

# RESOLUTION NO. 82-025

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

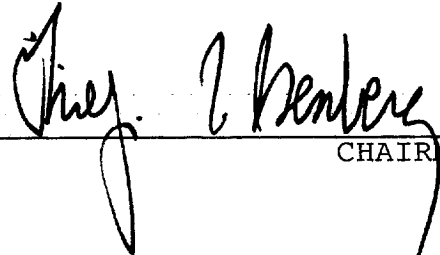
April 20, 1982

## ALKALI FLAT REHABILITATION AND ACQUISITION PROGRAM OF SUBSTANDARD STRUCTURES

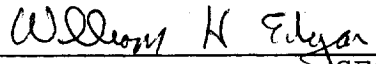
BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE  
CITY OF SACRAMENTO:

Section 1. The criteria and procedures established in the attached Staff Report dated March 15, 1982 shall be utilized in the implementation of the Agency's program for the rehabilitation and/or acquisition of substandard structures in Alkali Flat.

Section 2. The Agency shall utilize such Community Development Block Grant funds as may be allocated and paid to the Agency by the City.

  
\_\_\_\_\_  
CHAIRMAN

ATTEST:

  
\_\_\_\_\_  
SECRETARY

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## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

March 15, 1982

City Council of the  
City of Sacramento

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

SUBJECT: Alkali Flat - Strategy for Rehabilitation/  
Acquisition of Substandard Structures

**APPROVED**  
SACRAMENTO HOUSING AUTHORITY  
CITY OF SACRAMENTO

CITY MANAGER'S OFFICE  
**RECEIVED**  
APR 1 **APPROVED**  
SACRAMENTO REDEVELOPMENT AGENCY  
CITY OF SACRAMENTO

APR 20 1982  
**APPROVED**

APR 20 1982

OFFICE OF THE  
CITY CLERK

APR 20 1982

### SUMMARY

The staff recommends approval of the attached resolution which 1) establishes the strategy for the acquisition of substandard structures in the Alkali Flat Redevelopment Project; and 2) authorizes the reallocation of \$300,000 in 1979-80 CDBG funds to this program.

### BACKGROUND

This report provides 1) background information which describes program needs and objectives; 2) key elements in the structure of the program, addressing both political and environmental concerns; 3) relocation assistance requirements; 4) recommended procedures for administration and implementation of the program; and 5) strategy for the current project year.

On August 12, 1980 the City Council and Redevelopment Agency adopted the Amended Redevelopment Plan for the Alkali Flat neighborhood by City Ordinance No. 4403, Fourth Series. That plan established the following objectives to guide the Redevelopment Agency and private sector developers in their efforts to upgrade the residential sector of the Alkali Flat neighborhood:

1. To eliminate and prevent blighting conditions.
2. To provide safe, decent, adequate and sanitary housing for Project Area residents.
3. To provide a mixture of many types of residential units, with an emphasis on low- and moderate-income family and elderly housing.

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4. To promote the restoration of historically or architecturally significant structures and the conservation of sound housing stock.
5. To maximize private participation and investment toward redevelopment of the Project Area.

Due to the current economic climate, the meeting of these objectives is becoming extremely difficult. The major difficulty is the result of basically three factors: 1) high interest rates; 2) availability of funds; and 3) the impact of inflation on building materials and labor costs. These three factors in combination with the rental market (i.e., the high vacancy factor and the resulting depressed rental rates) have essentially brought to a halt the private rehabilitation of substandard residential structures.

Therefore, to meet these objectives staff recommends a modification to the CDBG Substandard Acquisition Program which was used to acquire for disposition, substandard structures on the block bounded by 10th-12th-E and F Streets. This program includes a below market rate rehabilitation loan in lieu of acquisition or, if necessary, acquisition.

### Implementation and Environmental Issues

In support of the Redevelopment Plan objectives, on December 11, 1980, the Budget and Finance Committee and the Planning and Community Development Committee approved the set-aside of \$300,000 in 1979-80 CDBG carry-over for an acquisition program of substandard structures in the Alkali Flat Redevelopment Project Area. Prior to the release of funds for this program, the Agency staff recommended a strategy be prepared for implementation of the program which ensures the following three items:

1. Mixed income people will be able to participate in the process.
2. City acquisition is avoided to the greatest extent possible as the solution for all substandard structures.
3. Acquisition is to be used only as a last resort.  
(See Exhibit I)

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In addition to these three concerns, the Environmental Impact Report (EIR) on the Alkali Flat Redevelopment Plan amendment identified two negative impacts related to the rehabilitation of the residential structures in the Alkali Flat Project Area which must also be addressed, i.e., 1) the reduction in the gross number of residential units which results when these older structures are rehabilitated; and 2) the displacement of current residents which would occur by this type of proposed action.

These negative impacts are, in effect, mitigated by State laws covering redevelopment activities. Specifically, the Agency is required to replace or cause to be replaced the dwelling units which are removed from the housing market as part of governmental actions in the redevelopment project. This requirement is being met through the construction of low- and moderate-income housing for the elderly and family. These projects include the 40-unit locally financed and recently completed elderly project and the 16-unit DHUD financed family project currently being developed. In addition, the recently completed 12-structure, market rate rehabilitation program on the block bounded by 10th-12th-E and F Streets, the Agency operated low- and moderate-income housing rehabilitation program, as well as the attempts to cause to be developed market rate condominiums (i.e., Victoria Park), have assisted in the effort to increase the supply of standard residential units.

### Relocation

With respect to displacement, the Agency is required by the Uniform Relocation Act of 1974 to provide relocation benefits to persons displaced by redevelopment activity. Any Agency acquisitions occurring as a result of this program which require displacement will be provided for in accordance with the Uniform Relocation Act of 1974, as amended. Displacement occurring as a result of Agency loans and private rehabilitation will be provided by the loan recipient. (See owner obligations Section 3(a) and 3(b).)

### Recommended Procedures for Program Implementation

In order to ensure that all of these concerns are addressed,

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staff recommends that the following procedures for loans, acquisition and disposition of substandard structures in the Alkali Flat Project Area be established:

1. Eligible Structures

Agency and PAC staff will identify several substandard units, per program year, in need of rehabilitation. These units will be approved by the Agency prior to further action and be based on the proposed strategy areas as noted in Exhibit III and will involve both owner occupied and non-owner occupied structures.

2. Summary of Loan Guidelines

Upon approval by the Agency, Agency staff will offer existing owners a 5-year, fixed interest rate loan which utilizes a 20-year amortization schedule. The interest rate will range from zero percent up to a maximum equal to market rate based on project feasibility. The interest rate would be determined utilizing an eight percent (8%) return on investment for investor-owned property and thirty percent (30%) of gross income for housing costs on owner-occupied property. The loan amount (funded by the requested reallocation of CDBG funds in this report) would be equivalent to the amount required for rehabilitation, loan servicing, relocation and deferred interest, if any.

Loans may be deferred through the construction period depending upon project feasibility, as determined by the Rehabilitation Loan Committee. Interest shall be accrued during this deferment period but will be estimated at the loan approval stage and added to the principal amount.

In no case would loans be made on properties where financial commitments (including proposed loan) exceed 97% of the properties' after rehabilitation value. The loans will be secured by a note and deed of trust.

No portion of the loan balance may be transferred, assigned or assumed without prior written consent of the Agency. Any request for transfer, assignment or assumption will be reviewed by the Agency. New terms and conditions may be established based on the project's pro forma and the criteria established in this strategy.

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Loans may be refinanced at the end of the five (5) year period for an additional five (5) years at the option of the Agency. In no case shall a loan be refinanced if the project cash flow can support a market rate loan. If the Agency authorizes refinancing, a new interest rate may be established for low-moderate income units, based on the project's or applicant's pro forma at the time (this may lead to either an increase or decrease in interest rate depending on feasibility); however, for those units provided at market rate the interest shall be accelerated to a current market interest rate. In either case all other terms of the loan agreement and Owner Participation Agreement shall remain the same.

### 3. Owner Obligations

As a condition of the loan, the owner would be required to execute an Owner Participation Agreement (OPA) which would include, as applicable, the following elements:

- a. Provisions for existing tenants to be given first opportunity to reoccupy the unit for a one-year period for those units which are to be market rate units or for a five-year period for those units which are to be low-moderate income units at a rental rate not exceeding 25% of the tenant's income pursuant to California Government Code, Section 7265.3, or for those tenants in units which are to be market rate units provide relocation benefit to those tenants in amounts equivalent to those required under the Uniform Relocation Act of 1974 and the California Government Code, Section 7260, et. seq., which could be an includable rehabilitation expense.
- b. Provisions for temporary tenant relocation, pursuant to CDBG program regulations, to be paid for by the owner which will be considered an includable rehabilitation loan expense.
- c. Provisions for approval of preliminary and final rehabilitation plans by the Agency.
- d. Rehabilitation work shall be performed by a licensed general contractor selected by the owner.
- e. Time schedule for the rehabilitation work not to exceed 24 months from execution of OPA.

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- f. Certificate of Completion to be issued by the Agency.
  - g. Maintenance and other specific items as necessary to provide for sound rehabilitation consistent with the Redevelopment Plan, historic preservation requirements, and Alkali Flat Urban Design Guidelines.
4. Loan Program Administration  
The Agency loan would be serviced through a separate account by the Agency Rehabilitation Loan Department via a private lender. All repayment of loan funds would be placed in a revolving loan pool to be reused for this program. OPA's would be monitored by the Redevelopment Division with assistance from the Technical Services Division.
5. Agency Strategy for Owners Unwilling to Participate in Loan Program

If existing owners are not willing to enter into a loan agreement and execute an Owner Participation Agreement, the Agency staff would then proceed with the acquisition. This action would require Agency approval via a Resolution of Necessity and subsequently for a willing sale, a resolution authorizing Agency acquisition.

If the Agency acquires the property, it will provide relocation benefits to the existing tenants in accordance with the Uniform Relocation Act of 1974 and the California Government Code, Section 7260, et. seq.

Due to the concentration of low-income residents at certain locations within the Project Area which has resulted from the new construction of subsidized housing units (i.e., the 9 of the 16 family units currently under development by the Agency, the 40 Agency-owned elderly units, and the 143 family units in the Washington Square project), Alkali Flat PAC and Agency staff recommend that, if feasible, units under this program be made available at either market rate or below market rate, depending on their specific location. This determination would be made on an annual basis as units are identified for inclusion in the program.

6. Council Review  
There are a number of points in this process in which the Council, acting as the Redevelopment Agency, will have an opportunity to review the implementation of this project, i.e., authorization to execute OPA or Contract of Sale, adoption of Resolution of Necessity, adoption of resolution authorizing acquisition, tentative selection of redevelopers, and various plan approvals.

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7. Current Year Project

In April of last year the PAC recommended six structures to be incorporated into the current year's program. Four of these substandard structures are located in a single block between 500 and 530 - 10th Street and the remaining two substandard units are located within a block which is nearing completion. These structures are located at 604 to 614 - 10th Street (map attached). The specific properties are as follows:

Table with 5 columns: Parcel No., Address, Estimated Land & Structure Value, Estimated Relocation Cost, Total Cost. Rows 1-6 listing properties on 10th Street.

Due to their proximity to the existing and proposed subsidized housing units, the PAC also recommended that the units in the current year's project be made available at market rate if existing owners do not wish to participate in the loan program and resulting OPA. Units two through five are recommended for further consideration by Agency and PAC staff due to their extremely deteriorated condition. The rehabilitation of these three structures is expected to stimulate the rehabilitation of the remaining three structures. Upon adoption of the attached resolution, Agency staff will contact property owners and continue with the program as previously described. Should the acquisition/disposition component of the program be utilized, disposition would be via auction to the highest and/or best bidder.

FINANCIAL DATA

\$300,000 in 1979-80 CDBG funds have been previously set aside for this program. These funds were to be reallocated from the "E" Street land acquisition and the Alkali Flat acquisition/rehabilitation program.

VOTE AND RECOMMENDATION OF THE ALKALI FLAT PROJECT AREA COMMITTEE

At their regular meeting of March 24, 1982, the PAC recommended adoption of the attached resolution.

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## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of April 5, 1982, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Dickinson, Fisher, Knepprath, Luevano, A. Miller, Walton

NOES: None

ABSENT: Angelides, B. Miller, Teramoto

## RECOMMENDATION

The staff recommends adoption of the attached resolution which 1) establishes the strategy for the acquisition of substandard structures in the Alkali Flat Redevelopment Project; and 2) authorizes the reallocation of \$300,000 in 1979-80 CDBG funds to this program for implementation of the first year program.

Respectfully submitted,

*William H. Edgar*  
WILLIAM H. EDGAR  
Interim Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slupe*  
\_\_\_\_\_  
WALTER J. SLUPE  
City Manager

Contact Person: Bruce Pope

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