



SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY

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April 7, 1987

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement with
520 Ninth Street for Development of the Salvation Army
Warehouse Building (520 9th Street)

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
authorizing execution of the Agreement.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:


JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



April 6, 1987

Redevelopment Agency of
the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement (DDA) with 520 NINTH STREET, a joint venture, composed of FIVE STAR PROPERTIES, a General Partnership, and ERICKSON AND HOULIHAN, a General Partnership, for Development of a Mixed Use Project at 520 9th Street
[PUBLIC HEARING]

SUMMARY

Staff, having concluded, a 90-day negotiation period, requests authorization for the Executive Director to enter into a Disposition and Development Agreement (DDA) with 520 NINTH STREET, a joint venture composed of FIVE STAR PROPERTIES, a GENERAL PARTNERSHIP, AND ERICKSON AND HOULIHAN, a GENERAL PARTNERSHIP, in order to purchase and rehabilitate a brick warehouse located at 520 9th Street for use as an office and residential, mixed-use project.

BACKGROUND

On January 20, 1987, the Redevelopment Agency of the City of Sacramento adopted Resolution No. 87-009 which selected Robert L. Erickson and Marvin L. Oates as developers for this project. This resolution further approved the scope of development, performance schedule and established a 90-day period to negotiate the terms of the DDA and return to the Agency. The proposed project consisted of: 1) five (5) affordable (\$325 rent per month) one bedroom apartments averaging 529 square feet each; 2) 16,256 square feet of net rentable office space; and 3) 38 parking spaces, all of which are within the building. (Please see Exhibit C - Site Plans). Residential rents will be restricted for the term of the loan to 25% of 80% of median family income.

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The developer's proposal offered a \$200,000 purchase price for the land and estimated \$720,000 in rehabilitation costs for a total development cost of \$920,000. The proposal also invited the Agency to share in a percentage of the projects cash flow and eventual sales proceeds. Establishing the terms of this "equity participation" as well as the terms of the sale required the ninety-day negotiation period, and the results of the negotiation are described under "Financial Data".

In the interim, the original developers, Robert Erickson and Marvin Oates have formed two new partnerships which shall be called (1) FIVE STAR PROPERTIES whose general partners are Marvin L. Oates, Charles T. Massie, Philip Oates, Ricky Massie and David S. Garst; and (2) ERICKSON & HOULIHAN whose general partners are Robert L. Erickson and L.R. Houlihan. These two general partnerships, in turn have agreed to 'joint venture' on this project. Both partnerships will execute the DDA. Copies of the executed DDA are on file with the Agency Clerk's Offices.

The developer has submitted an updated Schedule of Performance which indicates that rehabilitation of the building will commence on July 13, 1987 and be completed no later than March 28, 1988. This schedule is attached as Exhibit B.

Based upon the information presented elsewhere in this report, and the evidence of financing which was presented and approved in January 1987, it is staff's recommendation that a DDA be executed with 520 NINTH STREET, a joint venture, for redevelopment of 520 9th Street.

FINANCIAL DATA

The City of Sacramento purchased this property with Community Development Block Grant funds in July 1979 and disposition of the property was turned over to the Agency in 1982. Staff now recommends that the Agency be permitted to purchase this property from the City in order to efficiently enforce the DDA, the Declaration of Restrictions (Redevelopment Plan) and the Rental Regulatory Agreement. Authorization to make this purchase has been calendared as a companion resolution on this agenda.

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As a result of negotiations, Agency staff has agreed to sell the project for \$100,000 cash and take back a \$100,000 purchase money note (a copy of which is attached as Exhibit D) which is secured by a deed of trust on the property, described in Exhibit A. This note will bear simple interest at the rate of 7.5% and is due and payable in ten (10) years. Both interest and principal on this note shall be deferred in consideration of the developer's assignment of 25% net operating income and 25% net profits on the sale of the property. The interest due on the note shall be reduced by the amount of net income received by the Agency under this assignment.

Justification for making this \$100,000 loan is twofold. First, the developer is providing five (5) replacement housing units which are affordable to low and moderate income persons for the life of the redevelopment plan. Second, the Alkali Flat Project Area will receive a substantial return on its note which may then be used to further Project Area goals.*

POLICY IMPLICATIONS

The issue of equity participation in this project resulting in the Agency sharing in the net cash flow and future sales proceeds is a relatively new policy which permits the Agency to leverage its tax increment funds for the benefit of the project area. Staff recommends that net proceeds be reinvested in the Alkali Flat community as a means of addressing future housing and redevelopment needs.

ENVIRONMENTAL REVIEW

Environmental review procedures are required. They will be initiated by the developer as a routine element of the city planning process during the construction phase.

* The note will return no less than \$7,500 per year in deferred interest. According to the developer's proforma, the note could return as annual net income as much as \$26,500 per year. In the first year, the Agency would receive by the terms of the note a return of its \$100,000 loan and approximately \$190,000 in net profits. Also, assuming the project was held for the full ten years at a 3% appreciation rate and as the developer projects, the Agency would receive approximately \$125,000 as its share of net profits, in addition to return of its \$100,000 loan balance. If the developer sold the project or paid off the loan.

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RECOMMENDATION OF THE PROJECT AREA COMMITTEE

At its regular Project Area Committee meeting of April 1, 1987, the Alkali Flat Project Area Committee adopted a motion recommending that you adopt the attached resolution by the following votes:

AYES:
NOES:
ABSENT:

VOTE AND RECOMMENDATION OF THE COMMISSION

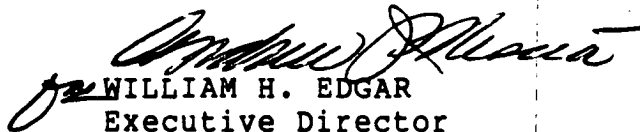
At its regular meeting of April 6, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution by the following vote:

AYES:
NOES:
ABSENT:

RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing the Executive Director to execute the Disposition and Development Agreement (DDA) and all documents related thereto, between the Redevelopment Agency of the City of Sacramento and 520 NINTH STREET, a joint venture for purchase and rehabilitation of a brick warehouse, located at 520 9th Street, for use as an office and residential mixed-use project.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL

WALTER J. SLIPE
City Manager

Contact Person: Trish Davey - 440-1322
Attachments: Exhibit A - Legal Description and Map
Exhibit B - Schedule of Performance
Exhibit C - Site Plans
Exhibit D - Purchase Money Note

2956K

(4)

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

DISPOSITION AND DEVELOPMENT AGREEMENT FOR 520 NINTH STREET

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

Section 1: The Executive Director is authorized to execute a Disposition and Development Agreement, in accordance with the staff report filed with this resolution, with 520 NINTH STREET, a joint venture composed of Five Star Properties, a California general partnership, and Erickson and Houlihan, a California partnership for the purchase and rehabilitation of real property located at 520 Ninth Street, Sacramento, California.

Section 2: The Executive Director is further authorized to take such actions, including disposition of said real property and to execute such documents as are required to carry out the terms and provisions of the Disposition and Development Agreement.

CHAIR

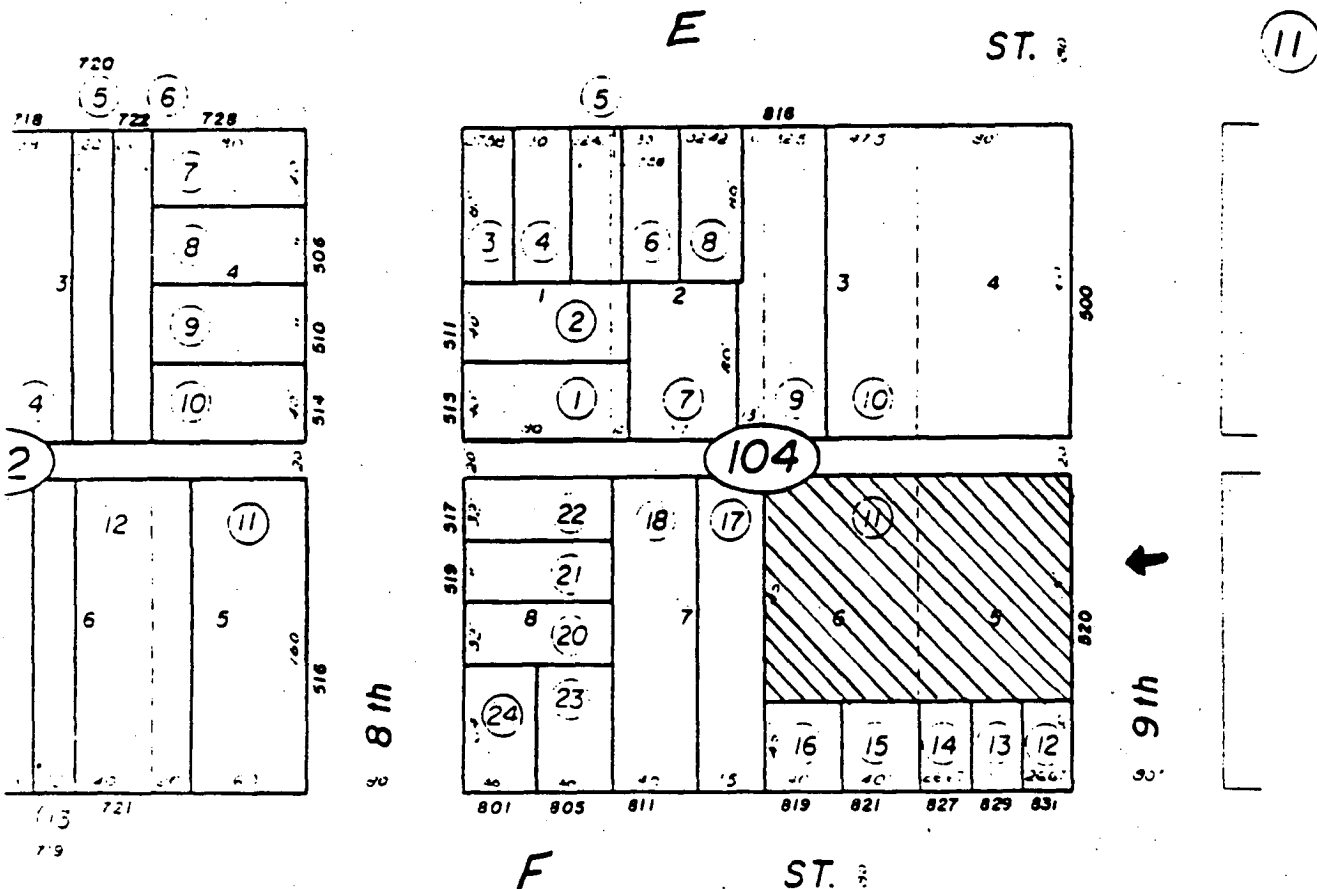
ATTEST:

SECRETARY

0813L

LEGAL DESCRIPTION

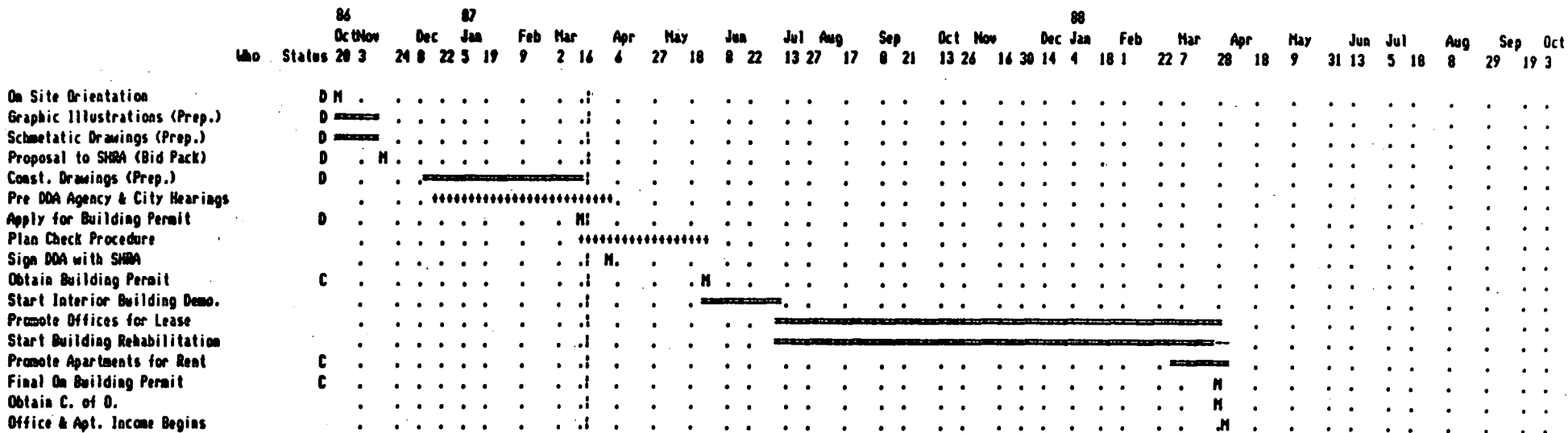
The North 115 feet of Lots 5 and 6 in the block bounded by E and F, 8th and 9th Streets in the City of Sacramento, according to map or plan thereof.



CITY OF SACRAMENTO
 Assessor's Map Bk. 2 -Pg.10
 County of Sacramento, Calif.

NOTE - Assessor's Block Numbers Shown in Ellipses.
 Assessor's Parcel Numbers Shown in Circles.

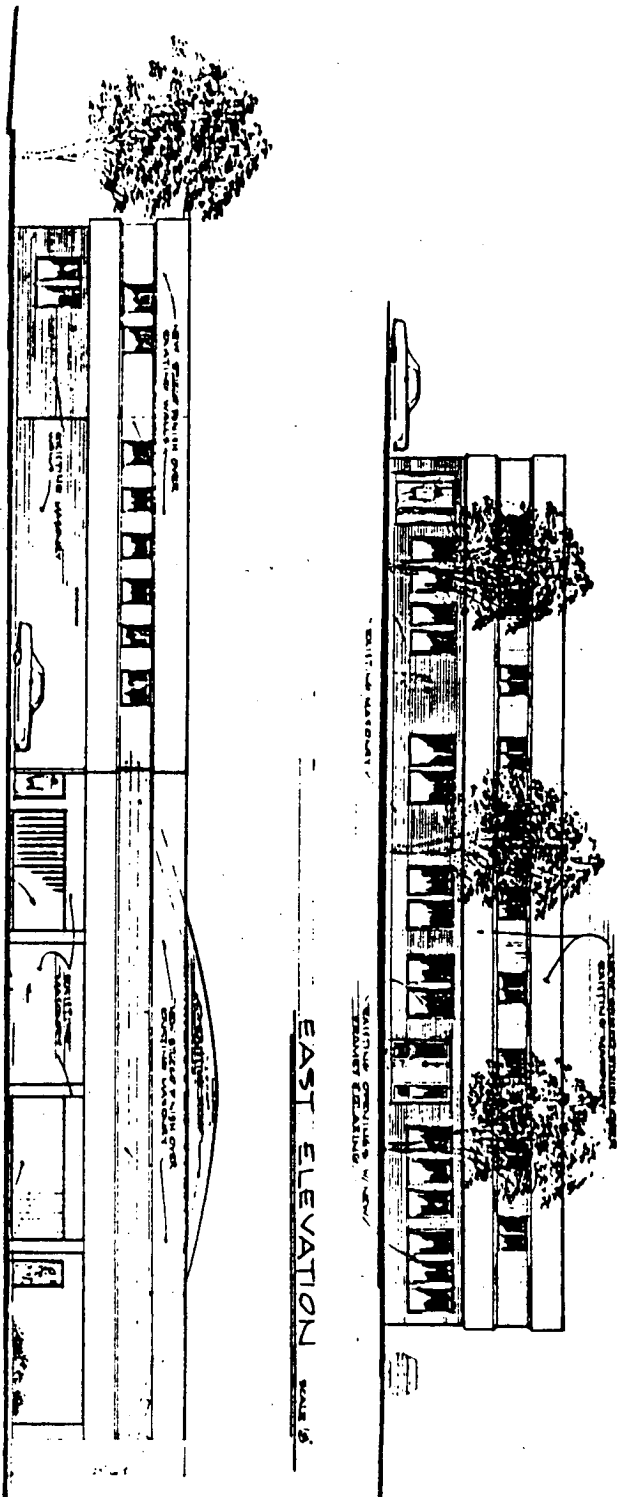
Schedule Name: 520 9th Street-Schedule for DOA Reference
 Project Manager: E&H Management Systems
 As of date: 20-Mar-87 7:22am Schedule Files C:\TLBATA\520\520DOA



 D Done == Task - Slack time (---), or
 C Critical +++ Started task Resource delay (---)
 R Resource conflict M Milestone) Conflict
 p Partial dependency
 Scale: Each character equals 3 days

TIME LINE Gantt Chart Report

EXHIBIT B

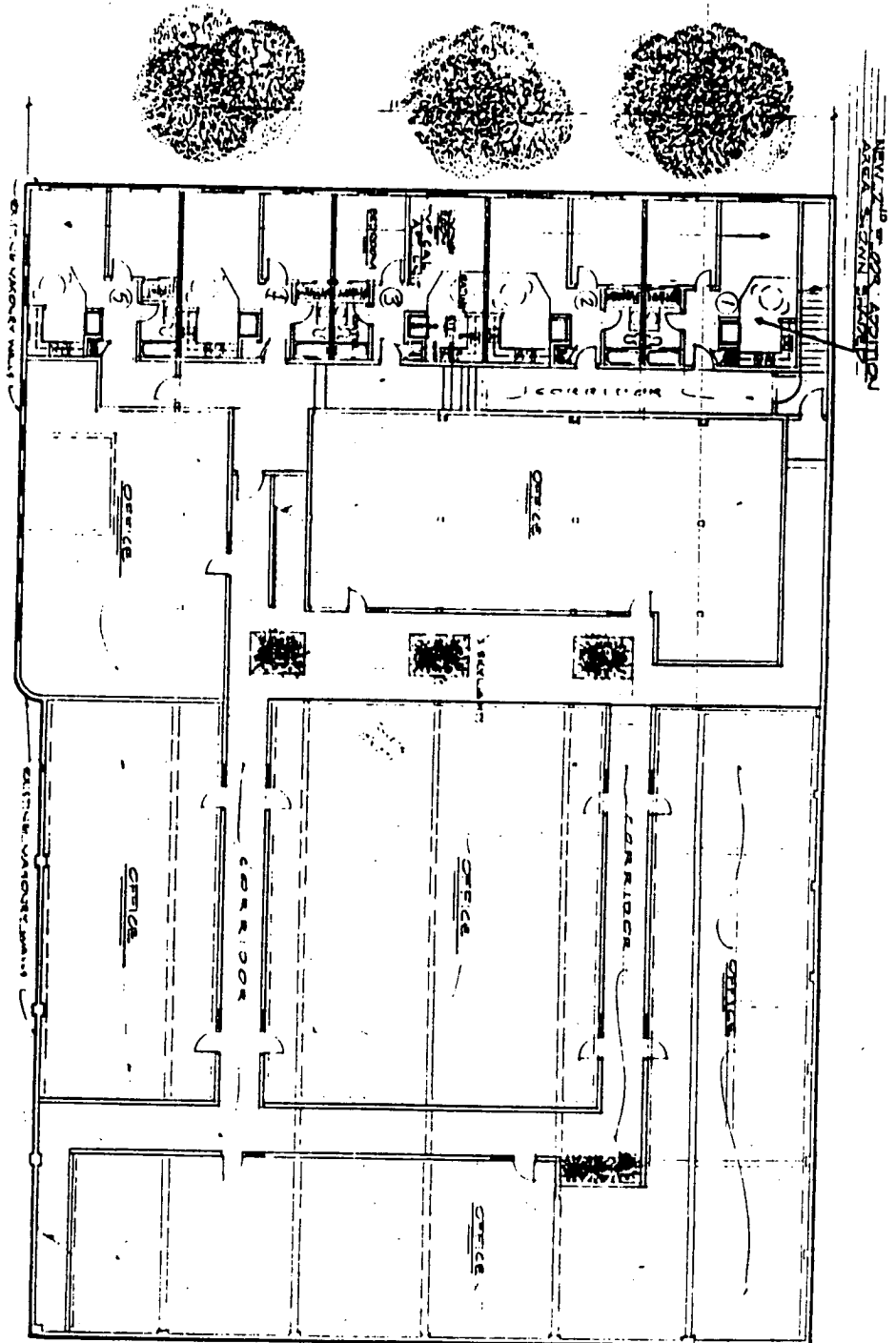


NORTH ELEVATION

EAST ELEVATION

PROPOSED BUILDING REMODEL & ADDITION
270 4TH STREET

C A NEWBY & ASSOCIATES



PRELIMINARY SCHEMATICS

EXISTING SHELL EXISTING AND SPACE
 ALL VARIOUS WALLS PARTITIONS AND SPACES
 ARE NEW EXCEPT WHERE NOT OTHERWISE

SECOND FLOOR PLAN

BUILDING USE:
 1 - ONE BEDROOM ART GALLERY
 1318 SQ. FT. NET OFFICE SPACE

