliance with the general UDAG requirements. The mechanism for administering the UDAG Revolving Fund will be established and reviewed by City Council at a later date.

On August 11, 1980 the City's Application received preliminary approval by the Department of Housing and Urban Development. Final approval of the Application is contingent upon execution of the Grant Agreement and submission of evidentiary material (i.e., evidence of private lending commitment, Developer's equity, certifications concerning environmental and building permit clearances). In addition, a Contract must be entered into between Kanpai Corporation and the City covering the terms of the loan. The Contract is currently being prepared jointly by City and Agency Legal Staff. We anticipate presenting the Contract to the Council within the next few weeks.

FINANCIAL DATA

The original Application was for \$228,425, however, due to DHUD-UDAG interpretation of allowable costs under this program, approval was received for \$226,239.

This project is for a grant to the City for \$226,239. The City will in turn loan \$217,814 to Kanpai Corporation, Inc. through a low variable interest rate loan. The amount of \$8,425 will be used by the Sacramento Housing and Redevelopment Agency Staff for grant management and administration.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting on November 3, 1980 the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached Resolution. The votes were recorded as follows:

AYES: Coleman, Fisher, Luevano, A. Miller, Serna,
Walton, B. Miller

NOES: None

ABSENT: Knepprath, Teramoto

RECOMMENDATION

This item was heard before the Budget and Finance Committee on November 12, 1980. The Committee agreed to forward this Grant

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Agreement to the City Council for consideration with recommendation for its execution. It is my recommendation that you adopt the attached Resolution.

Respectfully submitted,



MAC MAILES
Assistant City Manager

RECOMMENDATION APPROVED:



WALTER J. SLUPE
City Manager

Contact Person: Leo T. Goto

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

November 12, 1980

AUTHORIZING EXECUTION OF CONTRACT WITH
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
UNDER URBAN DEVELOPMENT ACTION GRANT PROGRAM -
KANPAI CORPORATION LEASEHOLD IMPROVEMENTS

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

1. The Mayor is authorized to execute that certain Agreement with the Department of Housing and Urban Development relating to the Urban Development Action Grant (UDAG) program, for the purpose of financing leasehold improvements for Kanpai Corporation.

2. The Mayor is authorized to execute amendments to the UDAG Agreement which may later be approved or required by the Department of Housing and Urban Development.

MAYOR

ATTEST:

CITY CLERK

REJECTED
BY THE CITY COUNCIL
OFFICE OF THE
CITY CLERK

NOV 12 1980