



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



9

January 8, 1991

Transportation & Community Development Committee and  
Budget and Finance Committee  
of the City Council  
Sacramento, CA

Honorable Members in Session:

SUBJECT: Suspension of Loan Payments - Pioneer Hall

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolution approving the modified loan terms.

Respectfully submitted,

ROBERT E. SMITH  
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST  
Deputy City Manager

Attachment



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



January 15, 1991

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT: Suspension of Loan Payments - Pioneer Hall**

## SUMMARY

This report recommends that the Executive Director be authorized to modify the terms of the Agency loan to the Pioneer Association in order to provide temporary financial relief.

## BACKGROUND

By Resolution No. RA 87-080 dated September 29, 1987, the Agency approved an Owner Participation Agreement (OPA) with the Pioneer Association for the rehabilitation of Pioneer Hall located at 1011 7th Street. The OPA committed \$300,000 to the Pioneer Hall rehabilitation as a loan from the Downtown Developer Assistance Program, and an additional \$100,000 as a contingency fund for the project. On March 14, 1989, by Resolution No. RA 89-020, the Agency approved the use of a small portion of the contingency funds to extend the loan by \$7,900 for construction cost overruns. The balance of the contingency funds was not used.

The OPA provides that the Pioneer Association will pay monthly installments of interest only for seven years based upon an annual interest rate of five percent (5%). The entire principal amount is due the eighth year.

Upon completion of the project in mid-1988, the Association employed aggressive strategies to market the structure to potential lessees. However, in July, 1989, no lease for the structure had been signed and the Pioneers requested that loan payments be suspended for nine months. The Agency, by Resolution RA 89-040 dated July 17, 1989, authorized the requested suspension. Loan payments ceased on August 1, 1989 and were to resume on May 1, 1990. A chronology of Agency action is attached in Exhibit "A".

In May of 1990, the Association successfully leased two-thirds of the first floor to Kaylah's Chocolate Shop. Additionally, the Pioneers have signed a lease with a tenant who will occupy the remaining 1,300 square feet of space on the ground floor beginning

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# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
January 15, 1991  
Page 2

in May of 1991. The new tenant is Capitol Plaza Florist, which now operates in the south mall at Downtown Plaza. The staff believes that the florist will nicely complement Kaylah's Chocolate Shop, and provide an attractive storefront to face St. Rose of Lima Park. The second floor of Pioneer Hall remains unleased.

The Pioneers have requested an additional suspension of loan payments because their failure to lease the second floor has created financial difficulty. The rental income collected from the current first floor tenant, which totals \$18,000 annually, is not sufficient to cover Pioneer Hall's expenses. The Pioneers currently make monthly payments of \$2,240 to the Wells Fargo Bank on their construction loan and pay approximately \$15,000 annually for taxes and insurance. These payments, in addition to general operating expenses, have placed the Pioneers in jeopardy of foreclosure if they do not obtain some financial relief.

The staff recommends that the Agency grant temporary relief to the Pioneers, but require that they guarantee dates upon which they will commence payments. The Staff proposes that the Agency allow the Pioneers to suspend loan payments until June 1, 1991, when the new tenant in the ground floor occupies the structure. On June 1, 1991, when the building is fifty percent leased, the Pioneers would commence payment of half of the monthly interest charged under the loan agreement. When the remainder of the building is leased, or on January 1, 1992, whichever occurs first, the Pioneers would commence full payments. All deferred interest charges due under the present agreement would accrue to the loan principal amount. Under this proposal, the Pioneer Association would receive the temporary relief it desires and the Agency would be paid for any interest lost during the suspension. The Pioneer Association has made loan payments to the Agency through December 1990.

## FINANCIAL DATA

The Pioneer Association committed \$172,000 in cash equity to the renovation of Pioneer Hall. The Pioneers also obtained \$400,000 in conventional financing from Wells-Fargo Bank. The \$400,000 Wells-Fargo loan is a first Deed of Trust against the Pioneer Hall building and property. The Agency's loan is a second Deed of Trust on the building and property and is junior, subordinate and subject to the conditions of the Loan Agreement between Wells Fargo and the Pioneers.

The principal outstanding on the Agency loan is \$320,845. Interest which would accrue over the suspension period will total \$11,363 bringing the new loan balance to \$332,208. Once the Pioneers have

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
January 15, 1991  
Page 3

leased the entire building, they will resume payments of interest only at a five percent annual rate. Based on the new principal amount, monthly payments will be \$1,337.

## POLICY IMPLICATIONS

The Agency has historically allowed the modification of loan terms in order to further assist the viability of projects in which it has participated.

## ENVIRONMENTAL REVIEW

The recommended action regards modification of loan terms and does not have environmental implications.

CEQA: Exempt per Section 15378(b)(3).

NEPA: Not applicable; no federal funds involved.

## MBE/WBE

Not applicable.

## VOTE AND RECOMMENDATION OF COMMISSION

In its meeting of January 2, 1991, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Diepenbrock, Pernell, Simon, Simpson, Strong,  
Wiggins, Williams, Wooley, Yew

NOES: None

ABSENT: Moose

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
January 15, 1991  
Page 4

## RECOMMENDATION

The staff recommends approval of the attached resolution, which authorizes the Executive Director to modify the terms of the Agency agreement with the Pioneer Association to allow full suspension until June of 1991, and partial suspension until January of 1992, of payments from the Pioneer Association on its loan from the Agency.

Respectfully Submitted,



ROBERT E. SMITH  
Executive Director

TRANSMITTAL TO COUNCIL:

District 1  
January 15, 1991

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WALTER J. SLIPE  
City Manager

Contact Person: Wendy Saunders, Program Manager, 440-1355

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# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

## SUSPENSION OF LOAN PAYMENTS - PIONEER HALL

WHEREAS, the Agency entered into a Owner Participation Agreement with the Pioneer Association dated September 29, 1987, and Promissory Note dated March 14, 1989, which provided for a loan of \$307,900 from the Agency to the Pioneer Association for the rehabilitation of the Pioneer Hall at 1011 7th Street; and

WHEREAS, the Agency amended said Promissory Note on September 25, 1989 to allow for a temporary suspension of payments and to increase the principal amount of the loan to \$319,446; and

WHEREAS, the Agency now desires to further modify the terms of said Promissory Note.

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

Section 1: The Executive Director is authorized to modify the terms of the Agency's Promissory Note with the Pioneer Association in order to suspend payments due until June, 1991, to require payments of fifty percent of scheduled rate until January, 1992, or until such time as the Pioneer Hall is fully leased, whichever first occurs, and to resume payments commencing January, 1992.

Section 2: As the loan is modified, interest due during the suspension period shall be added to the principal amount and accrue interest at the same rate as specified in the loan terms.

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

Section 3: The provisions of this resolution shall take effect immediately.

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CHAIR

ATTEST:

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SECRETARY

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Exhibit "A"

## Chronology of Pioneer Association Transactions

|                    |           |  |
|--------------------|-----------|--|
| September 29, 1987 | RA 87-080 | Approval of Owner Participation Agreement and Loan to Pioneer in the Amount of \$300,000 |
| March 14, 1989     | RA 89-020 | Approval of the Use of \$7,900 in Project Contingency Funds                              |
| June 1, 1989       |           | Commencement of Loan Payments  |
| July 17, 1989      | RA 89-040 | Approval of Temporary Loan Suspension  |
| May 31, 1990       |           | End of Loan Suspension Period  |
| June 1, 1990       |           | Commencement of Loan Payments  |
| January 15, 1991   |           | Request for Temporary Suspension of Loan Payments  |