



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

1.1

June 1, 1994



Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

SUBJECT: HISTORIC PRESERVATION LOAN PROGRAM

LOCATION AND COUNCIL DISTRICT: City

RECOMMENDATION

Staff recommends approval of the attached resolution which:

- approves the Historic Preservation Loan Program Guidelines (Attachment 1); and
- approves the Memorandum of Agreement: Administration of the Historic Preservation Loan Program by the Sacramento Heritage Board, Inc. for an initial amount of \$70,000 of Agency funds and \$3,500 of Sacramento Heritage Funds (Attachment II).

CONTACT PERSON:

Gene Masuda, Assistant Director, Community Development 264-1515.

FOR COUNCIL MEETING OF: June 14, 1994.

SUMMARY

This report requests authorization for the implementation of the Project Development and Public Education element of the Historic Preservation Program adopted by the City Council and Redevelopment Agency of the City of Sacramento on February 2, 1993. This report recommends that the Redevelopment Agency approve a Historic Preservation Loan Program to be administered by the Sacramento Heritage Board Inc. with the assistance of Agency staff and the Loan Committee of the Sacramento Housing and Redevelopment Commission.

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## COMMISSION ACTION

At its meeting of June 1, 1994, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Cespedes, Dobbins, Harland, Moose, Rotz, Simon, Yew, Diepenbrock

NOES: None

ABSENT: Amundson, Holloway, Williams

## SACRAMENTO HERITAGE, INC. ACTION

At its meeting of May 9, 1994, Sacramento Heritage, Inc. approved the attached staff report and recommended certain changes which have been incorporated.

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## BACKGROUND

On February 2, 1993, the City Council and the Redevelopment Agency of the City of Sacramento approved a comprehensive Historic Preservation Loan Program. An agency of the Office of Historic Preservation was formed in order to focus all of the ongoing efforts in one place. The Sacramento Heritage Board, Inc. was designated to serve as the advisory board to the new office, and the manager of the Office of Historic Preservation acts as Sacramento Heritage's executive director. Sacramento Heritage's role was designated to promote, seek funds for, and facilitate public and private historic preservation activities.

The Sacramento Heritage Board, Inc. (Sacramento Heritage) has been working with Agency staff and the volunteer work of Ed Astone to identify available public/private funds and the type of funding needed for the restoration of historic structures, and to

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develop a loan program. The result is the Historic Preservation Loan Program (HPLP) (Attachment I). The HPLP includes Goals, Objectives, Services, Eligibility Requirements, Implementation Responsibilities of the Agency and Sacramento Heritage, and General Terms of Funding to be Provided.

The overall goal of the program is to assist in the restoration, renovation, and rehabilitation of historic structures through education and financial assistance. The Agency currently has several successful programs which provide financial assistance to historic commercial and residential properties located within redevelopment project areas or target areas. Rehabilitation projects located within the County of Sacramento, including redevelopment project areas and targets, will be eligible for the program.

The HPLP would begin with \$70,000 of Agency funds from Mortgage Revenue Bonds and \$3,500 (5%) of Sacramento Heritage funds (which are savings from previously completed projects) for a demonstration project. The applicant of the demonstration project and any subsequent projects must apply for the funds. Based upon the HPLP Guidelines, the applicant would be deemed eligible for the funds. The Agency's Loan Committee would be used as a financial reviewing body for Sacramento Heritage. Final approval would be by the full vote of the Sacramento Heritage Board.

The Memorandum of Agreement (Attachment II) provides for \$70,000 of Agency funds and \$3,500 of Sacramento Heritage funds to HPLP. The Memorandum of Agreement authorizes the use of the Loan Committee as a financial review body and Agency staff to prepare the staff report for the project. Additionally, Sacramento Heritage is responsible for administering the HPLP.

## FINANCIAL IMPLICATIONS

Funding is to be allocated in another staff report specifically allocating Mortgage Revenue Bond funding, to be heard on June 1, 1994, by the Sacramento Housing and Redevelopment Commission and on June 14 by the Redevelopment Agency of the City of Sacramento.

## POLICY CONSIDERATIONS

This report is in furtherance of the Historic Preservation Program approved on February 2, 1994.

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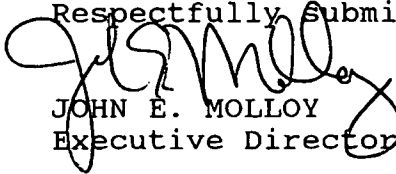
## ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378(b) (3), nor a federal undertaking under NEPA. Individual projects approved for funding are exempt from CEQA per Guidelines Section 15301.

## MINORITY/WOMEN'S BUSINESS ENTERPRISE (M/WBE)

M/WBE considerations are not required with this activity.

Respectfully Submitted by,



JOHN E. MOLLOY  
Executive Director

Transmittal approved by:



WILLIAM H. EDGAR  
City Manager

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**RESOLUTION NO. 94-041**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

**APPROVAL OF HISTORIC PRESERVATION LOAN PROGRAM GUIDELINES  
AND MEMORANDUM OF AGREEMENT**

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

Section 1: The Historic Preservation Loan Program Guidelines attached  
as Attachment I are approved.

Section 2: The Memorandum of Agreement for administration of the Historic  
Preservation Loan Program by the Sacramento Heritage Board, Inc., a copy of which is  
attached as Attachment II, is approved.

Section 3: The amount of \$70,000 is allocated from the Mortgage Revenue  
Bond fund to the Historic Preservation Loan Program. The Executive Director is  
authorized to amend the budget accordingly.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

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FOR CITY CLERK USE ONLY

(5)

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

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

Approved: March 14, 1994  
Amended: May 9, 1994

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HISTORIC PRESERVATION LOAN PROGRAM  
(HPLP)

Sacramento Heritage, Inc.

Sacramento Heritage, Inc. (Heritage) and the Redevelopment Agency of the City of Sacramento (Agency) recognize that Sacramento has a unique and valuable historic architecture. Sacramento's historic buildings contribute to the quality of life, our sense of well-being and our connection to past generations.

Therefore, Heritage in partnership with the Agency, wishes to encourage private owners of historic structures to restore, renovate, rehabilitate and otherwise preserve these historic structures by offering financial assistance and technical guidance.

**A. GOALS**

The goals of this program are as follows:

1. To provide for the restoration, renovation and rehabilitation of historic structures important to Sacramento's heritage;
2. To educate owners of historic structures on appropriate ways to preserve, restore, and protect historic properties;
3. To gain the participation and support of the financial community in this preservation effort; and
4. To provide gap financing for historic structures.

**B. OBJECTIVES**

The objectives of the program are as follows:

1. To establish an outreach marketing program for identifying eligible and prioritizing suitable projects;
2. To approve and implement a demonstration project.
3. To establish a technical assistance historic preservation library;

4. To develop a listing of qualified historic preservation technicians for the planning and implementation of projects; and
5. To assure the preservation of the exterior of the structure by the use of facade easements granted to Heritage.

**C. SERVICES**

This program will provide the following:

1. Access to a lending program that is specifically established for the preservation of historic structures;
2. A loan pool for gap financing;
3. Initial funding for the demonstration project of \$70,000 provided by the Agency, to be matched by \$3,500 (5%) of non-Agency funds provided or arranged by Heritage.
4. Additional funding may be provided by the Agency for other eligible projects and will be approved by an amendment to this program.

**D. ELIGIBILITY**

Each of the projects considered for funding will be reviewed on the following eligibility criteria;

1. Property must be located within the County of Sacramento;
2. Structure must be on the local or state list of historic structures and/or on the National Register;
3. Structures which have commercial and mixed uses will receive preference;
4. The restoration, renovation or rehabilitation treatment as identified in Attachment A and in the State Historic Building Code, so as to preserve the structure's historical fabric will be in compliance with the Secretary of the Interior's Standards for treatment of historic structures;
5. Each of the prospective loans will be reviewed against specific criteria as included here, and in the case of competing projects for limited funding, the following criteria will apply:

- a. the documented historic significance of the structure;
- b. prospective borrower will have provided equity funding and will have arranged primary debt financing;
- c. ability of the project and the borrower to support the gap debt;
- d. qualifications and relevant experience of the project team of technicians including: architect, designer, contractor, sub-contractor, etc.
- e. the extent to which the project would act as a catalyst project for other preservation projects.

**E. IMPLEMENTATION**

1. Agency:

- a. The Agency's rehabilitation loan process will provide project staff review; presentation and review by the Agency's loan committee and preparation of loan documents as deemed appropriate.

2. Heritage:

- a. Heritage and the Agency approve and implement funding on a demonstration project by June 30, 1994;
- b. Identify and prioritize ten (10) historic structures in need of restoration, renovation or rehabilitation on which there is a financial gap and financial assistance as provided for in this program is necessary;
- c. Provide a match of 5% in non-Agency funds to the Agency's funding;
- d. Establish a technical library of written source material on the methods, procedures, etc. of quality restoration, renovation and rehabilitation of historic structures;
- e. Develop a listing of experienced preservation technicians including: architects, designers, interior designers, contractors, sub-contractors, etc. in the various trades for reference by those interested in the quality restoration, renovation, rehabilitation, etc. of historic structures;



- f. Provide review and comment on the prospective project funding;
- g. Approval or disapproval of the project funding shall also be dependent upon appropriate project design review; and
- h. Monitor the construction of the project by making period inspections of the progress. The standard of their monitoring will be the approved plans by the City and County of Sacramento.

**F. GENERAL TERMS OF FUNDING TO BE PROVIDED**

The funds to be provided under this program will follow the terms and conditions as follows:

- 1. The general terms and conditions of the secured loans will adhere to the existing Agency rehabilitation loan guidelines unless specifically excepted;
- 2. Loan Amount: \$10,000 minimum - \$100,000 maximum, including both Agency and Heritage funds, providing that the aggregate loan amount which, when added to all outstanding indebtedness on the property, does not exceed 90% of the after-rehabilitation appraised value of the property;
- 3. Interest Rate: 2%, not to exceed 7%, based on the ability of the applicant to pay.
- 4. Loan Term: Based on ability to pay. Usually 15 years, but can be extended to a maximum of 30 years;
- 5. Appropriate processing and documentation fees;
- 6. Restructuring: Loans may be restructured when necessary and appropriate;
- 7. Property owner borrower grants to Heritage a facade maintenance easement on the structure on which gap financing has been provided under this program.

## HISTORIC PRESERVATION LOAN PROGRAM (HPLP) BY SACRAMENTO HERITAGE, INC.

For the purposes of the HPLP, the terms: restoration; renovation; and rehabilitation are synonymous and the following are typical eligible activities for the restoration, renovation and/or rehabilitation of historic structures for funding under the HPLP:

1. Acquisition of existing buildings when at least 50% of the project costs involve rehabilitation activities;
2. Facade improvements;
3. Repairs to existing roof or replacement of roof if required;
4. Rehabilitation of code violations;
5. Verify structural stability of the existing building to meet minimum standards of code compliance. Correct any areas of the structural system which are not to minimum code;
6. Renovation of the interiors of existing structures only where directly related to code compliance;
7. Repair of broken windows or doors for security;
8. Repair of exterior walls and painting;
9. New electrical service or other wiring changes;
10. Repair or replacement of faulty plumbing, fixtures and trim;
11. Repair or replacement of water heaters and furnaces;
12. Installation of smoke detectors and fire extinguishers;
13. Installation of fire sprinkler system, if required;
14. Professional, legal, architectural, engineers, City/County permits, loan closing fees, and appraisals;
15. The purchase and installation of non-removable, non-personal machinery and equipment, inherent to the business to be located on site. This equipment must have a depreciable useful life of more than ten (10) years.
16. Expansion of existing structure not to exceed 20% of the floor space;
17. Energy saving devices, material or equipment.

MEMORANDUM OF AGREEMENT:  
ADMINISTRATION OF  
HISTORIC PRESERVATION LOAN PROGRAM

This Agreement is entered into as of \_\_\_\_\_, 1994 by and between the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, ("Agency") and the Sacramento Heritage Board, Inc. a California non-profit corporation ("Sacramento Heritage"), upon the following terms and conditions:

1. Purpose

The Agency and Sacramento Heritage are dedicated to preservation of historic structures within the City of Sacramento and wish to implement a program to provide technical and financial assistance to interested property owners. For this purpose, the Agency will provide funds to be matched by Sacramento Heritage for the program. Sacramento Heritage will administer the Historic Loan Program "HPLP" with assistance from the Agency.

For calendar year 1994, Sacramento Heritage desires to receive the funds in one single lump sum from the Agency to be used on one demonstration project.

2. Contract Budget

2.1 Agency and Sacramento Heritage have determined and agree that the Agency will contribute \$70,000 in Mortgage Revenue Bond funds and Sacramento Heritage will contribute \$3,500 (5%) to a lending pool for the HPLP.

2.2 Parties may amend the HPLP budget only by mutual written agreement. If Agency identifies additional funds available for this agreement, Agency staff shall initiate a staff report for review by the Agency and Sacramento Heritage. The parties acknowledge that such procedure will take approximately 60 days.

2.3 Parties acknowledge that the Agency source of funds for this agreement is Mortgage Revenue Bond funds. Agency's obligation to provide funding under this agreement shall not exceed the amount of funds actually received or available from such source during the term of this Agreement. Agency funds from other sources are not obligated to carry out the provisions of this agreement.

3. Agency and Sacramento Heritage Responsibilities

The Agency authorizes its "Loan Committee" to serve as a financial review body for the HPLP under this agreement. The Loan Committee shall have the authority to recommend loan approval for applicant's of the HPLP. Agency staff shall prepare the staff reports for applications to be reviewed by the Loan Committee. Sacramento Heritage shall have final approval of the loan applications and shall administer HPLP. If necessary, HPLP applicants may utilize the Agency's traditional contractor for the preparation of loan documents. Agency staff may administer disbursement of loan funds and monitor construction activities of the project if necessary.

4. Agency Payments

Agency shall pay Sacramento Heritage in one lump sum upon Loan Committee recommendation and Sacramento Heritage approval of a substantial project. Such payment shall be made not more than 30 days after receipt of said invoice.

5. Termination

Either party may, after 30 days prior written notice to the other party, terminate this agreement for convenience. Upon such termination, Sacramento Heritage shall return to Agency the prorated balance of the Agency payment attributable to the unexpired portion of the term.

6. Term

The term of this agreement shall cover calendar year 1994, unless terminated sooner by mutual agreement of the parties or by completion of the work as acknowledged in writing by the parties.

Executed in Sacramento, California

**SACRAMENTO HERITAGE  
BOARD, INC.**

**REDEVELOPMENT AGENCY OF THE  
CITY OF SACRAMENTO**

By \_\_\_\_\_  
KATHLEEN GREEN  
Chairperson

By \_\_\_\_\_  
JOHN E. MOLLOY  
Executive Director

Attest:

Approved as to Form:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Agency Counsel

May 9, 1994  
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