CITY COUNCIL/REDEVELOPMENT AGENCY

AGENDA ITEM 6.06
TO: Mayor and City Council

FROM: David Harzoff, Director
Housing and Redevelopment Department

SUBJECT: AUTHORIZE FACADE IMPROVEMENT FORGIVABLE LOAN OF $40,000 TO HICKS RECONSTRUCTION, LLC, 521 EAST MAIN STREET

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing a Facade Improvement Forgivable Loan to Hicks Reconstruction, LLC, for the commercial property located at 521 East Main Street in the amount of $40,000.

SUMMARY

Hicks Reconstruction, LLC, has applied for a Facade Improvement Forgivable Loan to make exterior improvements to the commercial property at 521 East Main Street. The total cost of the project is $171,028. The financial assistance requested from the City of Stockton is $40,000. The property owner will contribute $131,028 towards the project. The proposed project will enhance the appearance of the building and have a positive impact on surrounding properties.

BACKGROUND

On February 12, 1991, City Council adopted the Community Development Block Grant Commercial Loan Program. The program included the Commercial Rehabilitation Program, the Facade Improvement Program and the Emergency Loan Program. The adoption of these programs helps provide funds to improve the downtown area and to provide a local incentive for the Enterprise Zone application process. At that time the Facade Program was limited to the Central Stockton Redevelopment Area and was limited to $10,000 as a one-time loan per commercial property.

On November 3, 1999, City Council adopted revisions to the Commercial Loan Program which included changes to the Facade Improvement Program. These changes allowed larger properties the ability to receive additional financial assistance in improving their facade. For every 50 lineal feet of frontage, a property would be eligible for a $10,000 base grant. However, in order to qualify for more than one base grant, the property owner would have to contribute at least $5,000 (a maximum of $10,000) in matching funds for each additional base grant obtained.

On December 16, 2003, Council approved revisions to the Facade Improvement Forgivable Loan Program authorizing additional areas outside of Downtown Stockton in need of financial assistance.

On July 10, 2007, Council approved revisions to the Commercial Facade Improvement Forgivable Loan Program expanding the program boundary beyond the downtown core and increased funding available to commercial property owners.
AUTHORIZE FACADE IMPROVEMENT FORGIVABLE LOAN IN THE AMOUNT OF $40,000 TO HICKS RECONSTRUCTION, LLC, 521 EAST MAIN STREET

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PRESENT SITUATION

Hicks Reconstruction, LLC, has requested financial assistance in the amount of $40,000 for facade improvements to his property located at 521 East Main Street between California and American Streets. The subject property is within the City’s designated West End Redevelopment Project Area. The applicant has owned the building for approximately one year. 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 the following:

- Remove Security Gates and Fire Escape
- Remove existing non original store front and replace with new
- New Stone Veneer Pilasters
- New Paint

The Facade Improvement Forgivable Loan Program allows for a $10,000 grant for every 50 lineal feet of building frontage, plus the City will match the amount the property owner contributes up to an additional $10,000. In order to receive more than one grant, the property owner must contribute a minimum of $5,000 (maximum $10,000) for each additional grant sought, which the City will match. This project is eligible for up to $40,000 in facade loan funds under the current program.

The total cost for this project is $171,028.00. The requested assistance will be provided in the form of a forgivable loan in the amount of $40,000 to be financed over 5 years at 10% simple interest. Of the $40,000 requested for this project, $20,000 is comprised of basic funds and $20,000.00 is matching funds from the City. The property owner is responsible for the remaining $131,028.00. The following table demonstrates the breakdown of funding of the loan application for Hicks Reconstruction, LLC:

<table>
<thead>
<tr>
<th>CITY</th>
<th>PROPERTY OWNER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Grant #1</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Matching Funds #1</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Base Grant #2</td>
<td>$10,000</td>
<td>--</td>
</tr>
<tr>
<td>Matching Funds #2</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Remaining Balance</td>
<td>$111,028</td>
<td>$111,028</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$40,000</strong></td>
<td><strong>$131,028</strong></td>
</tr>
</tbody>
</table>

Under this program and per the Facade Improvement Forgivable Loan Program guidelines, the principal and interest payments are forgiven on an annual basis as long as the property owner maintains the exterior of the building, keeping it free of graffiti and other blighting influences.
City staff determined that the proposed improvements will not have an adverse effect on historic properties. The California State Historic Preservation Office has concurred with this determination pursuant to 36 Code of Federal Regulations, Part 800 (§106).

The anticipated project will improve the appearance of the building and have a positive impact on surrounding properties. This project encourages and complements the investment of private sector funds in the West End Redevelopment Area.

FINANCIAL SUMMARY

Community Development Block Grant funds were allocated in the 2008-2009 One-Year Action Plan for the Facade Improvement Loan Program. Sufficient funds are available in account number 054-8521-640 -- Community Development Block Grant Loan Program, Commercial Rehabilitation Loans, for the $40,000 forgivable loan.

Respectfully submitted,

\[Signature\]

DAVID HARZOFF, DIRECTOR
HOUSING AND REDEVELOPMENT DEPARTMENT

APPROVED BY THE CITY MANAGER:

\[Signature\]

J. GORDON PALMER, JR.
CITY MANAGER
EXHIBIT "A"

COMMERCIAL FACADE IMPROVEMENT FORGIVABLE LOAN

PROJECT SITE:
Hicks Reconstruction, LLC
521 East Main Street, Stockton
EXHIBIT "B"

COMMERCIAL FACADE IMPROVEMENT FORGIVABLE LOAN

Hicks Reconstruction, LLC
521 East Main Street, Stockton
Resolution No. ____________

STOCKTON CITY COUNCIL

RESOLUTION APPROVING A FACADE IMPROVEMENT FORGIVABLE LOAN IN THE AMOUNT OF $40,000 TO HICKS RECONSTRUCTION, LLC FOR THE COMMERCIAL PROPERTY LOCATED AT 521 EAST MAIN STREET

Hicks Reconstruction, LLC, has applied for a Facade Improvement Forgivable Loan in the amount of $40,000; and

It is anticipated that this project will improve the appearance of the building and have a positive impact on surrounding properties; and

The project encourages and complements the investment of private sector funds in the West End 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 a Facade Improvement Forgivable Loan between the City of Stockton and Hicks Reconstruction, LLC, for the commercial property located at 521 East Main Street, Stockton, California, in the amount of $40,000 to be evidenced by a promissory note and secured by a Deed of Trust on said property.

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

PASSED, APPROVED and ADOPTED ___________________________.

ATTEST: ________________________________________________________________________________________________________

ANN JOHNSTON, Mayor
of the City of Stockton

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

City Atty Review
Date February 6, 2009

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