



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

CITY HALL
915 I STREET - 95814
(916) 449-5704

October 28, 1980

City Council of the
City of Sacramento
City Hall, 915 I Street
Sacramento, California 95814

Honorable Members in Session:

SUBJECT: Submission of Urban Development Action Grant (UDAG)
Application for \$4.38 Million for the Capitol Area
Development Authority (CADA) for Construction of 92
New Units and Rehabilitation of 300 Units for a Mixed
Income Population

SUMMARY

Attached is a resolution by which you approve an Urban Development
Action Grant Application and authorize the City Manager to submit
the Application to the Department of Housing and Urban Development.

BACKGROUND

The Urban Development Action Grant (UDAG) program was created by the
Department of Housing and Urban Development through the Housing and
Community Development Act of 1977. The purpose of UDAG is to assist
in upgrading neighborhoods through a partnership between the City,
private investment and other agencies.

UDAG has been funded for the current year at \$675 million nationally.
The CADA project meets the key criteria for UDAG funding in the
following ways:

1. Private capital is committed to the project via bank loan and
developer equity.

APPROVED
BY THE CITY COUNCIL

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2. The ratio of Federal to private funds is equal to 1 to 4:255.

- a. New construction on 14th-15th-N-O Block
 (92 market rate condominiums) by
 Goldrich, Kest, Inc. and Chappel Govern-
 ment Housing, Inc., a joint venture

| | | |
|--|------------------|--------------|
| Developer's equity and/or bank loan | \$11,638,000 | |
| UDAG (to be passed through for rehabilitation of 300 units) | <u>1,380,000</u> | \$13,018,000 |

- b. Rehabilitation (300 units)

| | | |
|--|------------------|---------------------|
| Developer's equity and/or bank loan | \$ 1,000,000 | |
| Purchaser's lease payments | 6,000,000 | |
| CADA | 380,000 | |
| UDAG | <u>3,000,000</u> | <u>\$10,380,000</u> |
| Total Cost | | <u>\$23,398,000</u> |

| | |
|----------------------|---------------------|
| - CADA | \$ 380,000 |
| - UDAG | 4,380,000 |
| - Private Investment | <u>18,638,000</u> |
| Total Cost | <u>\$23,398,000</u> |

$$\$18,638,000 \text{ to } \$4,380,000 = 1:4.255$$

CADA is a joint powers authority which is developing and managing the residential component of the Capitol Area Plan. CADA is required to make 25% of its units available to low-income persons at affordable rents. CADA is additionally required to provide housing for all income groups (moderate, middle and upper income). The UDAG funds will be used to aid CADA in meeting these requirements by providing units in the following tentative mix:

| | |
|-----------------|-----------|
| Low income | 100 units |
| Moderate income | 100 units |
| Middle income | 100 units |
| Upper income | 92 units |

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An innovative feature of this project is the shared equity component. All units will be made available for equity participation by the occupants. The upper income units will be owned outright by the occupants. Occupants of the other units (low, moderate and middle) will have an ownership interest in the proportion to the ratio of their capitalized rent payment to the fair market value of the unit. The following example displays how this share equity approach will work:

| | |
|--|-------------|
| Fair market value after rehabilitation | \$30,000.00 |
| Capitalized value of lease payment (\$150/month less operation and maintenance) | \$10,000.00 |
| Occupant's equity = (\$10,000 ÷ \$30,000) | 33% |

Upon sale of the leasehold by the occupant, 33% of the net proceeds (\$10,000) will be paid to the occupant. This will enable the occupant to make a down payment on another unit where he will have 100% equity.

Net proceeds from sales of these units will be equally distributed between CADA and the City. CADA's portion will be placed in a Revolving Fund to assist future occupants in participating in shared equity programs and the City's portion placed in the City of Sacramento Economic Development Revolving Fund for creation of new jobs.

The concept of shared equity appears to be the only feasible method by which a substantial number of low-income persons can obtain equity position in housing.

FINANCIAL DATA

This Application is for a grant to the City of Sacramento for \$4,138,000. The City would in turn loan this money to CADA for this specific program. There are no local matching requirements. The City will not have any financial obligation under this Application. This project will necessitate no increase in personnel.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting on October 20, 1980 the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached Resolution. The votes were recorded as follows:

AYES: Knepprath, Luevano, A. Miller, Serna, Teramoto,
Walton, B. Miller
NOES: None
ABSENT: Coleman
ABSTAIN: Fisher

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RECOMMENDATION

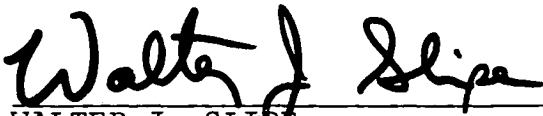
This item was heard before the Budget and Finance Committee on October 28, 1980. The Committee agreed to forward this Application to the City Council for consideration with recommendation for approval. It is my recommendation that you adopt the attached Resolution.

Respectfully submitted.



MAC MAILES
Assistant City Manager

RECOMMENDATION:



WALTER J. SLIVE
City Manager

Contact Person: Leo T. Goto/Dick Hyde

RESOLUTION NO. 80-718

Adopted by The Sacramento City Council on date of

October 28, 1980

Whereas, the City desires to create a centralized program to administer programs funded under the Comprehensive Employment and Training Act; and

Whereas, such centralization will require the formation of a CETA Program Section in the Department of Personnel; and

Whereas, sufficient monies exist in the CETA administrative cost budget to meet the required budget increase for the Department of Personnel;

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

The City budget for fiscal year 1980-81 is hereby amended as follows:

- a) by appropriating \$260,100 from General Fund available fund balance (1-01-0000-2720) to the Department of Personnel - CETA Administration (1-01-1105) for the purpose stated above.
- b) this increase to be supported by revenue increase to the General Fund in like amount plus indirect cost recovery from the CETA Federal grant programs.

MAYOR

ATTEST:

CITY CLERK

APPROVED
BY THE CITY COUNCIL

OCT 28 1980

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