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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

July 17, 1990

Budget & Finance Committee
Transportation/Community
Development Committee
Sacramento, CA

Honorable Members in Session:

SUBJECT: Resolution Approving Acquisition and Just Compensation Determination of the Shasta Hotel

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolution approving the acquisition and compensation determination.

Respectfully submitted,

FOR ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

SOLON WISHAM, JR.
Assistant City Manager

Attachment

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

July 24, 1990

Redevelopment Agency of
the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Shasta and Argus Hotels

SUMMARY

This report recommends that the Redevelopment Agency take action to purchase the Shasta and the Argus Hotels (commonly referred to as the Shasta). Following the acquisition, the Agency should sell the Shasta to Sacramento Housing Development Corporation (SHDC) to rehabilitate and operate the structure as a Residential Hotel for low-income single persons.

BACKGROUND

On April 3, 1990, staff presented a report to the governing bodies which recommended the acquisition and rehabilitation of the Shasta for continued use as a Residential Hotel. Staff was directed to obtain an appraisal and further information about the feasibility of acquisition and rehabilitation and to report back with a recommendation.

An MAI appraisal was obtained from David E. Lane, Inc. (see qualifications, Attachment A), which placed the value of the property at $960,000. The valuation was based on the judgement that the highest and best use of the property is rehabilitation of the buildings and their conversion to offices upstairs, with continued retail use on the street level. (This is in comportment with a previous appraisal obtained by the Agency three years ago, which is no longer valid but indicates a comparable value.) Be advised that, in the public acquisition process, our experience indicates that there is no guarantee that the property can be acquired at that price.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Alternative Cost Scenarios

An architectural and engineering study was obtained from Dela-M, a local firm which the Agency has contracted with and found reliable in a number of Comprehensive Improvement Assistance Program (CIAP) projects, (see qualifications, Attachment B). Conrad Newby is the principal architect. The consultant was asked to estimate the cost of rehabilitating the Shasta, as well as the cost of demolishing the structure and building a new hotel on-site. Furthermore, staff estimated the cost of constructing a new Residential Hotel on a separate site, outside of the Central Business District (CBD). The summarized results of this analysis are shown in Table I on the following page and are described below.

A previous policy report, the Residential Hotel Construction and Rehabilitation Program ("Residential Hotel Program") adopted by the Council at its May 22, 1990 meeting, set forth preservation and rehabilitation of existing Residential Hotels as the highest priority for use of available local monies. In conjunction with this priority, the policy was adopted which argued that, for a variety of reasons, rehabilitation should be the mode of choice as long as the cost did not exceed 150% of the cost of building new units elsewhere. According to our analysis, per unit costs to rehabilitate the Shasta would be 127% of new construction costs, so we believe this criteria has been met.

1) Scenario One - Rehabilitation: As indicated by Scenario One in Table I, Dela-M's cost estimate for rehabilitation of the building put hard costs at approximately $2,149,120, or $25,893 per unit. These estimates assume a total of 83 units. Rehabilitation, in the case of the Shasta, will essentially mean gutting the interior and installing all new components, plus providing seismic reinforcement. The magnitude of rehabilitation work necessary is substantially similar to the amount done on the Sequoia Hotel.

   Agency's rehabilitation staff and housing development staff reviewed Dela-M's numbers and believes they may be high, based on previous experience with the rehabilitation of other residential hotels.

   Staff estimates total acquisition and development costs under this Scenario would be approximately $4,266,002, or $51,398 per unit.

Table I
SHASTA HOTEL
Comparison of Cost Scenarios

	Scenario One Rehabilitation	Scenario Two Demolition/ New Constr. On-site	Scenario Three New Const. Off-site
Land or acquisition	$960,000	$960,000	$448,000
Hard costs, including demo. if applicable	2,149,120	2,708,250	2,254,200
Contingency	240,867	261,225	225,420
Soft costs	445,338	501,021	391,943
Rent-up reserve	61,254	62,640	62,640
Finance costs	49,923	118,093	108,605
Personal property	83,000	90,000	90,000
Overhead	207,500	50,000	50,000
Commercial tenant improvements	69,000	0 (1)	0 (1)
Total development costs	$4,266,002	$4,751,229	$3,630,808
Units	83	90	90
Hard costs, per unit	$25,893	$30,092	$25,047
Total costs, per unit	$51,398	$52,791	$40,342
Rehab cost, per unit/ alternative scenario cost, per unit	100%	97%	127%

(1) Included in hard cost figure.

2) <u>Scenario Two - Demolition/New Construction</u>: As indicated by Scenario Two on Table I, Dela-M estimated that hard costs to completely demolish the existing structure and to then rebuild on-site would be $2,708,250. This estimate was based on the assumption that the new building would be of Type I concrete and steel frame construction and would consist of five floors of Residential Hotel units and one floor of commercial (retail) space. (In the demolition/new construction scenario, the $960,000 in acquisition costs for the hotel would essentially mean that the Agency would pay a land cost of $200 per square foot, which is approximately the market rate for land in the CBD.) The new floor plan would yield a slightly higher number of units (90) and the plan allows for 225 gross square feet per unit. Hard costs per unit would be $30,092. Staff calculates that total acquisition and development costs would be approximately $4,751,229 or $52,791 per unit. This would mean that, according to this Scenario, new construction on-site would actually be costlier than rehabilitation; according to the above-stated preservation/rehabilitation policy, rehabilitation would be the preferred alternative to this Scenario.

3) <u>Scenario Three - New Construction Offsite</u>: For comparison purposes, Agency staff estimated hard costs of new construction of a four-story, wood-frame Residential Hotel on a separate site outside the CBD, with retail space on the first floor. As indicated by Scenario Three in Table A, hard costs on such a project would be approximately $2,254,200, or $25,047 per unit. This figure assumes a total square footage of 23,400 s.f. and the same number of units (90) as could be potentially rebuilt on the Shasta site. Staff calculates that total development costs would approximate $3,630,808 or $40,342 per unit. Using these costs figures, per unit costs to rehabilitate would be 127% of new construction costs, so the 150% rehabilitation vs. new construction criteria has been met.

   Costs are lower than rebuilding on-site because wood frame construction is less expensive than concrete and steel and there would be no demolition costs. Also, land costs on sites outside the CBD would be considerably lower and are estimated to be $35 per square foot.

The above discussion is not meant to imply that the new construction option will not be pursued by the Agency in the future. New construction remains a desirable course for many reasons and will continue to be considered within the context of the previously adopted rehabilitation/preservation policy and budget constraints.

Acquisition Process

Staff recommends that the Council establish the just compensation for the Shasta at the appraisal value and authorize staff to initiate negotiations with the owner. Following adoption of the resolution, the Agency would negotiate with the hotel's owner in regard to an acquisition price. If negotiations were unsuccessful within 30 days, the Agency would need to adopt a resolution of necessity, which would establish the necessity of acquiring the property for public purposes. At this point, the Agency would need to immediately post the amount of the appraisal ($960,000) with the court, after which it could obtain an order from the court giving possession of the property. Possession could take place by the Agency in as few as 90 days, but may take longer. The Agency may be able to obtain a motion from the Court allowing access of the property before that time, in order to get architect and engineer's data, etc.

Attachment C contains an estimated timeline for project acquisition, financing and construction.

Rehabilitation and Operation

Following acquisition by the Agency, staff recommends authorization of sale to Sacramento Housing Development Corporation (SHDC) for rehabilitation and operation of the structure as a Residential Hotel. The sale itself, and the terms of sale, will be dependent on obtaining appropriate financing.

Staff makes this recommendation for several reasons. First, the project is a sensitive one from the perspective of the community. Staff believes it would be beneficial to retain a high degree of control over and involvement in the rehabilitation process, as well as to ensure that management is careful and intensive. Second, the timing of the project, including the acquisition process, is such that SHDC ownership will be necessary in making deadlines for low-income housing tax credits. SHDC ownership will also facilitate a timely application for State Rehabilitation Loan financing, before funds are exhausted, (see discussion under "Financing" below). Third, the single low-income population will be one which would benefit from transitional housing programs offered by the Agency.

Fourth, the Housing Authority, Agency and SHDC has a critical need to expand its housing inventory.

Staff does not discount the role of private and other non-profit developers in the Agency's Residential Hotel Program but believes working with these sectors will be most valuable when the Agency commences with the new construction aspect of the Program.

Financing

Below is an outline of three possible permanent financing scenarios for the Shasta. These scenarios are summarized in Table II on the next page:

1) Scenario A - Conventional Loan/State Rehab: Scenario A represents staff's estimate of a likely permanent financing scenario on the Shasta and presents an Agency contribution of $1,004,656. The full proforma for this scenario is attached as Attachment D.

2) Scenario B - Conventional Loan/State Rehab/Tax Credits: Scenario B represents the best case scenario in regard to permanent financing. This scenario reduces the amount of tax increment money required to as low as $115,796, by generating equity from sale of tax credits.

3) Scenario C - Conventional Loan: Scenario C represents the worst case scenario and delineates a maximum commitment of tax increment money ($2,797,449) towards the project.

All financing for acquisition and rehabilitation of the Shasta is still uncertain because of the unknowns surrounding two important sources of funding: the State Rehabilitation Loan Program and the federal low-income housing tax credit program. The above scenarios indicate that the amount of tax increment financing in the project could range from $100,000 to $3,000,000.

State Rehabilitation Loan Program: A total of $15,000,000 in State funding for acquisition and rehabilitation of Residential Hotels will be available shortly as a result of the recently-approved Proposition 107 bond measure. This program would provide 30-year, 3% interest loans of up to $25,000 per unit for acquisition and rehabilitation. Interest must be paid annually; it may not be deferred. State staff estimates that a Notice of Funds Available

Table II
SHASTA HOTEL
Comparison of Rehabilitation Financing Scenarios
(Assumes SHDC ownership and operation)

	Scenario A - State Rehab/ Conventional loan	Scenario B - Tax credits/ State Rehab/ Conventional loan	Scenario C - Conventional loan
Units	83	83	83
Rents	$246	$246	$246

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Sources of Funds			
Equity from tax credits	$0	$1,371,886	$0
SHRA contribution	1,004,656	115,796	2,797,449
Conventional loan	1,186,346	1,408,442	1,568,068
State loan	2,075,000	1,328,000	0
Total	$4,266,002	$4,224,124	$4,365,517

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Total subsidy	$3,079,656	$1,443,796	$2,797,449
Per unit	37,104	17,395	33,704
SHRA contrib. per unit	12,104	1,395	33,704

will be circulated in August. It will be important to submit an application as soon as possible after this time, as the money is expected to be exhausted quickly.

<u>Low-income Housing Tax Credits</u>: The feasibility of syndication of federal low-income housing tax credits will also need to be analyzed. Staff is not assuming their use, both because of timing issues and because of unknowns regarding the financial structuring of such projects under the new regulations. Staff recommends contracting with a consultant for assistance in analyzing the feasibility of such credits, especially in regard to their use in conjunction with the State Rehabilitation Loan Program.

To qualify for the credits, the applicant must have financing commitments in place for 50% of total project costs. Since State rehabilitation money would not be available at the time of application, the 50% financing requirement may necessitate that the Agency be prepared to commit 50% of project costs in tax increment funds, although staff would try to obtain commitments through conventional or other lenders instead. According to staff's estimates, 50% of total project costs would amount to approximately $2,120,000. Because of the tax law, approximately $1,020,000 of the $2,120,000 (i.e. all money <u>not</u> related to acquisition costs) must be money which does not come from tax-exempt financing.

Staff recommends that an initial allocation of $1,100,000 in tax increment funds be made to the project to fund acquisition and upfront costs. Staff also recommends that the Agency be prepared to commit $1,020,000 in additional tax increment money, (money which does not come from tax-exempt financing), should an application be made for low-income housing tax credits. Some of these monies may be recouped by the Agency upon sale to Sacramento Housing Development Corporation, if a State Rehabilitation Loan and/or tax credits are obtained. This, however, is by no means assured.

There is no guarantee that the project will receive either State rehabilitation funding or tax credits, although the project is of the type which is viewed favorably by both funding sources. The Agency will not know if the project will receive either type of financing until after the eminent domain process is underway or completed. If the project fails to receive one or both sources of funding, the Agency will be required to make up the shortfall in tax increment or other local funds, if it wishes to proceed with the Residential Hotel project. Alternatively, the Agency could choose to sell the site for some other use if appropriate funding cannot be found.

Construction Financing: Construction financing for the project will be dependent on what the permanent financing sources are. State Rehabilitation money may be used as both construction and permanent financing. Tax increment money, of course, may also be used for both purposes. The gap will need to be borrowed from a conventional lender or a below-market lender such as the Low-income Housing Fund.

FINANCIAL IMPLICATIONS

The above financing discussion indicates that, while the amount of tax increment financing permanently in the project could range from $100,000 to $3,000,000, the exact amount cannot be determined at this time. Until more is known in regard to the full financing of the project, the Agency must be prepared to commit up to $2,120,000 to acquire the project and put it in position to receive optimum financing. The full funding for this project will be addressed in the 1990 Tax Allocation Bonds (TABS) and five-year Capital Improvement Plan. The project is in line with our long-term plan to fund acquisition and rehabilitation of Residential Hotels.

The immediate need is $1,100,000 million to cover the property's purchase price and to pay for legal, consultant and further architect and engineering fees. This $1,100,000 million is within the proposed budget authority by utilizing the remaining $630,000 of 1989 Certificates of Participation (originally earmarked for the homeless/inebriate center) and taking the remaining $470,000 from redevelopment cash on hand until the 1990 TABS are issued. A total of $50,000 of the $1,100,000 should come from sources other than tax-exempt financing.

POLICY IMPLICATIONS

The Residential Hotel Construction and Rehabilitation Program ("Program) adopted by the Council at its May 22, 1990 meeting set forth preservation and rehabilitation of existing Residential Hotels as the highest priority for use of available local monies, if costs on such projects do not exceed 150% of new construction costs. The proposed project meets this criteria and the proposed action is therefore in line with existing policy.

By approving the attached resolution, the Agency will acquire the Shasta before all financing is in place and without assurances that certain key sources of financing can be obtained or that project costs will be as estimated. Variable factors include: a) final acquisition costs, which may be greatly influenced by the public acquisition process, b) actual rehabilitation costs, which in a project of this age and state of repair are difficult to determine, c) presence of toxics, which may not yet be identified, d) interest rates on conventional financing and e) availability of State Rehabilitation Loan and/or federal tax credit financing.

Therefore, the exact amount of Agency subsidy to the project cannot now be determined. Staff believes this uncertainty is unavoidable due to the time constraints of the eminent domain, State rehabilitation loan and low-income housing tax credit processes. Further, staff believes acquisition is justified in light of the diminishing number of Residential Hotels in the Central Business District and their value as a source of very-low cost-housing to the City.

ENVIRONMENTAL REVIEW

CEQA The proposed action to acquire and rehabilitate property is exempt from environmental review per Section 15301(d), Class 1. Class 1 exempts the restoration or rehabilitation of deteriorated or damaged structures to meet current standards of public health and safety. The proposed project would not expand the use beyond that previously existing. The acquisition will not result in a physical change in the environment.

NEPA Not applicable; no federal funding involved.

MBE/WBE EFFORTS

Minority and women contractors will be encouraged to bid on the rehabilitation of the property. All Agency MBE/WBE requirements will be adhered to in the advertising and acceptance of bids.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
July 24, 1990

VOTE AND RECOMMENDATION OF THE COMMISSION

At its meeting of July 16, 1990, the Sacramento Housing and Redevelement Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

RECOMMENDATION

Staff recommends adoption of the attached resolutions which:

1) Establish the just compensation for the Shasta and Argus Hotels as the amount specified in the appraisal report of David E. Lane, MAI, to be the value of the property as of May 29, 1990.

2) Authorizes and directs the Executive Director to negotiate and take all actions necessary to consummate the purchase of the Shasta and Argus Hotels at a price which does not substantially exceed the value set forth in the above-mentioned appraisal report plus other related acquisition costs which are within the overall budget established for the project.

3) Authorizes $1,100,00 in downtown tax increment funds to be used for acquisition of the Shasta, costs related to acquisition, and consultant fees.

4) Authorizes staff to negotiate with and apply to all potential sources of project financing, including but not limited to the Mortgage Bond Tax Credit Allocation Committee for federal low-income housing tax credits, the California Housing Rehabilitation Program, and conventional lenders for gap, bridge, construction and permanent financing.

5) Commits not more than $1,020,000 in additional downtown tax increment funds to be used as short-term project financing, if necessary to secure low-income tax credits for the project.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

6) Directs staff to report back in three months with a progress report detailing the project's status, costs and financing.

7) Authorizes the Executive Director to amend the Agency budget, as required, to effect the above actions and to take all other actions necessary to consummate the purchase and renovation of the Shasta.

Respectfully submitted,

for ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Thomas V. Lee, 440-1357

RES\LKS\lks
a:\shasta\staff

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF ____________________

ACQUISITION OF THE SHASTA HOTEL;
JUST COMPENSATION DETERMINATION

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

Section 1: The just compensation for the Shasta and Argus Hotels is the amount specified in the appraisal report of David E. Lane, MAI, to be the value of the property as of May 29, 1990.

Section 2: The Executive Director is authorized and directed to negotiate and take all actions necessary to consummate the purchase of the Shasta and Argus Hotels at a price which does not substantially exceed the value set forth in the above-mentioned appraisal report plus other related acquisition costs which are within the overall budget established for the project.

Section 3: $1,100,00 in downtown tax increment funds is allocated to be used for acquisition of the Shasta, costs related to acquisition, and consultant fees.

Section 4: Staff is authorized to negotiate with and apply to all potential sources of project financing, including but not limited to the Mortgage Bond Tax Credit Allocation Committee for low-income housing tax credits, the California Housing Rehabilitation Program and conventional lenders for gap, bridge, construction and permanent financing.

Section 5: Not more than $1,020,000 in additional downtown tax increment funds is committed to the project, to be used as short-term project financing if necessary to secure low-income tax credits for the project.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: ______ (13) ______

DATE ADOPTED

Section 6: Staff is directed to report back in three months with a progress report detailing the project's status, costs and financing.

Section 7: The Executive Director is authorized to amend the Agency budget, as required, to effect the above actions and to take all other actions necessary to consummate the purchase and renovation of the Shasta.

CHAIR

ATTEST:

SECRETARY

share\reso\shasta

FOR CITY CLERK USE ONLY

RESOLUTION NO.: __________ (14)

DATE ADOPTED:

QUALIFICATIONS OF DAVID E. LANE, MAI, CRE

EXPERIENCE

Independent fee appraiser and consultant since 1965. Involved in real estate appraisal work since 1953. Real estate appraised has included various types of residential, commercial, industrial, urban, rural, and special purpose property. Have appraised leasehold estates and easements as well as fee title. Also qualified as appraiser of fixtures and goodwill. Clients have included, among others, the following:

Federal Government: U. S. Air Force, U. S. Corps of Engineers; U. S. Department of Justice; U. S. Postal Service.

State Government: California Department of General Services; California Department of Transportation; State Reclamation Board.

Counties: Sacramento; Contra Costa; Del Norte; El Dorado; Sonoma; Yolo; Yuba.

Cities: Sacramento; Davis; Auburn; Folsom; Lakeport; Lincoln; Modesto; Plymouth; Rocklin; Roseville; Santa Rosa; Sebastopol; Rock Springs, Wyoming.

Redevelopment Agencies: Sacramento; Crescent City; Napa; Redding; Santa Rosa; Boise, Idaho; Idaho Falls, Idaho; Cheyenne, Wyoming.

School Districts: Sacramento; Bowman; Elk Grove; Eureka; Grant; Lincoln; San Juan; Winters; Woodland.

Other Public Bodies: American River Flood Control District; Arcade Creek Recreation and Park District; Rancho Murieta Community Services District; Reclamation District No. 1000; Regents of the University of California; Roseville Community Hospital; Sacramento Municipal Utility District; Sacramento Regional Transit District; Sacramento Transit Development Agency; Truckee-Donner Recreation and Park District; Weimar Medical Center; Western Regional Sanitation Landfill Authority; Northridge Water District.

Financial Institutions: American Savings; Bank of America; Bank of California; Bank of Tokyo; Bay View Federal Savings & Loan; Bell Savings & Loan; Capital Federal Savings & Loan; Capitol Bank of Commerce; Central Bank; Central Valley National Bank; Chase-Manhattan Bank; Colwell Co.; Commonwealth, Inc.; Crocker Bank; Federal Deposit Insurance Corporation; First Commercial Bank; Fort Worth National Bank; Great American First Savings Bank; Home Capital Development Group; Lake Savings & Loan; Manufacturers Bank; Merator Savings Bank; Metrobank; Mitsubishi Bank; Nova Scotia Bank; Point West Bank; Prudential-Bache; San Francisco Federal Savings & Loan; State Savings & Loan; Vernon Savings & Loan; Wells Fargo Bank; Wells Fargo REIG.

Oil Companies: Chevron, U.S.A.; Shell Oil; Texaco, Inc.; Union Oil.

Insurance & Title Companies: California Fair Plan Association; California Mutual Insurance Company; Chicago Title Insurance Company; CNA Insurance; First American Title Company; Founders Title Company; Hudson Company; Placer Title Company; State Farm; Ticor; Transamerica Title Company; Underwriters Adjusting Company; Western Title Company.

QUALIFICATIONS OF DAVID E. LANE, MAI, CRE

EXPERIENCE (continued)

National or International Companies: Bergen Brunswig; Campbell Soup; Carma Developers; Centennial Group, Inc.; Circle K; Clarklift-West; Copley Real Estate Advisors; Delta Housing Group; Denver & Rio Grande Railroad; Diamond International; Ford Motor Company; Foremost McKesson; General Electric; Granite Rock Company; Heartland; Homequity; Koppers, Inc.; Lerner Company; Levitz Corporation; Liquid Air, Inc.; Lockwood-Ames; Lone Star Industries; Lucky Stores; McDonald's Corporation; Mitsubishi Corporation (Panasonic); Montgomery Ward; Morrison Homes; Pacific Scene; Procter & Gamble; Southern Pacific Railroad; Syufy Enterprises; Teachers Management & Investment Corporation (TMI); Teleprompter; TI Home Transfer; Union Carbide; Union Pacific Railroad; U. S. Home Corporation; Walgreen's; Wemco Corporation; West Coast Door Corporation; Western Pacific Railroad; Winmar; Winchell Donuts.

Local Entities: Baptist Church; Blomberg Window Systems; Buzz Oates Enterprises; California Farm Bureau; California School Boards Association; Cemo Development; Children's Hospital; Christ Unity Church; Continental-Heller Construction Company; Continental Mortgage Investors; Covington Homes; Daru Development; D. Benvenuti & Co.; Downtown Plaza Associates; Duke Developement; East Lawn Mortuary; Fox & Carskadon; Granite Construction Company; Handy Andy; James J. Cordano Co.; Joe Benvenuti; KCS Development; Kimmel Construction, Inc.; KVIE; L & P Land Development; Lee Sammis Company; Lukenbill Enterprises; Medical Care Foundation of Sacramento; NCD Financial, Inc.; Nelson-Rodgers Company; Odd Fellows Association; Pacific Gas & Electric; Paul Snider; Rancho Murieta Properties, Inc.; RJB Company; Roman Catholic Bishop; Sacramento Board of Realtors; Sacramento Dental Associates; Sacramento Sports Association; St. Elizabeth's Hospital; Salvation Army; San Luis Canal Company; Separovich-Domich Company; S.K. Brown Construction; Sterling Homes; Sutter Community Hospitals; The Sacramento Bee; The Sacramento Union; Teichert Land Co.; Thomson-Diggs; University of the Pacific (McGeorge School of Law); Vandenberg Motors; Western Management.

Numerous other private individuals, corporations, and attorneys.

Geographical Area: Have appraised in the following California counties: Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Humboldt, Lake, Lassen, Merced, Modoc, Nevada, Placer, Plumas, Sacramento, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Yolo, Yuba.

Other States: Washoe County, State of Nevada; Ada County, State of Idaho; Bonneville County, State of Idaho; Laramie County, State of Wyoming; Sweetwater County, State of Wyoming.

Court Testimony: Have qualified as an expert witness in real estate valuation in the following courts:

California Superior Courts: Counties of Amador, Del Norte, Lake, Lassen, Los Angeles, Sacramento, San Francisco, San Joaquin, Shasta, Sonoma, Sutter, Yolo.

QUALIFICATIONS OF DAVID E. LANE, MAI, CRE

EXPERIENCE (continued)

Court Testimony: (continued)

U. S. Courts: District Courts, Sacramento and San Francisco.

Bankruptcy Courts: Sacramento, Santa Rosa, San Francisco, Modesto.

Other Courts: District Court of Bonneville County, State of Idaho; District Court of Washoe County, State of Nevada.

EDUCATION

Sacramento State College, 1953 - B.A.
Sacramento Junior College, 1948 - A.A.
Completion by examination of Real Estate Appraisal I, March 1961
Completion by examination of Real Estate Appraisal II, March 1963
Completion by course and examination of Real Estate Appraisal IV, University of San Francisco, August 1964
Completion by course and examination of Real Estate Appraisal III, Chico State College, August 1967
Completion by course and examination of Real Estate Appraisal VI, University of Southern California, August 1968
Attendance at numerous educational seminars and conferences.

MEMBERSHIPS AND LICENSES

CRE Member, American Society of Real Estate Counselors, Certificate Number 898
MAI Member, American Institute of Real Estate Appraisers, Certificate Number 4186
Former SREA Member, Society of Real Estate Appraisers, Certificate Number 402 - resigned effective January 1, 1986.
Senior Member (SR/WA), International Right of Way Association
Former State Inheritance Tax Referee, Sacramento County, 1968-1975

OTHER

Instructor for Sacramento Real Estate School, "Principles of Real Estate Appraising", 1959-1968
Instructor for Chapter No. 101, Society of Real Estate Appraisers, "Course on Market Data Approach", Sacramento State College, December 1964
Instructor at University of Nevada, "Assessment Administration Training Conference", June 1966
Guest lecturer or speaker at numerous courses, seminars, and conferences in connection with the real estate appraisal field.
Have acted as arbitrator in numerous cases, including appointment under Section 1273.01 et seq. and Section 1280 et seq. of the California Code of Civil Procedure.
Author of "Comparable Sales on Trial", Appraisal Journal, July 1977.

I am currently certified under the AIREA voluntary continuing education program.

Dela-M
Architecture and Plann.

FIRM MANAGEMENT & PERSONNEL STRUCTURE

NAME & TITLE: DEBBIE A. SCHMIDT
Principal, Partner

PROJECT ASSIGNMENT: Firm Management

EXPERIENCE & QUALIFICATIONS:

Debbie's professional experience has offered more than 12 years in Architectural-Engineering Management. Areas of expertise include: public relations coordinator, architectural research, addendums & change orders, project inspections & written inspections, register of bid documents, assist with bidding, contract writting & preparations, system/specifications coordinator, program implementation, liason between architect/city & county officals/clients/developers & contractors/govermental agencies.

NAME & TITLE: CONRAD A. NEWBY, A.I.A.
Principal, Partner, Architect

PROJECT ASSIGNMENT: Administrative Architect

EXPERIENCE & QUALIFICATIONS:

Conrad's 24 years experience covers all the basic concepts involved in todays architectural needs. He holds architectural licenses in seven states. His past experience in client contact, program design and planning services, with coordination of all consulting professionals, all drafting production work through the phases as specified in the contract, to the "As-Builts" if required, gives him the necessary qualifications to conduct and produce effective projects.

NAME & TITLE: BRUCE R. HENSLEY
Principal, Partner, Designer

PROJECT ASSIGNMENT Design Drawings,
Specifications

EXPERIENCE & QUALIFICATIONS:

Bruce has 15 years extensive experience with all types of construction, design, drafting, inspections, and specifications. He has General Contractors license for the State of California.

NAME & TITLE: **NICK ZAVAS**
Project Captain

PROJECT ASSIGNMENT: Design Drawings
CAD Programming Development

EXPERIENCE & QUALIFICATIONS:

Nick has 8 years construction experience that he utilized to enchance his architectural design skills. Nick also has advanced CAD experience which has qualified him to instruct CAD operators in program training. Bringing all his talents together with our firm has provide us with a excellent project coordinator which will be very effective in future housing projects.

NAME & TITLE: **DEE DONALYNN**
Administrative Assistant

PROJECT ASSIGNMENT: Production time, collection coordinator and specification computer entry.

EXPERIENCE & QUALIFICATIONS: 10 years of bookkeeping and computer entry.

ATTACHMENT C

SHASTA HOTEL
Timeline of Activity

	July		August				September				October				
	7/16	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	10/22	10/29
Acquisition	Council Approval, Reso of Just Comp.				Reso of Necessity										
Prop 107				State NOFA circulated (est.)						State app submitted (est.)					
Tax Credits			Low-income tax credit application available (est.)				Low-income tax credit application due (est.)								
Construction															

	November				December				January					February				
	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	1/1	1/7	1/14	1/21	1/28	2/4	2/11	2/18	2/25	
Acquisition			Agency take possession of property															
Prop 107				State Prop 107 conditional commitment													Final approval by State	Sale to SYDC
Tax Credits				Low-income tax credits allocated														
Construction																		Completion of Constru end of Aug

A. PROJECT:	REHABILITATION OF THE SHASTA	:	DESCRIPTION:	83 units total
		:	Rehabilitation	83 units assisted
LOCATION:	Proposition 107/Conventional loan	:		
	SACRAMENTO	:	0	0% credit

B. PROJECT COSTS			Per unit	:	ASSUMPTIONS		
Acquisition:	960,000			:	Acquisition per unit	$11,566	
Land		$192,000		:	Rehab per unit	$22,831	
Building		768,000		:	Land percent value	20.00%	
Hard costs		2,149,120		:			
Contingency		240,867		:	Contingency:	11.21%	of hard costs
Soft costs		238,999		:	Soft Costs:	10.00%	of hard costs & contingency
Legal, acquisition		50,000		:			
Architect and engineer		136,339		:			
Consultant fees		20,000		:			
Rent up reserve		61,254		:	Rent up reserve:	25.00%	of GSI
Finance charges/closing		25,493		:	Finance charges:	3.00%	of debt
Construction interest		24,430		:	Construction interest:	11.50%	of debt 2 months construction period
Personal Property		83,000		:	Personal property	$1,000	per unit
Development/supervis'n overhead		207,500		:	Devel't overhead	10.00%	of Prop 107 loan amount
Commercial tenant improvements		69,000		:	Comm. tenant improve.	$15	per s.f.
Total development costs		$4,266,002	51,398	:			
Syndication costs		0		:			
				:	Cap rate	8.00%	
Grand total		$4,266,002	51,398				

C. SOURCES OF FUNDS		Per unit	:	FINANCING ASSUMPTIONS		:	INCOME TAX FACTORS		
SHRA contribution	1,004,656	12,104	:	Conventional loan (1)		:	Investor tax bracket	40.10%	
Conventional loan (1)	1,186,346		:	Debt service ratio	1.15	:	(Fed. & State)		
Prop 107 loan (2)	2,075,000	25,000	:	Interest rate	9.50%	:			
			:	Term	30	:			
Gap	(0)		:			:	DEVELOPER EQUITY		
			:	Prop 107 loan (2)		:			
			:	Interest rate	3.00%	:	Developer Equity	23.55%	of total development costs assumed
Total	4,266,002		:	Term	30	:			
Total subsidy	$3,079,656	37,104	:	Deferred = 0	1	:			
			:	Simple interest = 1		:			
			:	Loan/unit	$25,000	:			
			:	Max. ann. interest	$62,250	:			
			:			:			
			:	Other loan (3) NONE		:			
			:	Interest	0.00%	:			
			:	Term	0	:			
			:	Deferred = 0	0	:			
Gross syndication proceeds	0		:	Simple interest = 1		:			
Net syndication proceeds	0		:	Loan/unit	$0	:			

(21)

ATTACHMENT D

D. USES & INCOME

D. USES & INCOME	NUMBER	RENTS	SUM
SRO units - rents	83	246	20,416
	0	0	0
			0
Total	83		20,416
Average rent/unit	$246		
Low income units (tax credi	0		
% of total	0.00%		

INCOME/EXPENSE ASSUMPTIONS

Income inflation rate	4.50%
Expense inflation rate	5.00%
Vacancy rate, residential	5.00%
Expenses/residential/yr	$1,500
Expenses/residential/mo	$125.00
Commercial space	4,600 s.f.
Commercial lease rate	$1.50 s.f. (NNN)
Operating costs/comm./yr	0.00% of GSI
Laundry income/unit/mo	$4.00
Replacement reserve	0.60% of hard costs/yr
Property tax	0.00%
Prop. tax increase	0.00%

F. CASH FLOW

YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Gross sched. res. income	$245,016	$256,042	$267,564	$279,604	$292,186	$305,335	$319,075	$333,433	$348,437	$364,117	$380,502	$397,625	$415,518	$434,216	$453,756	$474,175	$495,513
Laundry/other income	3,984	4,163	4,351	4,546	4,751	4,965	5,188	5,422	5,666	5,921	6,187	6,465	6,756	7,060	7,378	7,710	8,057
Gross potential res. inc.	$249,000	$260,205	$271,914	$284,150	$296,937	$310,299	$324,263	$338,855	$354,103	$370,038	$386,689	$404,090	$422,274	$441,277	$461,134	$481,885	$503,570
Less: Vacancy	$12,450	$13,010	$13,596	$14,208	$14,847	$15,515	$16,213	$16,943	$17,705	$18,502	$19,334	$20,205	$21,114	$22,064	$23,057	$24,094	$25,179
Effective gross res. inc.	$236,550	$247,195	$258,319	$269,943	$282,090	$294,784	$308,050	$321,912	$336,398	$351,536	$367,355	$383,886	$401,161	$419,213	$438,078	$457,791	$478,392
Less: Operating expenses	124,500	130,725	137,261	144,124	151,331	158,897	166,842	175,184	183,943	193,140	202,797	212,937	223,584	234,763	246,501	258,827	271,768
Property taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replace. reserve	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895	12,895
Net res. op. income	$99,155	$103,575	$108,163	$112,924	$117,865	$122,993	$128,313	$133,833	$139,560	$145,501	$151,663	$158,054	$164,682	$171,555	$178,681	$186,070	$193,729
Gross commercial income	62,800	86,526	90,420	94,489	98,741	103,184	107,827	112,679	117,750	123,049	128,586	134,372	140,419	146,738	153,341	160,241	167,452
Less: Operating costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net comm. op. income	$82,800	$86,526	$90,420	$94,489	$98,741	$103,184	$107,827	$112,679	$117,750	$123,049	$128,586	$134,372	$140,419	$146,738	$153,341	$160,241	$167,452
Net operating income	$181,955	$190,101	$198,582	$207,412	$216,606	$226,176	$236,140	$246,513	$257,310	$268,549	$280,249	$292,426	$305,101	$318,293	$332,022	$346,311	$361,181
Avail for debt	$158,222	$165,305	$172,680	$180,359	$188,353	$196,675	$205,339	$214,359	$223,748	$233,521	$243,695	$254,284	$265,305	$276,776	$288,735	$301,140	$314,071
Debt service-state	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250	$62,250
Available for other debt and cash distribution	119,705	127,851	136,332	145,162	154,356	163,926	173,890	184,263	195,060	206,299	217,999	230,176	242,851	256,043	269,772	284,061	298,931
Debt serv. payment-conv.	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705
Debt serv. payment - Other loan (3) NONE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Developer distribution	0	8,146	16,627	25,457	34,650	44,221	54,185	64,557	75,355	86,594	98,293	110,471	123,146	136,338	150,067	164,356	179,226
Developer rate-of-return	0.00%	0.81%	1.65%	2.53%	3.45%	4.40%	5.39%	6.43%	7.50%	8.62%	9.78%	11.00%	12.26%	13.57%	14.94%	16.36%	17.84%
Cumulative return	0	8,146	24,773	50,230	84,880	129,101	183,286	247,843	323,198	409,792	508,085	618,556	741,702	878,039	1,028,107	1,192,462	1,371,688

6. PROJECT FEASIBILITY

Maximum supportable debt	1,568,068	1,638,267	1,711,357	1,787,454	1,866,680	1,949,160	2,035,026	2,124,414	2,217,465	2,314,325	2,415,148	2,520,092	2,629,322	2,743,008	2,861,328	2,984,467	3,112,615
Value (@ cap rate)	2,274,441	2,376,263	2,482,278	2,592,655	2,707,570	2,827,205	2,951,752	3,081,406	3,216,374	3,356,868	3,503,109	3,655,327	3,813,761	3,978,660	4,151,280	4,328,896	4,514,766
(Deficit)/surplus	(1,991,561)	(1,889,739)	(1,783,724)	(1,673,347)	(1,558,432)	(1,438,796)	(1,314,250)	(1,184,595)	(1,049,628)	(909,134)	(762,893)	(610,675)	(450,240)	(287,342)	(115,722)	62,888	248,765