TO: Mayor and City Council

FROM: Steven J. Pinkerton, Director Redevelopment Department

SUBJECT: RESOLUTION: FACADE IMPROVEMENT FORGIVABLE LOAN TO SAN JOAQUIN REAL ESTATE INC. – 20 NORTH SUTTER STREET (aka THE KRESS BUILDING)

RECOMMENDATION

It is recommended that a resolution be adopted authorizing a facade improvement forgivable loan to San Joaquin Real Estate Inc. for the commercial property located at 20 North Sutter Street (aka The Kress Building) in the amount of $38,288.

SUMMARY

San Joaquin Real Estate Inc. applied for a Facade Improvement Forgivable Loan to make exterior improvements to their commercial property at 20 North Sutter Street. The total cost of the project is $56,576. The financial assistance requested of the City of Stockton is $38,288. The property owner will contribute $18,288 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, the City Council adopted the Community Development Block Grant (CDBG) 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, the City Council adopted revisions to the Commercial Loan Program that 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, the Council approved revisions to the Facade Improvement Forgivable Loan Program authorizing additional areas.
RESOLUTION: FACADE IMPROVEMENT FORGIVABLE LOAN TO SAN JOAQUIN REAL ESTATE INC. – 20 NORTH SUTTER STREET (aka THE KRESS BUILDING)

PRESENT SITUATION

San Joaquin Real Estate Inc has requested financial assistance in the amount of $38,288 for facade improvements to the property located on Sutter Street between Main Street and Weber Avenue. The subject property is within the City's designated Downtown Central Stockton Target Area. The applicants have owned the building for approximately two and one-half years. This project involves the exterior renovation consistent with the City's Design Review Guidelines. These improvements will enhance the look of the building, thereby alleviating existing conditions of blight and deterioration.

Proposed improvements for financing as part of this facade improvement project include the following:

- Sand and repaint existing fire escape
- Repair, refinish and repaint existing awnings
- Replace missing or broken marble tiling at entrances
- Install exterior lighting to the underside of awnings
- Paint wall surface exposed beyond entrances

The Facade Improvement Forgivable Loan Program allows a $10,000 base grant for the first 50 lineal feet of frontage and $10,000 per each additional 50 lineal feet of frontage, if the property owner contributes at least $5,000 in matching funds for each additional grant. This project is approximately 100 lineal feet and is eligible for up to $40,000 in facade loan funds under the current program.

The total cost for this project is $56,576. The requested assistance will be provided in the form of a forgivable loan in the amount of $38,288 to be financed over five years at 10% simple interest. Of the $38,288 requested for this project, $20,000 is comprised of basic funds and $18,288 is matching funds from the City. The property owner is responsible for the remaining $18,288. The following table demonstrates the breakdown of funding for San Joaquin Real Estate's loan application:

<table>
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<tr>
<th></th>
<th>CITY</th>
<th>PROPERTY OWNER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Grant #1</td>
<td>$10,000</td>
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<td>$10,000</td>
</tr>
<tr>
<td>Matching Funds #1</td>
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<td>$20,000</td>
</tr>
<tr>
<td>Base Grant #2</td>
<td>$10,000</td>
<td>--</td>
<td>$10,000</td>
</tr>
<tr>
<td>Matching Funds #2</td>
<td>$ 8,288</td>
<td>$ 8,288</td>
<td>$16,576</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$38,288</strong></td>
<td><strong>$ 18,288</strong></td>
<td><strong>$56,576</strong></td>
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</table>
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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.

Per Federal regulations (36 CFR, Section 800.4), the State Historic Preservation Office (SHPO) was allowed the required time to respond to the City’s findings. Since the City did not receive a response from SHPO within the 30-day period, this constitutes concurrence that the project will not have an adverse affect on historic properties.

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 downtown redevelopment area. To date, close to 125 facade improvement forgivable loans have been awarded.

FINANCIAL SUMMARY

Community Development Block Grant (CDBG) funds were allocated in the 2005-2006 One-Year Action Plan out of account number 054-8521-640 -- Community Development Block Grant Loan Program, Commercial Rehabilitation Loans.

Respectfully submitted,

STEVEN J. PINKERTON, DIRECTOR
REDEVELOPMENT DEPARTMENT

SJP:JJM:myb

APPROVED BY:

STEVE CARRIGAN, DIRECTOR
OFFICE OF ECONOMIC DEVELOPMENT

APPROVED BY THE CITY MANAGER:

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

COMMERCIAL FACADE IMPROVEMENT FORGIVABLE LOAN

PROJECT SITE:
San Joaquin Real Estate Inc. – 20 N. Sutter Street (aka Kress Building), Stockton
EXHIBIT "B"

COMMERCIAL FACADE IMPROVEMENT FORGIVABLE LOAN

San Joaquin Real Estate Inc. – 20 N. Sutter Street (aka Kress Building), Stockton
Resolution No. _____

STOCKTON CITY COUNCIL

RESOLUTION APPROVING A FACADE IMPROVEMENT FORGIVABLE LOAN, IN THE AMOUNT OF $33,952, TO ARVIND AND RAJI PATEL FOR THE COMMERCIAL PROPERTY LOCATED AT 241 NORTH SAN JOAQUIN STREET

WHEREAS, Arvind and Raji Patel have applied for a Facade Improvement Forgivable Loan in the amount of $33,952; and

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

WHEREAS, 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 Arvind and Raji Patel for the commercial property located at 241 North San Joaquin Street, Stockton, California, in the amount of Thirty-three Thousand Nine Hundred Fifty-two Dollars ($33,952); 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 take whatever actions are necessary to carry out the purpose and intent of this Resolution.

PASSED, APPROVED and ADOPTED ________________

EDWARD J. CHAVEZ
Mayor of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

City Atty Review
Date April 18, 2006