



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



9

September 19, 1989

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Riverview Plaza Budget Report

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolution approving the budget amendments.

Respectfully submitted,

ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



9

Housing Authority of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Riverview Plaza Budget Concerns

SUMMARY

A mid-year review of expenditures and revenues for Riverview Plaza indicates a potential shortfall of approximately \$300,000. The primary factors for this operating deficit are unanticipated start-up costs, adjustments to originally estimated expenditures such as electricity and reduced operating revenues based upon optimistic revenue projections. While the efforts described in this staff report are directed toward the reduction of operating expenditures and an increase in revenues, it will be necessary to identify and use alternative funding sources to solve the deficit situation in 1989.

BACKGROUND

The approved 1989 budget for Riverview Plaza projected revenues of \$805,089 through commercial rent (\$118,550), residential rent (\$370,874), miscellaneous income (\$18,500), meal service income (\$120,000), syndication income (\$96,253), and commercial pledge to residential (\$80,912). Total income received through July 31 reflects a shortfall in projected revenue of approximately 28%. A projection through December 31 based upon current occupancy and income levels indicates that total estimated income from all sources will be approximately \$495,000. That amount reflects a total operating deficit of approximately \$300,000. To address the 1989 budget shortfall, and to develop and achieve realistic 1990 income and expense projections, the following actions are being considered.

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Residential Lease-Up

The current occupancy rate of 88% reflects 15 vacant units at the Tier III income level. Three individuals have significantly completed the application process and will be leasing up shortly, resulting in 12 unoccupied units. Factors impacting final lease-up include the limited selection of remaining units (all available units are on the south side of building on floors 3 through 7), lack of guaranteed resident parking and the lack of a wait list of potential applicants at the Tier III income level. To assist with the identification of Tier III applicants, and the creation of a Tier III wait list, additional advertising efforts will be conducted for a 30-day period. At the end of this period, should the project still have need for additional applicants to complete lease up, then it is recommended that individuals on the current Tier I and II wait list be offered the remaining units. This recommendation is made because there is an existing waiting list of 103 individuals in Tier I.

The following criteria would be applicable:

a. Tier I and Tier II eligible applicants would be required to pay Tier III rents of \$326.

b. Tier I and Tier II applicants interested in Tier III units would be required to verify that they have an established record of paying rents at or above the \$326 level. The existing wait list of Tier I and Tier II applicants indicates that 23 individuals currently pay monthly rent in excess of \$326, with the percentage of income applied to rent ranging from 50.4% to 87%.

c. Tier I and Tier II applicants desiring to lease units at the Tier III rent level would maintain their standing on their respective wait list and would be offered rent at that level when their name came up. No priority status would be given.

d. It would fully be disclosed to the tenant that their rent in relation to income was so offered at the applicants request and desire.

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e. The policies governing admission and continued occupancy would have to be amended to allow Tier I and II applicants to lease units at the Tier III rent level.

It is anticipated that as a wait list of Tier III applicants was developed, future vacancies would be filled under the normal Tier III certification process. This arrangement would in no way affect the required maintenance of units at the Tier I and Tier II levels, nor jeopardize syndication proceeds.

Commercial Lease-Up

As a result of the building's special requirements, countless prospective tenants welcomed in a normal business setting have been turned away or simply deemed not eligible for consideration. Through the leasing agent and the Agency's efforts, lease-up of the commercial space has reached the following status:

First Floor

| | |
|-----------------|---|
| 5,100 sq. ft. - | leased to Lil' Peoples School |
| 3,492 sq. ft. - | leased to Riverview Market & Deli |
| 408 sq. ft. - | leased to Riverview Hair and Beauty Care |
| 2,320 sq. ft. - | prospective pharmacy is presently reviewing Agency's lease proposal |

The balance of the first floor commercial space has been reserved for use by the Agency.

Second Floor

| | |
|-----------------|---|
| 3,600 sq. ft. - | presently under review by Sacramento County Real Estate Department for use by County administrative offices |
|-----------------|---|

The balance of the second floor commercial space is occupied by the Agency, with the exception of space previously reserved for the Wellness Center.

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Future Leasing Efforts.

Because the broker's listing agreement has expired, Agency staff was able to directly contact the County to discuss leasing the remaining office space. County staff anticipate a decision by the end of September, 1989 regarding the possibility of leasing the space. If the Agency is able to negotiate a lease with the County, it will complete the lease-up of the second floor. The Agency is hopeful, as well, that a satisfactory agreement can be reached with the prospective pharmacy tenant. A pharmacy is one of the most desirable uses according to prior Resolution, and this particular individual has received the residents' enthusiastic support.

If no agreement is reached with the County or the pharmacy, Agency staff propose to broaden the focus of leasing efforts.

Prospective uses should include those earlier considered merely "acceptable" (the search to date has focused on the more preferred "desirable"), and the Agency should creatively pursue alternative uses which would nevertheless take into account the special limitations of Riverview Plaza. If Agency staff do not quickly succeed in leasing up the balance of the commercial space, staff will consider prospects for improved results with another broker.

Health and Wellness Center

As originally conceived the Health and Wellness Center was to utilize community space on the 5th floor at Riverview Plaza. This concept was expanded to incorporate use of second floor commercial space where community health and care providers would offer related services to a broader base of seniors in the downtown area. To assist with deficit reduction efforts, it is recommended that \$60,000 in tenant improvements for the Health and Wellness Center be utilized to help offset the deficit and.

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an alternative Health and Wellness Program be developed for the Gateway target population, rather than the less restrictive downtown population. The program could utilize space in the existing residential activity areas. The development of health education classes, health screenings and the dissemination of related health wellness and disease prevention information is in keeping with the original concept, though more limited, and would assist in defining and identifying the true level of interest and participation in this type of program. The Health and Wellness Program, by drawing upon the resources of community providers, would further serve to identify those resources which would be required to implement a Health and Wellness Center at a later date.

Food Service Program

Syndication and IRS regulations prohibit mandatory tenant participation in a food service program. To address the desire for such a program by many residents, and to address the dietary health needs of aging tenants within the Gateway target area, an optional meal service program has been in operation since last December under a contract with J. A. Hallsten & Company. A seven-month review of participation levels and per-meal costs, indicated that while participation had increased by approximately 600 meals per month, and the per-meal-cost had been reduced, the program failed to achieve participation levels required to generate the revenues forecast in the development of the 1989 budget. (See attachment B) To address this concern, a preliminary cost analysis and service proposal has been developed by the Sacramento Elderly Nutrition Program which indicates that the present meal subsidy could be eliminated.

The Sacramento Elderly Nutrition Program proposal provides a seven-day-per-week service with "on-site" preparation of food utilizing the high volume purchasing power of County contracts for cost effectiveness. Alternative selections, modified diets and guest meals would be accommodated. (See proposed methodology attachment A).

At the current 50-meals-per-day level the Sacramento Elderly Nutrition Program analysis projects the following:

- (A) A raw-food cost savings of approximately \$1.00 per meal.

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- (B) Labor savings of approximately \$1.87 per meal.
- (C) A 5% reduction in management fees charged against total costs per meal.
- (D) A cost-per-meal savings of approximately \$3.00 per meal.
- (E) A reduction in Agency subsidy of approximately \$40,737 per year.
- (F) A reduction in P.I.L.O.T. funds committed to Sacramento Elderly Nutrition Program through the increase in operating income.

It is recommended that the Agency notify J. A. Hallsten & Company, in writing, of its intent to terminate the existing meal service contract effective December 31, 1989.

A 60-day written notification, as required in the contract, would allow Sacramento Elderly Nutrition Program to fully develop and implement operation of the meal service program on January 1, 1990.

FINANCIAL DATA

Finance staff has prepared revised expenses and revenues projections based upon current operating statements and now projections show revenues of \$495,000 and expenses of \$795,000 for a deficit of \$300,000 this year. The following is a summary of projected revenues and expenses for Riverview Plaza based on the recommended action contained in this staff report:

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| | <u>Projected 1989</u> | <u>Projected 1990</u> |
|-------------------------------|---------------------------|---------------------------|
| <u>Revenues:</u> | | |
| Residential | \$333,000 | \$377,000 |
| Commerical | 114,000 | 239,000 |
| Dining | 30,000 | 50,000 |
| Parking | <u>18,000</u> | <u>19,000</u> |
| | <u>495,000</u> | <u>685,000</u> |
| <u>Expenses:</u> | | |
| Residential | \$472,000 | \$474,000 |
| Commercial | 182,000 | 58,000 |
| Dining | <u>141,000</u> | <u>121,000</u> |
| | <u>\$795,000</u> | <u>\$653,000</u> |
| Operating Income (deficit) | (\$300,000) | \$32,000 |

As can be seen, the 1990 budget picture is much brighter, however, the 1989 budget deficit remains as a problem.

Three actions are being pursued to solve this problem:

1. Identify and use alternative funding sources.
2. Reduce expenses, and
3. Increase revenues.

The decision to defer tenant improvements for the Wellness Center is an example of a reduced expense and saved \$67,000. Alternatives are being reviewed that would accelerate the leasing of residential and commercial space. If these actions being initiated are not successful in curing the deficit, the use of Section 8 Administrative fees will resolve the problem for 1989.

ENVIRONMENTAL REVIEW

No environmental review is required for any of these activities.

POLICY IMPLICATIONS

If it is decided to allow Tier I and Tier II applicants, who have established a record of paying rents at or above the \$326.00 level, to move into the Tier III category it will be necessary to amend the current Policies Governing Admission and Continued Occupancy For Riverview Plaza Housing Project.

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VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of September 18, 1989 the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

RECOMMENDATION

The staff recommends the adoption of the attached resolution.

Respectfully submitted,


ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: JOHN BRIDGES
Director of Housing

RS/bh

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RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF _____

MID YEAR REVIEW OF EXPENDITURES AND REVENUES ON
RESIDENTIAL, COMMERCIAL, DINING AND PARKING COMPONENTS
FOR RIVERVIEW PLAZA HOUSING PROJECT

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

Section 1. Executive Director is authorized to amend the policies governing admission and continued occupancy for Riverview Plaza Housing Project to allow Tier I and Tier II applicants who have established rent records of paying more than \$326.00 per month to move into Tier III units.

Section 2. The Executive Director is authorized to amend the 1989 Riverview Plaza Housing Project Budget, in order to resolve the deficit, through the use of Section 8 Administrative fees.

Section 3. The Executive Director is authorized to enter into a contract with the Sacramento Elderly Nutrition Program (SENP) to provide meal services at Riverview Plaza Housing Project. Such meal services shall commence on January 1, 1990.

CHAIR

ATTEST:

SECRETARY

3200WPP(352)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RIVERVIEW PLAZA MEAL SERVICE PROPOSAL

It is with great pride that the staff of SENP have served older persons in the Sacramento Community for the past 14 years. Many myths of an aging population have been dispelled as we work with persons over age 60 who are vital, active, contributing individuals. It is the intention of this program to assist these persons with remaining active through social interaction optimum health.

It is with concern for each individual, employing high standards for performance, that SENP proposes to serve residents of Riverview Plaza. In keeping with the spirit of teamwork within SHRA Gateway Services, SENP approaches this endeavor. It is exciting to be able to utilize and transfer valuable skills to broaden our scope of service provision and be a part of a comprehensive model project providing health, social, nutritional, and educational support.

It is our intention to provide seniors and handicapped residents of SHRA housing with balanced, high quality meals daily to enhance their overall well being.

The Sacramento Elderly Nutrition Program has been approached to submit a cost effective alternative to the present food service operation at Riverview Plaza.

The following includes a Proposed Staffing Pattern, Meal Service Description, Costing Analysis for 50, 75, 100, and 125 meals/day, and a Methodology.

Proposed Methodology

SENP staff in conjunction with SHRA Personnel Department would hire staff for this project. SENP staff would train qualified persons. These individuals would be under the supervision of a Food Service Manager. Meals would be prepared on-site in the Riverview Plaza kitchen and served by qualified food service personnel.

Specific program objectives:

1. To prepare a hot dinner, seven days a week, with the option of selecting a posted alternate meal. Sunday meals consist of a brunch.
2. To provide "on-site" cooking for optimum product quality and "homelike" environment; some goods prepared at SENP Central Kitchen.
3. To offer sit-down restaurant service for dinner. Tray service will be available to residents who are ill and unable to eat in the dining room.
4. To provide meals as optional with a weekly reservation system for residents who do not purchase monthly meal passes.
5. To assure nutritionally balanced meals for an older population meeting the Recommended Dietary Allowance (RDA). The menu will cater to both independent and frail seniors.
 - unmodified, regular menu.
 - calorie controlled, i.e. weight management and diabetic available.
 - 2 gram sodium controlled, i.e. heart, stroke, high blood pressure management.
 - mechanical soft, i.e. chewing and swallowing enhancement, intestinal disorders, short-term illness.
6. To make room service available by reservation and for a fee.
7. To make available guest meals with a two-hour reservation and cash payment.

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8. To design "special days" on the menus to encourage participation through monthly birthday parties, holiday meals, i.e. Tropical Festivity, St. Patrick's Day, Cook's Specialty Days.
 9. To identify needs and food preferences of all residents and other participants and balance menus with ethnic foods. Efforts will be made to hire bilingual staff.
 10. To provide qualified management of the project by the Program Manager and Registered Dietitian and on-site supervision by the Food Service Manager.
 11. To work with and respond to input from a resident food service committee.
 12. To utilize the high volume buying power of SENP through County contracts for cost effectiveness.

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PROPOSED STAFFING

| Position | Hrs/Day | Meals Per Day | | | |
|---|-------------------------|------------------|------------------|------------------|------------------|
| | | 50 | 75 | 100 | 125 |
| Food Service Director (waitress 5:30-6:30) | 3 - 7 p.m. 4 hrs/day | → | → | → | → |
| Cook | 1 - 7 p.m. 6 hrs/day | → | → | → | → |
| Prep Cook/Waitress | 4 - 7 p.m. 3 hrs/day | 2 @ 3 hrs/day | 2 @ 3 hrs/day | 2 @ 3 hrs/day | 2 @ 3 hrs/day |

It is expected that meal volume fluctuations will affect staffing levels. The impact of this circumstance on operating expenses and expected income from meal charges to residents may result in staffing modifications as necessary.

MEAL SERVICE DESCRIPTION

Dinner: a sit-down dinner will be served from 5:30 - 6:30 p.m. Monday through Friday.

On Saturday lunch will be served from 12 Noon - 1 p.m.

On Sunday a brunch will be served.

A choice of two hot entrees and one cold salad will be offered (i.e. Chef, chicken, garden vegetables)

All possible coordination will be sought between SENP and Riverview Plaza food service.

Lunch: After six months of operation, a lunch menu will be offered to groups of 25 or more.

Waitresses and greeters will be sought from RSVP in exchange for a luncheon.

The lunch program will be advertised as "benefiting" the Meals on Wheels Program."

COSTING ANALYSIS

MEALS PER DAY

| | 50 Annual/Month | 75 Annual/Month | 100 Annual/Month | 125 Annual/Month |
|--------------------------------------|--------------------|--------------------|---------------------|---------------------|
| <u>EXPENSES</u> | | | | |
| Labor (including Salaries, Benefits) | \$49,968/\$4,164 | \$56,304/\$4,692 | \$60,048/\$5,004 | \$66,384/\$5,5 |
| <u>FOOD</u> | | | | |
| 1.50 meal | \$27,372/\$2,281 | \$41,245/\$3,437 | \$54,750/\$4,562 | \$68,437/\$5,7 |
| <u>SUPPLIES</u> .20 | 3,650/304 | 5,475/456 | 7,300/608 | 9,125/760 |
| Management Fee 15% | 12,148/1,012 | 15,453/1,287 | 18,314/1,526 | 21,591/1,79 |
| Total Expenses | 93,138/7,761 | 118,477/9,873 | 140,412/11,701 | 165,537/13,7 |
| Total Cost Per Meal | \$5.10 | \$4.33 | \$3.85 | \$3.63 |
| <u>REVENUE</u> | | | | |
| \$3.50 per meal | 63,875/yr | 95,812/yr | 127,750/yr | 159,68 |
| <u>SUBSIDY</u> | 29,263/yr | 22,665/yr | 12,662/yr | 5,850 |

These figures will vary should the food service operation

- 1) prepare special or additional menus as directed by SHRA management (i.e. parties, gala events);
- 2) costs of raw food from vendors may increase over time (i.e. 5% per year);
- 3) if meals ordered/served drops below 50/day, subsidy will increase.

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COSTING ANALYSIS DESCRIPTION

- Labor - includes benefits at 32% for all but the waitress/server. As non-union employees this may not be necessary. The present service appears to pay about 29%.
- Raw Food - calculated at \$1.50 per meal.
- Supplies - calculated at .20 per person. Includes linens, paper products, janitorial supplies.
- Revenue - computed at \$3.50/meal at all levels of numbers served. This is a conservative approach as guest meals will pay approximately \$5.50/meal. As number of meals increases, a small profit margin emerges with charging this rate. This may reduce the subsidy.
- Subsidy - computed by subtracting revenue from Total Expenses. This is a substantial reduction over present contract. For 50 meals/day a savings of \$40,737 per year to SHRA is realistic to expect.

| | |
|------------------|---------------|
| Present Contract | \$70,000 |
| SENP | <u>29,263</u> |
| | \$40,737 |

Start-up Requests

1. A computerized inventory for SENP Storekeeper is needed. This will enable ordering/matching of invoices to actual requisitions to occur. The staff time of accountant and storekeeper must be maximized as this is adding a new responsibility to their work load.
2. \$1,500 for 75 hours of a consultant dietitian to modify SENP lunch menu to a dinner menu, organize menus around SENP's ordering cycle, and adding choices to the entree.

J.A. Hallsten & Co.
 Riverview Plaza Meal Service Program - A Seven-Month Review

| <u>MONTH</u> | <u># DAYS</u> | <u>TOTAL RESIDENT MEALS</u> | <u>AVERAGE # PER DAY</u> | <u>GUEST & OTHER MEALS SERVED*</u> | <u>TOTAL MEALS SERVED</u> | <u>COST PER MEAL</u> | <u>COST PER MEAL INCLUDING 20% MANAGEMENT FEE</u> | <u>TOTAL PAID TO J.A. HALLSTEN</u> |
|--------------|---------------|-----------------------------|--------------------------|--|---------------------------|----------------------|---|------------------------------------|
| Dec. | 19 | 327 | 17 | 65 | 392 | 15.08 | 18.09 | 7,094.93 |
| Jan. | 31 | 406 | 13 | 120 | 526 | 15.35 | 18.42 | 9,691.48 |
| Feb. | 28 | 502 | 18 | 190 | 692 | 11.02 | 13.22 | 9,152.42 |
| Mar. | 31 | 639 | 21 | 198 | 837 | 9.34 | 11.21 | 9,384.03 |
| Apr. | 30 | 684 | 23 | 192 | 876 | 8.28 | 9.93 | 8,704.74 |
| May | 31 | 654 | 21 | 125 | 779 | 6.83** | 8.19 | 6,381.94 |
| Jun. | 30 | 603 | 20 | 194 | 797 | 8.72 | 10.46 | 8,342.99 |
| Jul. | 31 | 975 | 31 | 242 | 1,217 | 7.27 | 8.72 | 10,614.67 |

*Other Meals Served

| | |
|----------------------|--------------|
| Kitchen Employees | 663 |
| Complimentary | 188 |
| Paid Guests | 344 |
| Marketing | 82 |
| Resident Box Lunches | 49 |
| | <u>1,326</u> |

**Medical leave for Food Service Director resulted in lowered personnel costs which reduced overall per-meal-cost.