



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



12

August 21, 1990

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Financial Assistance for Crosby Cottages Housing
Development

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolutions approving the funding.

Respectfully submitted,

ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



August 14, 1990

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

Honorable Members in Session

Subject: Crosby Cottages Financial Assistance

SUMMARY

This report recommends approval of a loan of \$22,000 to John Westlund and Don Stover for construction of a 15 unit rental project for low and very low income persons on Crosby Street in North Sacramento.

BACKGROUND

Crosby Street Cottages is a proposed 15 unit infill project in the North Sacramento area of the City (Location Map - Attachment A). The project is a 9/10th of an acre infill site and therefore qualifies for incentives under the City's infill program. The site is a series of lots which extend into the center of a very large block. No zoning changes or other special entitlements are required.

All units will be one bedroom, 528 square foot cottages with attached carports. (Site Plan - Attachment B). Each will contain central electric heat and air conditioning and washer/dryer hookups. There will be 15 uncovered parking spaces in addition to the 15 carports.

Attachment "C" summarizes the financial aspects of the project. Total development costs are estimated to be \$625,800. The developer's equity contribution will be \$128,000 (20%) through land and cash. The California Housing Financing Agency (CHFA) has made an initial commitment of \$475,000 from their Housing Assistance Trust (HAT) Program. This is part of a new program emphasis on funding small projects (mortgages under \$500,000). This will be a seven percent (7%), 30 year, fixed rate loan.

8-28-90

D-2

(1)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council &
Redevelopment Agency of the
City of Sacramento
August 14, 1990
Page 2

A \$22,000, three percent (3%) deferred payment loan from the Agency will contribute to the financial feasibility of the loan and will be subordinate to the CHFA loan. The total Agency cost per unit of \$1,466 is well within the Agency's experience. An additional City contribution to this affordable project will be the waiver of the approximately \$18,000 water development fee as a result of the project's infill area location.

Under CHFA's HAT program, 20% (three) of the units are restricted to, and will be affordable by very low-income tenants with gross annual incomes of less than 50% of the area median. The remaining 80% (twelve) of the units will be restricted to, and be affordable by low income tenants earning less than 80% of the area median. The maximum annual rents will be no greater than 30% of area median income for very low- and low-income households (\$286 and \$425 respectively). The Agency's regulatory agreement will control rents and incomes for the full thirty years of the loan.

The CHFA income and rent limitations are consistent with Agency policy. A coordinated regulatory agreement would therefore be possible.

The developer/owner is a partnership of John Westlund and Don Stover. Mr. Westlund is an appraiser and holds a California Real Estate Brokers license. Mr. Stover is also a Real Estate Broker. Both have been involved in the development of residential housing in the Sacramento area.

Messrs. Westlund and Stover plan on managing the property themselves. Mr. Stover has owned a number of residential properties over the past 25 years. An on-site manager will be retained. A management plan will be submitted for approval by the Executive Director prior to execution of final loan documents. CHFA will also be approving the management plan.

FINANCIAL DATA

Staff proposes that the \$22,000 loan be made from Downtown Tax Increment funds. Terms will be 30 years at three percent (3%) deferred. The loan will be assumable, upon approval of the new owner by the Agency. The funds are available in the Housing Development organization's budget.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council &
Redevelopment Agency of the
City of Sacramento
August 14, 1990
Page 3

ENVIRONMENTAL REVIEW

Environmental review of the proposed project will be conducted by the City Environmental Services Division.

MBE/WBE REVIEW

The Agency's MBE/WBE policies will be explained to the developers on this project and MBE/WBE participation will be tracked.

POLICY IMPLICATION

The actions proposed in this report are consistent with current policy.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of August 6, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Diepenbrock, Moose, Pernell, Simon, Strong, Wiggins,
Williams, Wooley, Yew
NOES: None
NOT PRESENT TO VOTE: Amundson
ABSENT: Simpson

RECOMMENDATION

Staff recommends approval of the attached resolutions which

1. Find that expenditure of low-moderate funds on this project will be of benefit to the Downtown Redevelopment project area.
2. Approves a loan of up to \$22,000 to the partnership of John Westlund and Don Stover for construction of the Crosby Street Cottages on terms contained in this staff report.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council &
Redevelopment Agency of the
City of Sacramento
August 14, 1990
Page 4

3. Authorizes the Executive Director to prepare and execute loan documents on behalf of the Redevelopment Agency.

Respectfully submitted,



ROBERT E. SMITH
Executive Director

Contact Person: Thomas V. Lee, 440-1357

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

August 28, 1990
D-2

F:\drr\Lester\1269HD

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION OF BENEFIT FOR CROSBY COTTAGES PROJECT

WHEREAS, John Westlund and Don Stover, as general partners ("the partnership"), have proposed to construct a 15 unit residential rental project for low and very low income families on Crosby Street in North Sacramento (hereinafter "the Crosby Street Cottages" or "the project"); and

WHEREAS, the Agency has approved a loan to the partnership upon certain terms and conditions described in the staff report filed with this resolution; and

WHEREAS, the Agency desires to utilize tax increment funds in the Low and Moderate Income Housing Fund and derived from the Merged Downtown Project Area to fund the Crosby Street Cottages loan; and

WHEREAS, the project will be near and will serve the Merged Downtown Redevelopment Project Area.

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

Section 1: The Council, acting as legislative body of the Redevelopment Agency, hereby finds and determines pursuant to

FOR CITY CLERK USE ONLY

RESOLUTION NO.:

DATE ADOPTED: _____

Health and Safety Code section 33334.2(g) that the use of tax increment funds in the Low and Moderate Income Housing Fund and derived from the Merged Downtown Project Area to fund the Crosby Street Cottages loan as set forth above will be of benefit to the Merged Downtown Project Area.

MAYOR

ATTEST:

CITY CLERK

share\reso\1269HD

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

CROSBY COTTAGES DEVELOPMENT LOAN

WHEREAS, John Westlund and Don Stover, as general partners ("the partnership"), have proposed to construct a 15 unit residential rental project for low and very low income families on Crosby Street in North Sacramento (hereinafter "the Crosby Street Cottages" or "the project"); and

WHEREAS, the project will be near and will serve the Merged Downtown Redevelopment Project Area.

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

Section 1: The Agency hereby approves a loan to the partnership upon the following terms, conditions and provisions:

a) An amount necessary to complete construction not to exceed Twenty-Two Thousand Dollars (\$22,000) for a term of thirty (30) years at a rate of interest of three percent (3%) with all principal payments being deferred to the expiration of the term of the loan.

b) Said loan to be secured by a deed of trust, subordinate only to a California Housing and Finance Agency's Housing Assistance Trust ("CHFA-HAT") loan in an amount not to exceed Four Hundred Seventy-Five Thousand Dollars (\$475,000), with adequate protection for Agency interests.

c) The partnership's execution of a regulatory agreement with the Agency to assure rent levels affordable to low and very low income families.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 2: The Executive Director is authorized to prepare and execute such documents as are reasonably necessary to implement the loan authorized by Section 1 above.

Section 3: The Agency hereby finds and determines pursuant to Health and Safety Code section 33334.2(g) that the use of tax increment funds in the Low and Moderate Income Housing Fund and derived from the Merged Downtown Project Area to fund the Crosby Street Cottages loan as set forth in Section 1 above will be of benefit to the Merged Downtown Project Area.

CHAIR

ATTEST:

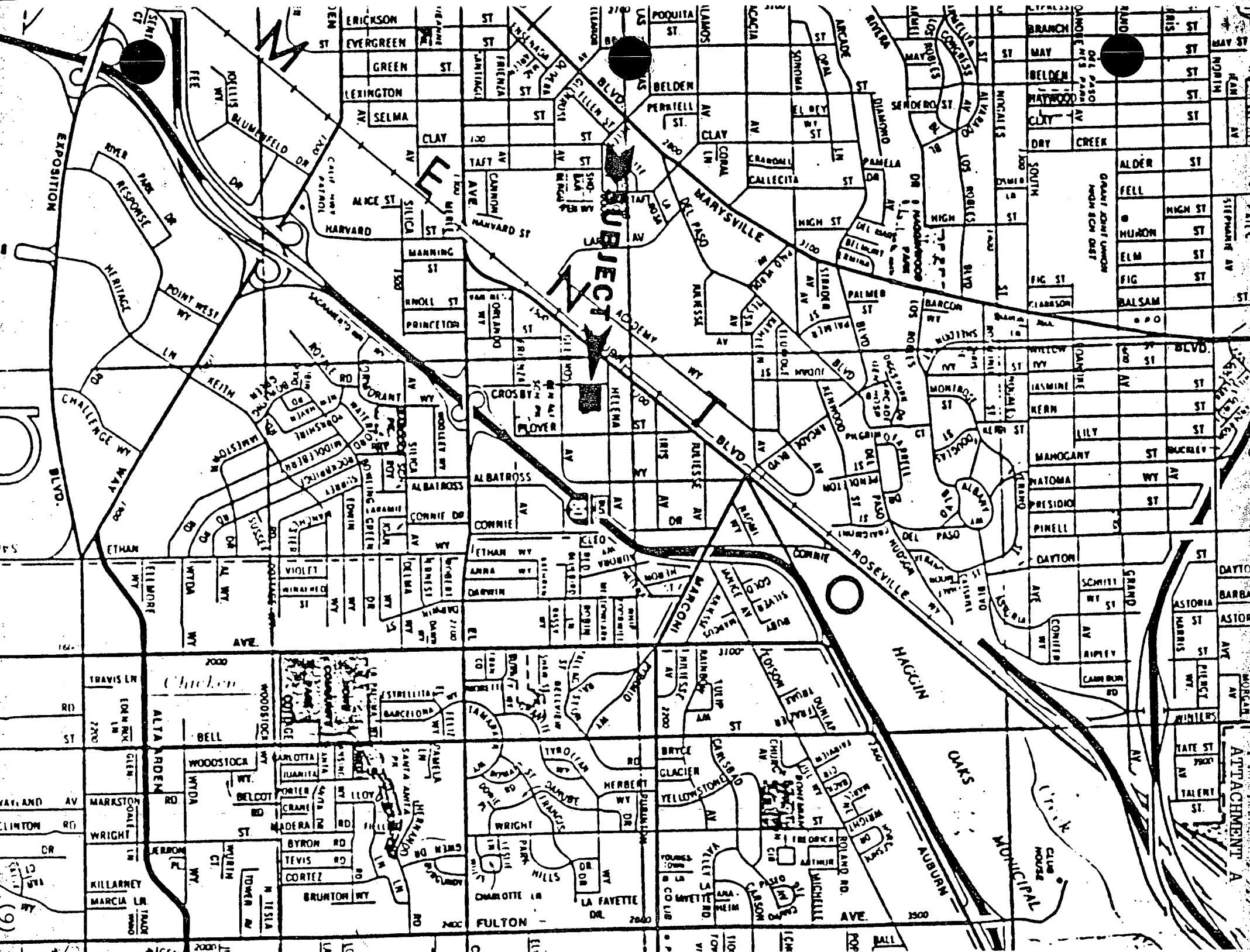
SECRETARY

share\reso\1269HD

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



SUBJECT



A. CROSBY COTTAGES : DESCR: New construction
 LOCATION: Crosby Sreet :
 North Sacto DATE: June, 1980 : 100% low - & very low-income

B. PROJECT COSTS

Land	100,000
Offsite costs	20,000
Construction	400,000
Fees/permits	28,000
Finance costs	41,801
Other soft costs	29,000
Rent up/marketing	7,000

ASSUMPTIONS

Cap rate 8.00%

Total project costs 625,801

C. SOURCES OF FUNDS

Equity	128,800	20.58%
Conventional loan (1)	475,000	75.90%
SHRA (2)	22,000	3.52%
Other loan (3)	0	
Total	625,801	100.00%

FINANCING ASSUMPTIONS

Conventional loan (1)
 Debt service ratio 1
 Interest rate 7.00%
 Term 30
 SHRA loan (2)
 Interest rate 3.00%
 Term 30
 Deferred = 0
 Amortized = 1
 Loan (3)
 Interest 0.00%
 Term 0

D. USES & INCOME

	NUMBER	RENTS	SUM
One bdrm	3	286	858
One bdrm	5	400	2,000
One bdrm	7	425	2,975
			0
			0
			0
Total	15		5,833
Low income units	15		
% of total	100.00%		

INCOME/EXPENSE ASSUMPTIONS

	Resid.	
Income inflation rate	4.00%	
Vacancy rate	5.00%	
Expense inflation rate	5.00%	
Taxes inflation rate	2.00%	
Expenses/unit/yr	1,583	132 /unit/mo.
Taxes	5,400	

F. CASH FLOW

YEAR	1	2	3	4	5	6	7	8	9	10
Gross scheduled income	69,396	72,736	75,708	78,736	81,885	85,161	88,567	92,110	95,794	99,626
Vacancy	3,500	3,640	3,785	3,937	4,094	4,258	4,428	4,605	4,790	4,981
Effective gross income	66,496	69,156	71,922	74,799	77,791	80,903	84,139	87,504	91,005	94,645
Operating expenses	23,746	24,933	26,180	27,489	28,863	30,306	31,821	33,412	35,083	36,837
Taxes	5,400	5,508	5,618	5,731	5,845	5,962	6,081	6,203	6,327	6,455
Net operating income	37,351	38,715	40,125	41,580	43,083	44,635	46,236	47,889	49,595	51,354
Available for debt (max)	37,351	38,715	40,125	41,580	43,083	44,635	46,236	47,889	49,595	51,354
Debt service-conven (1)	37,922	37,922	37,922	37,922	37,922	37,922	37,922	37,922	37,922	37,922
Debt service-SHRA (2)	0	0	0	0	0	0	0	0	0	0
Cash flow before tax	(572)	793	2,202	3,658	5,161	6,712	8,314	9,967	11,672	13,432
Rate of return (BT)	-0.44%	0.62%	1.71%	2.84%	4.01%	5.21%	6.45%	7.74%	9.06%	10.43%

G. PROJECT FEASIBILITY

Maximum supportable debt	467,840	484,932	502,586	520,818	539,643	559,078	579,138	599,841	621,204	643,243
Value (@ cap rate)	466,883	483,940	501,558	519,752	538,539	557,934	577,953	598,614	619,933	641,926
(Deficit)/surplus	(158,919)	(141,861)	(124,243)	(106,049)	(87,262)	(67,867)	(47,848)	(27,187)	(5,868)	16,125

RATES OF RETURN

	Investment	Cash Flows									
		1	2	3	4	5	6	7	8	9	10
All cash (pure return)	(625,801)	37,351	38,715	40,125	41,580	43,083	44,635	46,236	47,889	49,595	648,346
IRR	6.57%										
Leveraged	(128,800)	(572)	793	2,202	3,658	5,161	6,712	8,314	9,967	11,672	180,815
IRR	6.38%										

J1. DEBT SERVICE SCHEDULE

CONVENTIONAL LOAN (1)

Remaining years	348	336	324	312	300	288	276	264	252	240
Loan Balance	470,175	465,001	459,453	453,504	447,125	440,285	432,950	425,085	416,652	407,609
Principal	4,825	5,174	5,548	5,949	6,379	6,840	7,335	7,865	8,433	9,043
Interest	33,097	32,748	32,374	31,973	31,543	31,082	30,588	30,057	29,489	28,879

SHRA LOAN (2)

Remaining years	348	336	324	312	300	288	276	264	252	240
Loan Balance	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Principal	0	0	0	0	0	0	0	0	0	0
Interest	660	660	660	660	660	660	660	660	660	660

Sale price		641,926
Sale costs @ 7.00%		44,935
Balance loan 1		407,609
Balance Loan 2		22,000
Accrued interest loan 2		6,600
		167,383