December 14, 2004

TO: Mayor and City Council

FROM: Steven J. Pinkerton, Housing & Redevelopment Director

SUBJECT: RESOLUTION: CENTER FOR POSITIVE PREVENTION ALTERNATIVES CDBG FUNDING AGREEMENT

RECOMMENDATION

It is recommended that a resolution be adopted:

1. Allocating an additional $70,854 in CDBG funding to Center for Positive Prevention Alternatives for interior and exterior site improvements of their main office located at 729 North California Street, Stockton;

2. Authorizing the City Manager to execute an agreement between the City of Stockton and Center for Positive Prevention Alternatives in the amount of $270,854 for interior and exterior site improvements;

3. Authorizing a facade improvement forgivable loan to Center for Positive Prevention Alternatives in the amount of $30,500; and,

4. Authorizing the City Manager to take whatever actions are necessary and appropriate to carry out the intent and purpose of this resolution.

SUMMARY

In the City’s 2001-02 One Year Action Plan Center for Positive Prevention Alternatives (CPPA) was awarded $200,000 for interior and exterior renovation of their office building located at 729 North California Street. Renovation was delayed due to a conflict of interest matter requiring review from the U.S. Department of Housing and Urban Development (HUD). Although HUD has waived CPPA of any conflict of interest, during that time construction costs have risen tremendously. Also, asbestos was found in the building and abatement must be added to the rising cost of renovation. As a result of those three factors, CPPA has requested an additional $70,854 in CDBG funding to complete the renovation.

CPPA also applied for a Facade Improvement Forgivable Loan to make exterior improvements to their property. The total cost of the facade project is $41,000. The financial assistance requested of the City is $30,500. CPPA will contribute $10,500 towards the project. The proposed project will enhance the appearance of the building and have a positive impact on surrounding properties.
RESOLUTION: CDBG AGREEMENT FOR REHABILITATION OF 729 NORTH CALIFORNIA STREET AND FACADE IMPROVEMENT FORGIVABLE LOAN - PAGE 2

DISCUSSION

Background

On May 9, 2000, the City Council adopted the City's 2000-01 One-Year Action Plan and Application for CDBG, HOME, and ESG Program by Resolution No. 00-0216. Within this One-Year Action Plan $200,000 in CDBG funds were allocated to CPPA for the acquisition of a single family home to provide shelter services to runaway and throwaway youth. Although negotiations for that acquisition continued for some time, another buyer outbid for the property. CPPA consulted with City staff and changed their scope of work from acquisition to renovation of their existing offices located at 729 North California Street.

On February 12, 1991, the City Council adopted the CDBG Commercial Loan Program. This program included the Commercial Rehabilitation, Facade Improvement, and Emergency Grant incentives. On November 3, 1999, the City Council adopted revisions to the program to allow additional financial assistance for larger commercial properties. Commercial buildings are now eligible for a $10,000 base grant for every 50 lineal feet of frontage. In order to qualify for more than one base grant, the property owner must contribute at least $5,000 ($10,000 maximum) in matching funds for each additional base grant sought. The following table shows how this works for the current loan applicant:

<table>
<thead>
<tr>
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<th>CITY</th>
<th>PROPERTY OWNER</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>Base Grant #1</td>
<td>$10,000</td>
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<td>$10,000</td>
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<tr>
<td>Matching Funds #1</td>
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<tr>
<td>Base Grant #2</td>
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<tr>
<td>Matching Funds #2</td>
<td>$5,500</td>
<td>$5,500</td>
<td>$11,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$30,500</strong></td>
<td><strong>$10,500</strong></td>
<td><strong>$41,000</strong></td>
</tr>
</tbody>
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Present Situation

During the design phase of the renovation, CPPA's Executive Director became a member of the Redevelopment Commission, which subsequently created a potential conflict of interest which had to be reviewed and cleared with HUD; a process which took several months. During this time several things occurred, increasing the cost of the project: construction costs grew by approximately 20 percent; asbestos was found in the building and it has to be removed; and, the City's design guidelines required additional renovation to the facility's parking lots.
RESOLUTION: CDBG AGREEMENT FOR REHABILITATION OF 729 NORTH CALIFORNIA STREET AND FACADE IMPROVEMENT FORGIVABLE LOAN - PAGE 3

Each of these obstacles increased the price of the renovation; costs which CPPA could not afford to cover. CPPA consulted with City staff and requested additional funds to complete the renovation. Staff reviewed the request and identified additional revenue from year-end close. It is recommended that the additional funds be allocated to complete the renovation. As it stands now, building permits have been secured; plans have been drawn; building materials have been selected; contractors have submitted bids, and a final contractor has been selected.

On November 8, 2004, the Community Development Committee (CDC) met and approved the additional allocation of funds to CPPA. An agreement has been prepared and executed by CPPA. It is attached as Exhibit B and is ready for Council approval and execution by the City. Once fully executed, CPPA will move forward with the office renovation and it is estimated to be complete in 2005.

CPPA also requested financial assistance in the amount of $30,500 for facade improvements to their property on California Street. This project involves the exterior renovation consistent with the City's Design Review Guidelines. Proposed improvements for financing as part of this facade improvement project include:

- Pressure wash, plaster and paint exterior
- Install new awning
- Install new metal truss
- Install new glass block

This building is approximately 200 lineal feet and is eligible for up to $80,000 in facade funds under the current program. The total cost of the project is $41,000. Of that amount, $30,500 will be provided as a forgivable loan financed over five years at 10% simple interest. Under this program, the principal and interest payments are forgiven on an annual basis as long as the owner maintains the property, keeping it free of graffiti and other blighting influences. Of the $30,500 requested, $20,000 is comprised of basic grant funds and $10,500 is matching funds from the City.
RESOLUTION: CDBG AGREEMENT FOR REHABILITATION OF 729 NORTH CALIFORNIA STREET AND FACADE IMPROVEMENT FORGIVABLE LOAN - PAGE 4

FINANCIAL SUMMARY

It is estimated CPPA will require an additional $70,854 to complete the office renovation. The $200,000 originally allocated is budgeted in Account Number 052-8224-640.20-62. The additional $70,854, identified from prior year revenue, will be transferred from 054-0000-288.00-00 to 052-8224-640.20-62.

Community Development Block Grant (CDBG) funds were allocated in the 2004-05 one-year action plan for the Facade Improvement Grant Program out of account number 052-8521-992.90-54

Respectfully submitted,

STEVEN J. PINKERTON, DIRECTOR
HOUSING & REDEVELOPMENT DEPARTMENT

SJP/YQ:ew/jm
Attachments

APPROVED BY THE CITY MANAGER

MARK LEWIS, ESQ.
CITY MANAGER
RESOLUTION APPROVING A FACADE IMPROVEMENT FORGIVABLE LOAN IN THE AMOUNT OF $30,500 AND APPROVING A CDBG AGREEMENT IN THE AMOUNT OF $270,854 TO CENTER FOR POSITIVE PREVENTION ALTERNATIVES (CPPA) FOR THE COMMERCIAL PROPERTY LOCATED AT 729 NORTH CALIFORNIA STREET

WHEREAS on May 9, 2000 the City Council allocated $200,000 to CPPA for renovation of its existing facility, located at 729 North California Street; and

WHEREAS due to numerous setbacks CPPA has requested additional funding in the amount of $70,854; and

WHEREAS CPPA has applied for a façade improvement forgivable loan in the amount of $30,500; and

WHEREAS it is anticipated that this project will improve the appearance of the building and have a positive impact on surrounding properties. The project encourages and complements the investment of private sector funds in the downtown redevelopment area; now, therefore

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Manager is hereby authorized and directed to execute, on behalf of the City of Stockton, a Facade Improvement Forgivable Loan between the City of Stockton and Center for Positive Prevention Alternatives for the commercial property located at 729 North California Street, Stockton, California, in the amount of thirty thousand five hundred dollars ($30,500), the loan to be evidenced by a promissory note secured by a deed of trust on said property.

2. The City Manager is hereby authorized and directed to execute, on behalf of the City of Stockton, a CDBG agreement between the City of Stockton and Center for Positive Prevention Alternatives for the rehabilitation of their office building located at 729 North California Street.
3. The City Manager, or his designee, is hereby authorized and directed to take whatever actions are necessary to carry out the purpose and intent of this resolution.

    PASSED, APPROVED and ADOPTED ____________________________

    GARY PODESTO, Mayor
    of the City of Stockton

    ATTEST:

    KATHERINE GONG MEISSNER
    City Clerk of the City of Stockton
Resolution No. __________

STOCKTON CITY COUNCIL

RESOLUTION APPROVING A FACADE IMPROVEMENT FORGIVABLE LOAN IN THE AMOUNT OF $30,500 AND APPROVING A CDBG AGREEMENT IN THE AMOUNT OF $270,854 TO CENTER FOR POSITIVE PREVENTION ALTERNATIVES (CPPA) FOR THE COMMERCIAL PROPERTY LOCATED AT 729 NORTH CALIFORNIA STREET AND AUTHORIZING THE CITY MANAGER TO TAKE THE ACTIONS NECESSARY TO CARRY OUT THE PURPOSE AND INTENT OF THE RESOLUTION

WHEREAS on May 9, 2000 the City Council allocated $200,000 to CPPA for renovation of its existing facility, located at 729 North California Street; and

WHEREAS due to numerous setbacks CPPA has requested additional CDBG funding for the project; and

WHEREAS CPPA has applied for a façade improvement forgivable loan in the amount of $30,500; and

WHEREAS it is anticipated that this project will improve the appearance of the building and have a positive impact on surrounding properties. The project encourages and complements the investment of private sector funds in the downtown redevelopment area; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Manager is hereby authorized and directed to execute, on behalf of the City of Stockton, a Facade Improvement Forgivable Loan between the City of Stockton and Center for Positive Prevention Alternatives for the commercial property located at 729 North California Street, Stockton, California, in the amount of Thirty Thousand Five Hundred dollars ($30,500), the loan to be evidenced by a promissory note secured by a deed of trust on said property.

2. The City Manager is hereby authorized and directed to execute, on behalf of the City of Stockton, a CDBG agreement between the City of Stockton and Center for Positive Prevention Alternatives for the rehabilitation of their office building located at 729 North California Street in the amount of Two Hundred Seventy Thousand Eight Hundred Fifty-four Dollars ($270,854) for interior and exterior site improvements.

3. The City Manager is hereby authorized and directed to make the following appropriation/transfer:
Transfer from:
054-0000-101.00-00

Amount
$70,854

Transfer to:
052-8224-640.20-62

$70,854

4. The City Manager is hereby authorized and directed to take whatever actions are necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED and ADOPTED ______________________

______________________________
GARY PODESTO, Mayor
of the City of Stockton

ATTEST:

______________________________
KATHERINE GONG MEISSNER
City Clerk of the City of Stockton