



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



7

December 7, 1987

Budget and Finance Committee
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Midtown Motel Rehabilitation

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the recommendations outlined in the attached report.

Respectfully submitted,

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



November 30, 1987

Housing Authority and
Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Midtown Motel Rehabilitation

SUMMARY

This report recommends (1) approval of a loan of up to \$140,000 from Alkali Flat Special Rehabilitation Tax Increment Funds to Mr. Norman Leal for rehabilitation of the Midtown Motel for Single Room Occupancy (SRO) use, (2) approval of an Owner Participation Agreement, (3) approval of an agreement with Mr. Leal to enter into a Section 8 Housing Assistance Payment (HAP) contract upon completion of the rehabilitation activities and (4) approval of, and authorization to enter into an Annual Contributions Contract (ACC) with HUD under the Section 8 Moderate Rehabilitation Program for SROs for homeless persons.

BACKGROUND

As part of the McKinney Homeless Assistance Act of 1986, Congress appropriated funds for a new Section 8 Moderate Rehabilitation Program for SROs for homeless persons. Through this program, HUD will allocate Section 8 certificates, through Housing Authorities, to owners of SROs in need of rehabilitation. The Section 8 Housing Assistance Payments (HAP) contracts are for ten (10) years. The increased rental income possible through this contract is intended to amortize any additional debt required to undertake the necessary rehabilitation.

On October 16, 1987, HUD published the regulations and Notice of Funds Available (NOFA). Applications were due in Washington on November 16, 1987. HUD expects to make funding decisions by December 2, 1987. If an award is received, financing arrangements and an owner/Housing Authority Agreement to enter into a HAP contract must be completed by January 4, 1988, and

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority of the
Redevelopment Agency of the
City of Sacramento
Sacramento, California
November 30, 1987
Page 2

rehabilitation must be completed by July 4, 1988. This is, deliberately, an extremely tight schedule. It is expected that only those projects which were "ready-to-go" would qualify.

On November 13, 1987, staff submitted an application to HUD on behalf of the Housing Authority for an allocation of twenty (20) Section 8 Moderate Rehabilitation Certificates to be used in connection with the rehabilitation of the Midtown Motel; at the Southwest corner of 12th and G Streets, in Alkali Flat (MAP: Exhibit A).

The Midtown is a twenty unit, two story facility that was ordered closed by the City Building Inspection Division, in October, for severe and dangerous code violations resulting from an illegal conversion to studio units by a previous owner. The current owner, Mr. Norman Leal, has requested participation in the Section 8 Moderate Rehabilitation Program and has applied to the Redevelopment Agency for a loan. Tax Increment funds are available from the Alkali Flat Special Rehabilitation (Multi-family units) Program.

The rehabilitation activities will include removal of the illegally installed kitchen equipment from each room, correcting the electrical, plumbing and heating code violations, installing a sprinkler system and hard wired smoke detectors (per HUD requirements), replacing carpeting, installing a congregate kitchen, interior and exterior painting and other relatively minor activities to improve the appearance and livability of the motel as a permanent residence.

Construction costs plus furnishings are estimated to be \$140,000. It is proposed that a rehabilitation loan be made from Alkali Flat Tax Increment Special Rehabilitation Funds. The loan would be fully amortized over a ten year period (the same term as the Section 8 Annual Contributions Contract) at an anticipated 9% interest rate. The Agency's loan would be in second position behind an existing commercial loan. The Housing Assistance Payments Contract should provide sufficient security for the Agency loan.

The ten year Section 8 Housing Assistance Payment Contract could permit first year rents of approximately \$315, with the tenants paying one-third (1/3rd) of their incomes and Section 8 paying the balance. The increased income is calculated to equal the required rehabilitation loan payments over the ten year period.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority of the
Redevelopment Agency of the
City of Sacramento
Sacramento, California
November 30, 1987
Page 3

Under this program, HUD will enter into an Annual Contributions Contract with the Housing Authority. An outreach program is required to make the program known to homeless individuals. A separate waiting list for all applicants must be maintained. These persons will have first priority for occupancy in the project.

FINANCIAL DATA

The estimated costs are \$140,000. Alkali Tax Increment Funds are available for a rehabilitation assistance loan from the Special Rehabilitation Program (Cost Center A00684). The balance in this account, after this project, will be \$207,480. The loan would be fully amortized through monthly payments over a ten year term at an anticipated rate of 9%.

The ten year Section 8 Annual Contribution Contract with HUD could yield up to \$75,000 a year in housing assistance payments. The increased rents allowable to the owner will be sufficient to make debt service payments on the rehabilitation loans.

ENVIRONMENTAL REVIEW

The economic revitalization of the 12th Street corridor was reviewed during the 1984 Amendment to the Redevelopment Plan. The Environmental Impact Report was prepared by the firm of Nichols Berman of San Francisco in conjunction with City and Agency staff, and covered the conversion of existing businesses along the 12th Street corridor, by establishing financing programs as herein contemplated. No comments were received on the DRAFT EIR in this area and the FINAL EIR was adopted in May 1984. Furthermore, this project is categorically exempt under CEQA Guidelines Section 15301(a) and (d). No further review is necessary.

POLICY IMPLICATIONS

The proposed actions in this staff report are consistent with previously approved policy, as well as the goals and objectives of the Alkali Redevelopment plan, and there are no policy changes being proposed.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority of the
Redevelopment Agency of the
City of Sacramento
Sacramento, California
November 30, 1987
Page 4

VOTE AND RECOMMENDATION OF THE ALKALI FLAT PAC

At its regular meeting of December 2, 1987, the Alkali Flat Project Area Committee adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of December 7, 1987, 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 adoption of the attached resolutions which:

1. Approve an Owner Participation Agreement and authorizes its execution by the Executive Director.
2. Approve a loan of up to \$140,000 to Mr. Norman Leal for rehabilitation of the Midtown Motel, on terms set forth in the staff report and authorize its execution by the Executive Director.
3. Approve an Annual Contribution Contract with HUD and authorize its execution and submittal to HUD by the Executive Director.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority of the
Redevelopment Agency of the
City of Sacramento
Sacramento, California
November 30, 1987
Page 5

4. Approve an agreement to sign a Housing Assistance Payment Contract with Mr. Norman Leal and authorize its execution by the Executive Director.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: John Molloy 440-1360

RESOLUTION NO.

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

APPROVING OWNER PARTICIPATION AGREEMENT AND
LOAN FOR REHABILITATION OF THE MIDTOWN MOTEL

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

Section 1: A loan of up to \$140,000 to Mr. Norman Leal for rehabilitation of the Midtown Motel, on terms set forth in the staff report filed with this resolution, is hereby approved.

Section 2: The Executive Director is hereby authorized to execute said loan on behalf of the Redevelopment Agency, in a form as approved by the Agency Counsel.

Section 4: The Executive Director is hereby authorized to execute the Owner Participation Agreement, on behalf of the Redevelopment Agency, in a form approved by the Agency Counsel and on substantially the terms set forth in the staff report filed with this resolution.

CHAIR

ATTEST:

SECRETARY

232(b)f
11/25

RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

SRO SECTION 8 MODERATE REHABILITATION
ANNUAL CONTRIBUTIONS CONTRACT & AGREEMENT FOR
HOUSING ASSISTANCE PAYMENTS CONTRACT

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

Section 1: The Executive Director is hereby authorized to submit required documents and to execute an annual contributions contract for participation in U.S. Department of Housing and Urban Development's Section 8 Moderate Rehabilitation Program for Single Room Occupancy (SRO) housing units.

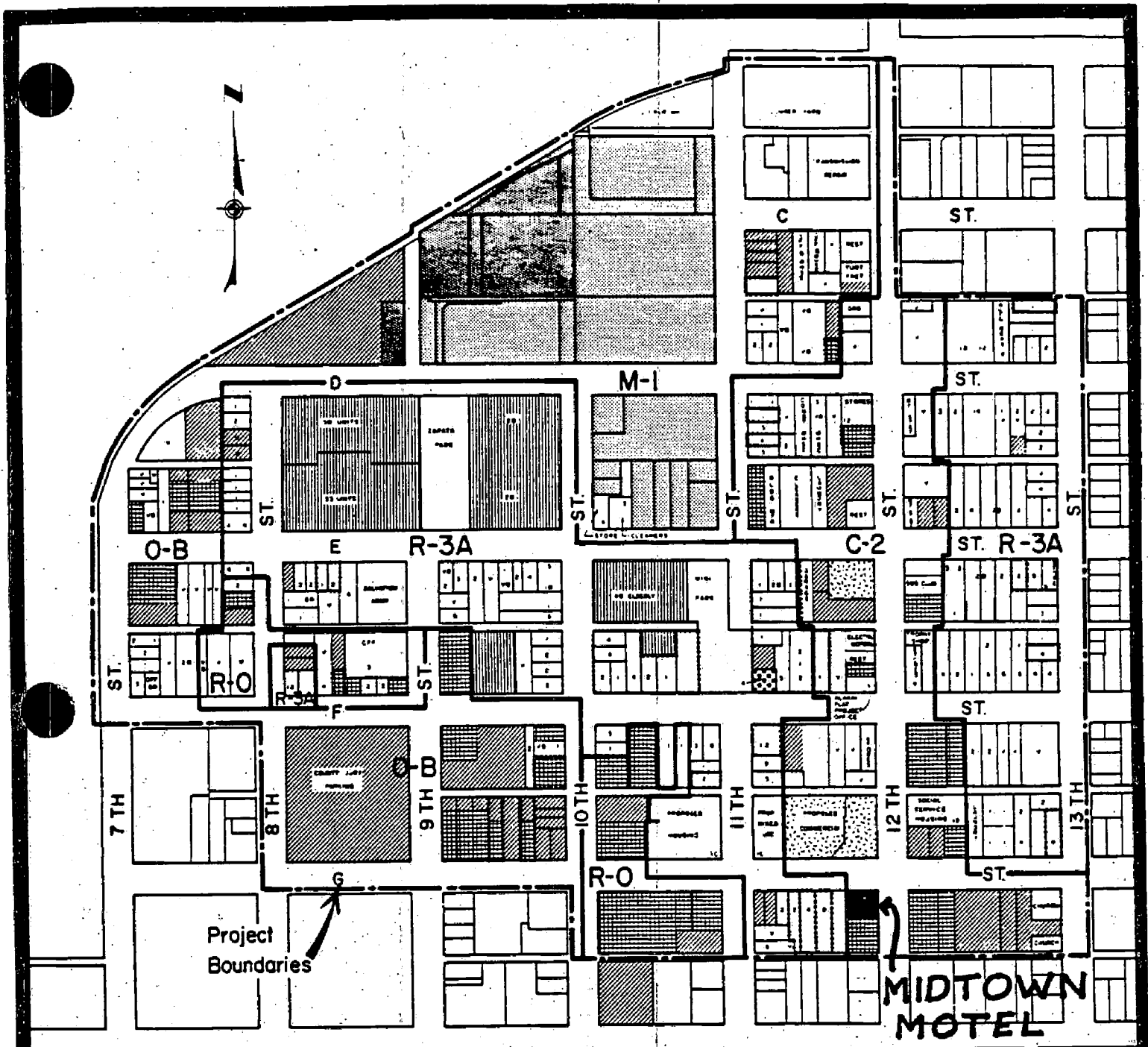
Section 2: The Executive Director is hereby authorized to execute an agreement with Mr. Norman Leal regarding a Housing Assistance Payment Contract for Midtown Motel at the southwest corner of 12th and G Streets in Sacramento; and, upon completion of rehabilitation of the Midtown Motel, to execute said Housing Assistance Payments Contract.

CHAIR

ATTEST:

SECRETARY

232(a)f
11/25



Project Boundaries

MIDTOWN MOTEL

- | | | | | |
|--------------------|-----------------|--------------|--------------------|-----------------|
| KCRA | MKR Condos | Sac Heritage | BR Being Rehab'd | REST Restaurant |
| Crystal | Parking | Rehab | V Vacant | GRO Grocery |
| 3:2 | Office Building | Zoning Areas | VB Vacant Building | |
| Low Income Housing | Commercial | | OFF Small Office | |
| | | | DEMO Demolished | |
| | | | WHSE Warehouse | |
- NOTE: Number in parcel indicates number of residential dwellings.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
 ALKALI FLAT REDEVELOPMENT
 PROJECT NO. 6
**ZONING & EXISTING
 PARCEL USES**
 OCTOBER 1987 T1