



**Sacramento  
Housing &  
Redevelopment  
Agency**

May 2, 2000

5.2



City Council and Redevelopment Agency  
of the City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** Acquisition Financing for 18th/L Street Project

**LOCATION & COUNCIL DISTRICT:** District 3, North and South sides of L Street  
between 18<sup>th</sup> and 19<sup>th</sup> streets.

**RECOMMENDATION**

Staff recommends adoption of the attached resolution(s) which authorize(s) the City Manager and/or the Agency Executive Director or their respective designees to:

Redevelopment Agency Recommendation

- Borrow \$1.6 million of the City Packard Bell loan funds until 10/31/00 for the 18<sup>th</sup>/L Street Project;
- Execute all required legal documents pertaining to the City Packard Bell loan funds;
- Execute all required legal documents including a new Owner Participation Agreement between Agency and Developer for development of 18<sup>th</sup>/L Street Project; and
- Amend the Agency budget to accommodate the financial requirements of the executed legal documents.

City Recommendation

- Recommend adoption of attached City resolution authorizing the City to lend \$1.6 million of Packard Bell funds to the Redevelopment Agency.

**CONTACT PERSONS**

Lydia Lara, Deputy City Treasurer, (916) 264-7746

John Dangberg, Director of Community Development, (916) 440-1316

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City Council and  
Redevelopment Agency of the City of Sacramento  
May 2, 2000  
Page 2

**FOR COUNCIL MEETING OF:** May 2, 2000

### **SUMMARY**

This report recommends that the Agency borrow \$1.6 million from the City's Packard Bell Loan Fund to finance the acquisition of land for the 18<sup>th</sup>/L Street project. The report also recommends modifying the Owner Participation Agreement between the 18<sup>th</sup>/L Street developer and the Agency to allow for disbursement of loan funds for land acquisition.

### **COMMISSION ACTION**

At its meeting April 19, 2000 meeting, the Sacramento Housing and Redevelopment Commission was informed that this recommendation would be presented to the City Council on May 2, 2000.

### **BACKGROUND**

In November 1999, the Agency approved lending \$4 million in Downtown Tax Increment and Housing Trust Funds for the development of a 176-unit mixed use, mixed income development at 18<sup>th</sup> and L Streets. Since funding approval, the Developer, Sotiris Kolokotronis, has been negotiating with several equity partners for the development of the project. These negotiations have extended beyond the original projected timeframe, which has led to an expiring purchase option for the land.

In April 2000, based on the need to purchase the land, the Developer requested that the Agency disburse a portion of the approved loan funds under a first deed of trust for the acquisition of the land. The Developer also indicated a slight possibility that some of the potential equity partners might be willing to finance the project without Agency funds. Conventional financing would be feasible only if the prevailing wage requirements, which add cost to the project, and affordability restrictions, which decrease revenue from the project, are removed. If the tax increment or housing trust funds from the Central City NOFA are used to finance the land, the affordability restrictions cannot be lifted even if the loan is paid in full. Therefore, staff is seeking other means to finance the land acquisition and to keep the opportunity open, however slight, for this project to be conventionally financed. The obvious benefit of conventional financing is that the existing \$4 million loan commitment would be available for other housing development opportunities in the Central City.

This is a significant project, bringing high quality housing to the Central City. The Agency and City are recommending the lending of unrestricted City funds for the land acquisition for approximately six months. The source of the loan funds will be the proceeds from the repayment of City's Packard Bell loan. The Packard Bell loan was repaid to the City on March 10, 2000.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City Council and  
Redevelopment Agency of the City of Sacramento  
May 2, 2000  
Page 3

These monies are a part of the 1991 Revenue Bonds loaned to Packard Bell for private activity use. As private activity monies are difficult to obtain, it is to the advantage of the City and the Agency to use these monies to facilitate the short term financing of this project under the following general terms:

The Agency will borrow the loan funds from the City and then lend the funds to the Developer in the form of a first deed of trust. The loan repayment to the City of \$1.6 million plus accrued interest will be paid by the Agency on October 31, 2000. The source of repayment for the loan will either be the Agency's tax increment and downtown housing funds currently committed to the project or developer funds.

If the Developer can finance the construction without Agency funds, the Agency will use Developer funds to pay off the City loan and the Agency housing funds committed to the project will be available for other housing projects in the Central City. If the Developer cannot repay the Agency loan with interest by October 15, 2000, the City loan will be repaid on October 31, 2000 with Agency funds currently committed to the project. At that time a regulatory agreement will be recorded on the property restricting the affordability of 51 units to low and moderate income families and prevailing wage requirements will be enforced. If the developer defaults on the schedule of performance, the Agency will have recourse through its first deed of trust on the land.

### FINANCIAL CONSIDERATIONS

This report recommends that the City loan to the Agency \$1.6 million from the City's Packard Bell Loan Fund. The Agency will repay the City \$1.6 million plus accrued interest on October 31, 2000. The Agency will lend these funds to the Developer for acquisition of land. The Agency will charge the developer a 1 percent loan origination fee for the land acquisition loan. The loan term will be until October 15, 2000. The loan will be in first position and secured by a deed of trust and will not exceed 83 percent loan to value.

If by October 15, 2000, the Developer requires the use of Agency funds for the project an OPA and regulatory agreement will be recorded on the property with a specific schedule for performance that will allow Agency to foreclose or charge monthly interest payments for default on the schedule of performance.

### POLICY CONSIDERATIONS

The recommendation is consistent with the Central City Housing Strategy. The exception will be the disbursement of loan funds on a project for land acquisition prior to other financing being in place. The Agency and Developer have agreed upon a schedule of performance that if not met by Developer will result in default in the Agency's loan and OPA and can be cause for

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

City Council and  
Redevelopment Agency of the City of Sacramento  
May 2, 2000  
Page 4

foreclosure on the land. The Agency loan will be in first position and not subject to any other liens or encumbrances.

**ENVIRONMENTAL REVIEW**

The proposed actions do not constitute a project under CEQA per Guidelines Section 15378(b)(3), and NEPA does not apply.

**M/WBE CONSIDERATIONS**

There are no M/WBE considerations contemplated with this requested action.

Respectfully submitted,



ANNE M. MOORE  
Executive Director

THOMAS FRIERY  
City Treasurer

Transmittal approved,



---

ROBERT P. THOMAS  
City Manager

RESOLUTION NO. 2000-022

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF



**18<sup>TH</sup>/L STREET PROJECT: APPROVAL OF \$1.6 MILLION  
LAND ACQUISITION LOAN**

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

Section 1. The Executive Director is authorized to execute all legal documents, amend the Agency budget and perform all other actions necessary to:

- a) Borrow \$0.9 million of taxable Oak Park Project Area bond proceeds and borrow \$0.7 million of Del Paso Heights Project Area bond proceeds for a period not to exceed one month.
- b) Borrow \$1.6 million from the City of Sacramento's Packard Bell Loan Fund to repay the Oak Park and Del Paso Heights loans.
- c) Repay the loan with Developer funds or 1999 CIRB Downtown Tax Exempt Low/Mod Funds or City Housing Trust Funds committed to the 18<sup>th</sup>/L Street Project.
- d) Modify existing Owner Participation Agreement and related documents and create new loan documents to provide Sotiris Kolokotronis a \$1.6 million land acquisition loan for the 18<sup>th</sup>/L Street Project.
- e) Receive any proceeds from the Agency's land loan.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

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

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

**RESOLUTION NO. \_\_\_\_\_**

**ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

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

**18<sup>TH</sup>/L STREET PROJECT: APPROVAL OF \$1.6 MILLION  
LAND ACQUISITION LOAN**

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

Section 1. The Executive Director is authorized to execute all legal documents, amend  
the Agency budget and perform all other actions necessary to:

- a) Borrow \$1.6 million from the City of Sacramento's Packard Bell Loan Fund.
- b) Repay the loan with Developer funds or 1999 CIRB Downtown Tax Exempt Low/Mod Funds or City Housing Trust Funds committed to the 18<sup>th</sup>/L Street Project.
- c) Modify existing Owner Participation Agreement and related documents and create new loan documents to provide Sotiris Kolokotronis a \$1.6 million land acquisition loan for the 18<sup>th</sup>/L Street Project.
- d) Receive any proceeds from the Agency's land loan.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

**FOR CITY CLERK USE ONLY**

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

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