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CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

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

January 21, 1981

City Council
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Urban Development Action Grant for the Establish-
ment of an Energy Conservation Loan Program

SUMMARY

This report concerns:

1. the approval of an Urban Development Action Grant for the establishment of an Energy Conservation Loan Program;
2. the authorization for the City Manager to submit this application to the Department of Housing and Urban Development; and
3. the authorization for the City Manager to allocate \$84,428 from 1979-1980 City CDBG Contingency for this project.

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 revitalize distressed cities by stimulating economic development through a public/private financing partnership. UDAG has been funded for the current year at \$675 million nationally.

Under the latest application round, the City of Sacramento was selected as one of five demonstration sites throughout the nation to participate in HUD's UDAG Energy Conservation for Buildings Demonstration. The demonstration's objective is to develop models whereby cities have a lead role in carrying out energy conservation for residential and non-residential buildings. Sacramento was selected based on the following factors: 1) capacity to

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deliver a large number of housing rehab units; 2) previous UDAG competitiveness; 3) a mature level of energy conservation planning and programming; and 4) a high degree of interest in energy conservation by the public and private sectors.

The project selected for application by the City involves the establishment of an Energy Conservation Loan Program for use in eight City Community Development Target Areas (see Table 1). Utilizing the City's Sacramento Neighborhood Assistance Program's (SNAP) income standards, a determination will be made as to the variable interest rate (0% - 8%) and the resultant annual payment the individual can afford (see Table 2). Subsidy will then be provided in the form of principal reduction. The loans will be provided through San Diego Federal Savings and Loan Association at 8% with a \$1 million deposit from the Sacramento Municipal Utility District (SMUD) acting as a compensating balance. This financing mechanism is being recommended by the SMUD General Manager and is subject to approval by the SMUD Board of Directors.

The loans will be used for single family, owner-occupied dwellings, regardless of resident income, within eight target areas (Table 1). Approximately 800 housing units will be affected with the average size of the loan estimated at \$1,500. UDAG funds in the amount of \$313,672 will be used for principal reduction in the form of deferred, no-interest loans due upon sale or transfer of the property and reserve default protection for SMUD's \$1 million deposit (see Tables 2 and 3).

This program will be administered by the Sacramento Housing and Redevelopment Agency's rehabilitation staff, utilizing the basic operating procedures of its CDBG rehab loan program. CDBG funds in the amount of \$55,000 are required annually for administrative costs. The energy audits will be provided by SMUD for electric-heated homes and PG&E for gas homes.

FINANCIAL DATA

This application is for a grant to the City for \$329,356. The City will utilize approximately \$213,672 for principal reduction of the loans and \$100,000 for reserve default protection for SMUD's \$1 million compensating balance. The remaining amount of \$15,684 will be used by the Sacramento Housing and Redevelopment Agency for grant administration.

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CDBG Contingency Funds from FY1979-80 will be necessary in the amount of \$55,000 for program administration for the first year and \$29,428 for interest subsidies for the total program. The \$55,000 figure represents the services of one Technical II position, 1/2 a Loan Officer and 1/2 a Clerk Typist. An additional \$115,000 (approximately \$55,000/year) will be required for administration costs from CDBG for years two and three. Staff will return to you for approval of CDBG funds for second and third year administrative costs. See Tables 2 and 3 for computation of the \$29,428 figure for interest subsidies. CDBG staff has reviewed and recommends approval of this appropriation for this program.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting on January 19, 1981, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached Resolution. The votes were recorded as follows:

AYES: Coleman, Fisher, Knepprath, Luevano, Serna,
Teramoto, Walton

NOES: None

ABSENT: A. Miller, B. Miller

RECOMMENDATION


This item was heard before the Budget and Finance Committee on January 27, 1981. 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. SYPE
City Manager

Contact Person: Leo T. Goto

RESOLUTION NO. 81-060

Adopted by The Sacramento City Council on date of

January 27, 1981

AUTHORIZING URBAN DEVELOPMENT ACTION GRANT
APPLICATION FOR ENERGY CONSERVATION LOAN
PROGRAM AND APPROPRIATING CDBG CONTINGENCY FUNDS

BE IT RESOLVED BY THE CITY OF SACRAMENTO:

Section 1. The Application for an Urban Development Action Grant for \$329,356 for the establishment of an Energy Conservation Loan Program is approved and the City Manager is hereby authorized to submit the Application for funding to the Department of Housing and Urban Development.

Section 2. Subject to the subsequent approval of this Urban Development Action Grant application, \$84,428 from CDBG 1979-80 Contingency Funds are hereby appropriated for this program.

MAYOR

Attest:

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TABLE 1

HOUSING UNITS IN NEED OF ENERGY CONSERVATION LOANS

TARGET AREA BY OWNER-OCCUPIED SINGLE FAMILY DETACHED AND INCOME GROUP*

Target Area	# Owner-Occupied Single-Family Detached Units	Percent of Median Income				
		Less than 50%	50%-80%	80%-100%	100%-120%	More than 120%
1. Central City	412	196	75	38	24	79
2. Alkali Flat	4	3	1	0	0	0
3. Oak Park	2,115	1,121	423	182	112	277
4. Del Paso Heights	1,059	503	225	98	65	168
5. Meadowview	918	139	154	100	101	424
6. Strawberry Manor	284	97	72	30	21	64
7. Northgate	588	257	116	50	39	126
8. Glen Elder	884	171	193	149	105	266
Total	6,264	2,487	1,259	647	467	1,404
Interest Rate Using SNAP Guidelines		1%	3%	5%	7%	8%

*All Data from 1975 Special Census.

TABLE 1

TABLE 2

PRINCIPAL REDUCTION METHOD *

Interest Rate to Homeowner	0%	1%	3%	5%	7%	8%
8%						
Annual Payment	\$ 150	\$ 158	\$ 176	\$ 194	\$ 214	\$ 224
Monthly Payment	12.50	13.20	14.65	16.20	17.80	18.60
Principal Reduction	428	428	319	198	64	0
Interest Subsidy **	98	14	0	0	0	0
Loan Amount	1,072	1,072	1,181	1,302	1,436	1,500
Leverage Ratio	1:2.5	1:2.5	1:3.7	1:6.6	1:22.4	N/A

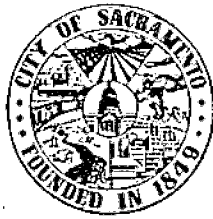
* Assumes a ten year term, \$1,500 average note

** CDBG funds

TABLE 3
NUMBER OF LOANS AND INTEREST RATE BY
UDAG, CDBG AND PRIVATE PARTICIPATION

Number of Loans	8% Interest Rate			
	Rate to Homeowner	UDAG	CDBG	Private
291	0	\$ 124,548	\$ 28,518	\$ 311,952
65	1	27,820	910	69,680
128	3	40,832		151,168
84	5	16,632		109,368
60	7	3,840		86,160
<u>181</u>	8	<u>-0-</u>	<u> </u>	<u>271,500</u>
Total 809		\$ 213,672	\$ 29,428	\$ 999,828
		+ <u>100,000</u> *		
		\$ 313,672	: Leverage Ratio 1 to 3.2	

* Reserve Default Fund



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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

January 19, 1981

CITY GOVERNING BOARD
PHILLIP L. ISENBERG, MAYOR
LLOYD CONNELLY
BLAINE H. FISHER
THOMAS R. HOEBER
DOUGLAS N. POPE
JOHN ROBERTS
LYNN ROBIE
ANNE RUDIN
DANIEL E. THOMPSON

Ms. Lorraine Magana
City Clerk
915 I Street
Sacramento, CA 95814

Re: Public Hearing - Submittal of Urban Development
Action Grant Application

Dear Lorraine:

COUNTY GOVERNING BOARD
ILLA COLLIN
C. TOBIAS (TOBY) JOHNSON
JOSEPH E. (TED) SHEEDY
SANDRA R. SMOLEY
FRED G. WADE

Attached is a copy of a notice of public meetings
for the above subject matter. Please schedule
a public hearing before the City Council on January 27,
1981, at 7:30 p.m.

EXECUTIVE DIRECTOR
WILLIAM G. SELINE

Thank you.

Very truly yours,

JOAN ROBERTS
Agency Clerk

P.O. Box 1834
SACRAMENTO, CA 95809
630 I STREET
SACRAMENTO, CA 95814
(916) 444-9210

Attachment

NOTICE OF PUBLIC MEETINGS
OF THE CITY COUNCIL, CITY COUNCIL BUDGET AND FINANCE COMMITTEE
FOR THE PURPOSE OF APPROVING SUBMITTAL OF
URBAN DEVELOPMENT ACTION GRANT APPLICATION

Notice is hereby given that the City Council and the City Council's Budget and Finance Committee have set the time and place set forth herein for public meetings to discuss the approval and submission of an Urban Development Action Grant application which involves the establishment of an energy conservation loan program for use in eight City Community Development Target Areas. The loans will be used for single family, owner occupied dwellings regardless of resident income. The date and times are as follows:

CITY COUNCIL'S BUDGET AND FINANCE COMMITTEE PUBLIC

MEETING: On January 27, 1981 at 4:00 p.m. in the City Council Chambers, City Hall, 915 I Street, Sacramento, California.

CITY COUNCIL PUBLIC MEETING: On January 27, 1981 at 7:30 p.m. in the City Council Chambers, City Hall, 915 I Street, Sacramento, California.

For further information regarding the proposed Application please contact Leo T. Goto at 444-9210.