



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO COUNCIL,
HOUSING AUTHORITY AND
REDEVELOPMENT AGENCY
City of Sacramento**

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Public Hearing
February 24, 2009

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Housing Authority
Honorable Chair and Members of the Redevelopment Agency**

Title: Implementation of the Neighborhood Stabilization Program; Approval of guidelines for activities to be undertaken as part of the Neighborhood Stabilization Program; Amendments to the 2009 One-Year Action Plan and SHRA Budget

Location/Council District: Targeted areas throughout the City

Recommendation: Adopt 1) a City Council Resolution: A) authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to amend and submit changes to the Neighborhood Stabilization Program (NSP) in the 2009 One-Year Action Plan to the U.S. Department of Housing and Urban Development (HUD); B) authorizing the City Manager and SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the NSP; C) authorizing SHRA to establish and implement the Vacant Property Program, Morrison Creek Estates Project, and the Property Recycling Program to undertake NSP activities; and D) to amend the SHRA Budget accordingly; 2) a Housing Authority Resolution and 3) a Redevelopment Agency Resolution authorizing the ability to purchase and rehabilitate foreclosed properties in accordance with NSP.

Contact: Lisa Bates, Deputy Executive Director, 440-1319; Chris Pahule, Assistant Director, 440-1350

Presenters: Geoffrey Ross, Program Manager

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In October 2008, the City Council approved the submission of an ambitious \$13 million Neighborhood Stabilization Program (NSP) to the U.S.

Implementation of the Neighborhood Stabilization Program

Department of Housing and Urban Development (HUD). The NSP targeted areas are those that are most severely impacted by foreclosures and in weaker housing markets that are not as readily able to recover without assistance (Attachment 1). The NSP outlined several new programs that shared similar goals which were:

- Return vacant foreclosed or abandoned residential properties to occupancy as quickly as possible;
- Revitalize neighborhoods through strategic redevelopment, rehabilitation and reuse of vacant properties; and
- Provide affordable homeownership and improved affordable rental opportunities to Sacramento families.

Since October, staff has submitted and received approval from HUD on the NSP; continued to hold foreclosure workshops and partner with a City/County Foreclosure Task Force. In addition, staff has further developed the various programs recommended in the NSP in consultation with various representatives from the building industry, other NSP recipients, and various nonprofit partners.

Policy Considerations: The recommended actions in this staff report are consistent with the 2008-2013 Housing Element of the General Plan, adopted November 18, 2008, which indicates that “The City shall support efforts to alleviate the individual and community problems associated with mortgage default and foreclosure.” To implement this policy, the Housing Element includes program 19, committing the City to enacting a comprehensive plan for addressing the foreclosure crisis, including “neighborhood reinvestment strategies.” The recommended actions are also consistent with the City of Sacramento’s 2008-12 Consolidated Plan adopted October 23, 2007.

Environmental Considerations:

California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA): The proposed program activities are exempt from CEQA pursuant to CEQA Guidelines Section 15301(d), which exempts the rehabilitation of deteriorated structures to meet current standards of health and safety; CEQA Guidelines Section 15310, which exempts loans for the acquisition of existing structures; CEQA Guidelines Section 15303, which exempts the demolition of up to three small structures, and CEQA Guidelines Section 15004(b)(2)(A), which allows for land acquisition where the Agency will conduct CEQA review once the proposed project has been defined when the acquisition does not limit the choice of alternatives or mitigation measures, and future development of the land is subject to CEQA compliance.

The proposed program activities are categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(3)(i), which excludes rehabilitation of buildings and improvements; 24 CFR 58.35(a)(4)(ii), which excludes individual actions on up to five or more houses developed on scattered sites, and 24 CFR 58.35(a)(5), which excludes acquisition of existing structures. NEPA review will be performed for each subsequent action prior to funding commitment.

Implementation of the Neighborhood Stabilization Program

NEPA imposes additional requirements on properties located within flood hazard zones. All properties included within the geographic scope of this approval (Phase 1 areas) are determined to meet 100 year flood protection requirements. Properties in Phase 2 areas do not meet 100 year flood protection requirements and will be the subject of a subsequent approval and environmental review process. Please refer to Attachment 3 for additional information.

Sustainability Considerations: The NSP has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will assist in energy independence by improving energy efficiency and replacing or renovating obsolete energy or resource inefficient infrastructure (buildings, facilities, systems, etc.).

Committee/Commission Action: It is anticipated that, at its meeting on February 18, 2009, the Sacramento Housing and Redevelopment Commission will approve this item. In the event that they do not, Staff will notify the Council on February 24, 2009.

Rationale for Recommendation: This report recommends authorization to begin implementation of the NSP and represents a sizable investment of over \$13 million to mitigate the negative impacts of foreclosure in the most distressed neighborhoods of the City. Additionally, the NSP will provide affordable housing opportunities for families, leverage significant private resource, and should assist in retaining construction trade jobs. Specifically, the report recommends amending the 2009 One-Year Action Plan and Sacramento Housing and Redevelopment Agency budget to launch implementation of the NSP by approving the Vacant Properties Program, investing NSP funds to the Block Acquisition Strategy, and establishing the Property Recycling Program.

Vacant Property Program (VPP)

The VPP is a new program designed to encourage for-profit and non-profit builders to purchase, rehabilitate, and sell foreclosed single family homes in the NSP Target Areas. Under the program's guidelines, builders will purchase foreclosed single-family properties using their own financial resources, receive a loan from SHRA to cover the costs of rehabilitation, and upon successful sale to an eligible owner-occupant, receive a development fee. In no instance will a home be sold at a price that exceeds either the fair market value or the total of acquisition, rehabilitation/construction, and disposition costs.

Pilot Pre-Foreclosure Initiative

A portion of the funding for the VPP will be set aside to leverage private equity in an attempt to add a creative foreclosure prevention component to NSP efforts and leverage significant private investment. Under the initiative, SHRA will partner with a firm looking to purchase distressed mortgages in the NSP Target Area to modify homeowner's loans to keep them in their homes. It is understood that a certain percentage of those distressed mortgages purchased by a private

Implementation of the Neighborhood Stabilization Program

equity investor cannot be successfully refinanced. To mitigate the risk to the participating private equity investor, the VPP funds will be available for those properties that must be foreclosed upon to expedite their rehabilitation and occupancy.

Block Acquisition and Rehabilitation

Building off the success of past efforts at Phoenix Park (formerly Franklin Villa), the NSP includes a Block Acquisition/Rehabilitation strategy to acquire, rehabilitate (or demolish and rebuild) and maintain as common rental property, units in designated areas where foreclosures and vacant properties have magnified existing physical and social blight issues. The areas evaluated for this strategy included ones that share many common traits, including poorly maintained fourplex and duplex homes; a prevalence of investor-owned properties; heightened police and code enforcement activity; and declining property values. Following evaluation, SHRA recommends utilizing the NSP funds to target the Morrison Creek Estates (Morrison Creek) neighborhood. Morrison Creek is a common interest subdivision of 236 units organized in fourplexes just north of Phoenix Park. The Housing Authority currently owns and manages 57 units in Morrison Creek. NSP funds will be used to acquire and rehabilitate foreclosed units in Morrison Creek and provide for stable, affordable and safe housing units accompanied by strong property management. The income targeting of this effort will contribute to the NSP requirement of 25 percent expenditure to very low income (50% AMI) households.

Property Recycling Program

The Property Recycling Program will allow SHRA to quickly acquire foreclosed properties under approved guidelines in the Target Areas, conduct the necessary rehabilitation or demolition, rent or dispose of properties, and engage in redevelopment. Specifically, the program could engage in the following functions:

- Acquire, rehabilitate and sell;
- Acquire, demolish and land bank;
- Develop land-banked assets in targeted areas, either separately or as a joint venture; and,
- Rent acquired assets and sell when market conditions improve.

This report requests authority for SHRA, and its affiliated entities, to purchase foreclosed properties that will assist in larger site assembly efforts, allow for unified property management opportunities, and/or alleviate the negative impacts of extremely deteriorated properties in heavily impacted neighborhoods.

Properties identified through the Property Recycling Program are subject to specific acquisition and targeting criteria as outlined in the background section of this report (Attachment 2). Disposition of these properties will allow other opportunities to partner with nonprofit and for-profit entities.

Financial Considerations: Allocations made in the NSP amendment to the 2009 One-Year Action Plan are based on a grant award of \$13,264,829. The adopted budget anticipated a grant amount of \$13,132,179. This report recommends the following amendments:

Implementation of the Neighborhood Stabilization Program

Program	Amount
Vacant Property Program	\$4,000,000
<i>Pilot Pre-Foreclosure Initiative</i>	\$1,500,000
Block Acquisition and Rehab	\$4,000,000
Property Recycling Program	\$2,464,829
Program Administration	\$1,300,000
<i>Total</i>	<i>\$13,264,829</i>

The Program Administration budget is to pay for planning and administrative activities associated with the NSP for the 60-month life of the program. The Administration funds will be distributed based on project activities undertaken through the Vacant Property Program, Block Acquisition and Rehabilitation, and the Property Recycling Program. In accordance with Section 2301 of the NSP Notice published in the Federal Register on October 6, 2008, all program income resulting from financing mechanisms, land banking, and demolition activities will revert to the Community Development Block Grant (CDBG) Program and will be treated as additional CDBG funds.

M/WBE Considerations: Minority and Woman's Business Enterprise requirements will be applied to all activities to the extent required by federal funding. To the extent possible, SHRA shall encourage all participants to hire locally and to partner with emerging small businesses.

Respectfully Submitted by: _____
LA SHELLE DOZIER
 Executive Director

Recommendation Approved:

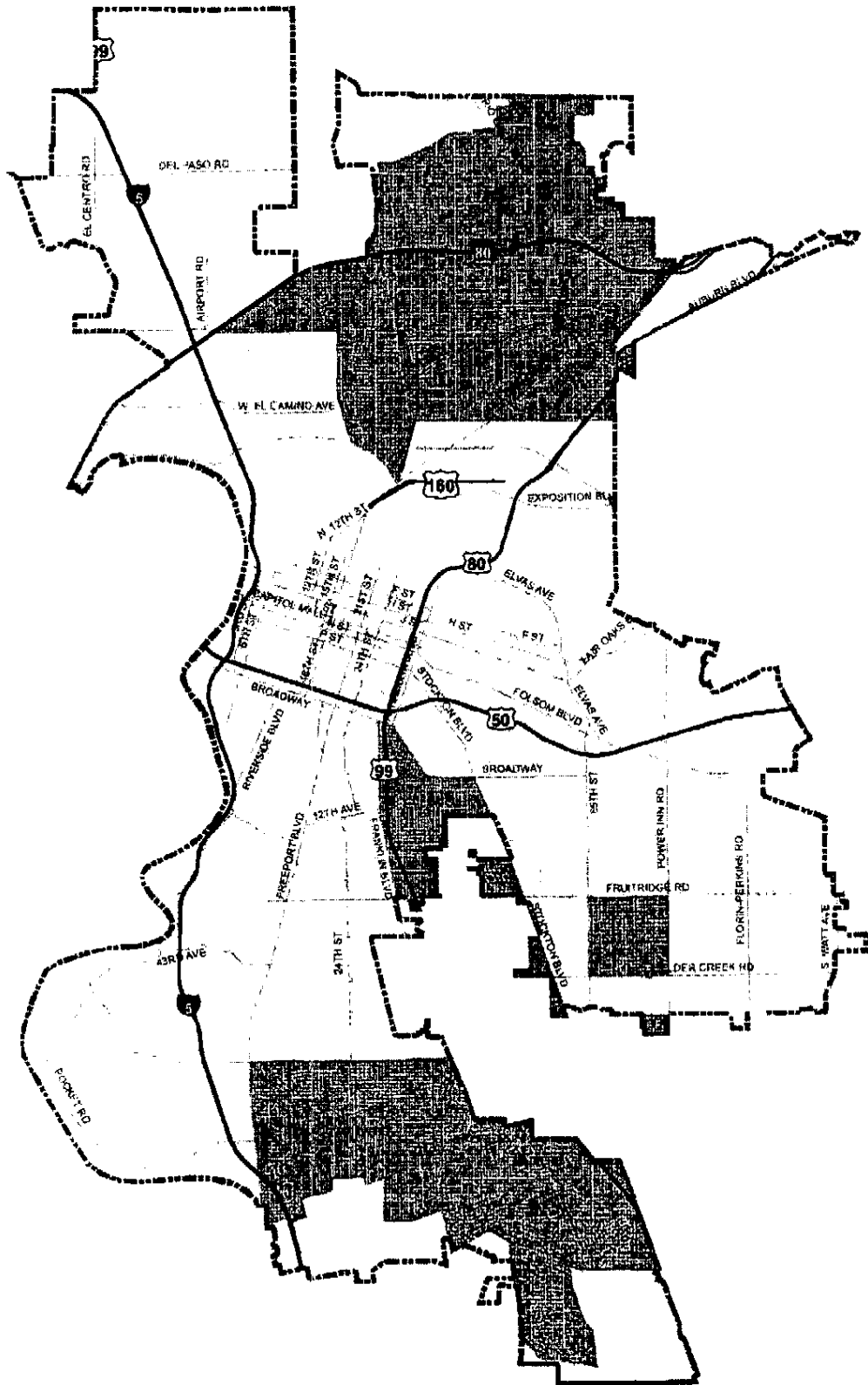
RAY KERRIDGE
 City Manager

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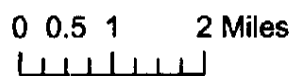


Neighborhood Stabilization Program Target Areas



NSP Target Areas

 NSP Target Area
  City of Sacramento



SHRA GIS
January 29, 2009

Background

The Sacramento Housing and Redevelopment Agency (SHRA) has tracked foreclosure activity in the City of Sacramento since October 2007 and since that time has delivered three separate reports on the subject. The first report was a memorandum to the Mayor and Council on December 12, 2007, "Foreclosures in Sacramento." The second report was on April 11, 2008, "Sacramento Foreclosure Trends and Potential Local Initiatives." Those reports predated substantial action by the federal government related to the foreclosure crisis.

In July 2008, Congress passed the \$3.9 billion Housing and Economic Recovery Act of 2008 (HERA) and required The Housing and Urban Development (HUD) Department to release the formula allocation and program guidelines pertaining to the one-time CDBG allocation intended to address foreclosures. The regulations and allocations were released September 29, 2008, and recipients had until December 1, 2008, to submit a substantial amendment to their One-Year Action Plan in order to receive their allocation.

On October 21, 2008, SHRA presented the substantial amendment (Neighborhood Stabilization Program, or NSP) to the One-Year Action Plan and outlined the local response to address foreclosures in the most impacted neighborhoods within the City as determined by those census tracts in the top quartile in terms of rate of foreclosure, number of high cost loans, and a propensity for foreclosures to continue. As a condition of the use of the funds, all must be committed within 18 months of the One-Year Action Plan being approved and the line-of-credit being established. HUD approved the City of Sacramento's NSP on January 30, 2009; as such all funds must be committed by June 2010.

This report is the implementation package that approves the guidelines and investments for the NSP framework established in October 2008; amends the 2009 One-Year Action Plan and SHRA budget accordingly; and authorizes their submission to HUD. The following summarizes the guidelines for both the Vacant Property Program and Property Recycling Program, and the Block Acquisition and Rehabilitation Project sources/uses attached to this report:

Vacant Property Program

This new program is modeled after the successful Boarded and Vacant program. The VPP is designed to return vacant and blighted homes to owner occupancy by partnering with local builders and non-profits in targeted areas of the City. The Program provides a developer incentive fee to be paid after homes are rehabilitated and sold to owner-occupants.

The VPP will require that the builder/non-profit purchase a foreclosed property in the Target Areas and submit their qualifications and scope of work for the rehabilitation. Following approval of their qualifications and based upon an agreed scope of work, including the SHRA Existing Homes Checklist, the builder can then access a rehabilitation loan. The loan is disbursed upon verification of the work performed with a 10 percent retention remaining until such time all work has been completed. The loan repayment will be reimbursed and the developer fee executed at the close of escrow when an eligible homebuyer has purchased the property.

Implementation of the Neighborhood Stabilization Program

The rehabilitation loan component of the VPP provides significant benefits; it can compensate for the difference between acquisition and rehabilitation costs and the actual market sale, it guarantees the payment of prevailing wages for jobs, and provides added incentive for “green” building practices to be incorporated into the rehabilitation. Lastly, the developer fee compensates for unknown carrying costs related to managing the property while actively marketing it for sale.

The program leverages external funding sources by requiring participating builders to purchase properties using their own resources, then allows the builder to access NSP rehabilitation funding, and provides a \$30,000 developer fee upon sale to an eligible homebuyer. Staff anticipates that at least 80 homes can be assisted through the VPP.

As the VPP will be geographically targeted in lower-income neighborhoods, it is anticipated that prices will be affordable to families at 80 percent of median income. However, HERA regulations allow maximum sales prices up to 120 percent of median income. In no instance will a home be sold at a price that exceeds the total of acquisition, rehabilitation/construction, and disposition costs.

Pilot Pre-Foreclosure Initiative

SHRA intends to set aside funds within the VPP to establish a pilot initiative in both the City and County to partner with a private equity investment firm to purchase and modify distressed mortgages in the Target Areas. The pilot initiative funds will be used exclusively for properties within the portfolio that are in foreclosure. Funds will be highly leveraged and add a foreclosure prevention component to NSP activities. Some distressed mortgages purchased by the private equity investor will not be successfully refinanced. Therefore, VPP funds will be available for those properties that must be foreclosed to expedite their rehabilitation and occupancy. With this initiative, the Vacant Property Program will tackle current foreclosed properties as well as reduce the number of properties potentially facing foreclosure.

Block Acquisition and Rehabilitation

SHRA is seeking to consolidate ownership and create unified property management through a block acquisition and rehabilitation activity outlined in the NSP. It was also envisioned that this strategy would be used to address the very low income housing requirements under NSP, which mandate that 25 percent of all NSP funds must assist households at or below 50 percent area median income (AMI).

The NSP identified eligible blocks where this strategy likely could be implemented including Western Avenue, Nedra Court, Coral Gables, and Morrison Creek Estates. To ensure success, SHRA analyzed individual blocks based upon current data illustrating both current foreclosures and likely future foreclosure activity. Implementation required SHRA to determine significant opportunities to consolidate ownership due to foreclosures and to create a unified property management structure with onsite management.

Based on these criteria, this report recommends selecting Morrison Creek Estates to invest \$4 million in NSP funds utilizing the Housing Authority to undertake planning, acquisition and rehabilitation activities. Morrison Creek Estates is located just north of

Implementation of the Neighborhood Stabilization Program

the hugely successful Phoenix Park project. The 236 unit fourplex community is significantly blighted and is experiencing a significant number of foreclosures. An opportunity exists to acquire and/or rehabilitate up to 34 foreclosed units to leverage the Housing Authority's investment and management of 57 existing units. Currently, prices have dropped rapidly in the area and there are a number of fourplexes that are in foreclosure.

A location map and project summary including proposed sources and uses of funds and rent and income limits are included with this report as Attachment 4.

Property Recycling Program

The NSP contemplated an entity (government, affiliate or private) to quickly acquire foreclosed properties and adjacent parcels, conduct the necessary rehabilitation or demolition, rent or sell and engage in redevelopment.

This report recommends authorities to establish the Property Recycling Program to pursue a highly targeted acquisition strategy focusing on properties in the Target Areas that meet the following criteria:

- 1) Acquisition price not to exceed \$500,000;
- 2) Price meets the required NSP discount of 5% below assessed value; and,
- 3) Meets targeting requirements by --
 - Supporting larger site assembly efforts for the City or Redevelopment Agency;
 - Property can be absorbed into the Housing Authority's property management portfolio; or
 - Property is significantly deteriorated such that the property is unmarketable or rehabilitation is not reasonable. Properties meeting this targeting requirement would likely be blighted and pose a health and safety issue to the neighborhood, thus likely necessitating demolition and land banking for a period of time to alleviate the negative impacts of foreclosure in the neighborhood.

Properties in this program may require an intermediate hold strategy in accordance with a long-term plan that can be fully implemented once the market can support the additional investment. As such, demolition and land banking activities are viable intermediate actions that can bring an immediate impact with the potential for an even larger benefit in the future.

Furthermore, the eventual disposition of properties acquired under the Property Recycling Program will be in aligned with a community process and may allow for additional opportunities to partner with for-profit and nonprofit entities. These activities will allow for additional public participation and present significant leveraging opportunities beyond the next year or two. SHRA will return to governing boards for additional authority to implement the disposition strategies accordingly.

**City of Sacramento
Environmental Determination**

Administrative Functions (staff costs) – NEPA per 24 CFR Section 58.34(a)(3) and 58.35(b)(3) and CEQA per Guidelines Section 15378(b)(2):

- Vacant Property Program Administration
- Block Acquisition and Rehabilitation Program Administration
- Property Recycling Entity Program Administration

Vacant Property Program. The Vacant Property Program is exempt from CEQA pursuant to Guidelines Section 15301(d), which exempts the rehabilitation of deteriorated structures to meet current standards of health and safety and Guidelines Section 15310, which exempts loans for the acquisition of existing structures.

The rehabilitation of existing structures pursuant to the Vacant Property Program is categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(3)(i), which exempts rehabilitation of buildings and improvements; and 24 CFR 58.35(a)(5), which exempts acquisition of existing structures. Site specific environmental review will be performed for each subsequent action prior to funding commitment.

This report is the approval of Phase 1 of this program and is limited to all properties determined to meet 100 year flood protection requirements, as shown on the following map. All properties in Phase 2 will be the subject to a subsequent approval and environmental review process.

Block Acquisition and Rehabilitation. The Block Acquisition and Rehabilitation Program is exempt from CEQA pursuant to Guidelines Section 15301(d), which exempts the rehabilitation of deteriorated structures to meet current standards of health and safety; and Guidelines Section 15310, which exempts loans for the acquisition of existing structures.

The rehabilitation of existing structures pursuant to the Block Acquisition and Rehabilitation Program is categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(3)(i), which exempts rehabilitation of buildings and improvements; 24 CFR 58.35(a)(5), which exempts acquisition of an existing structure. Site specific environmental review will be performed for each subsequent action prior to funding commitment.

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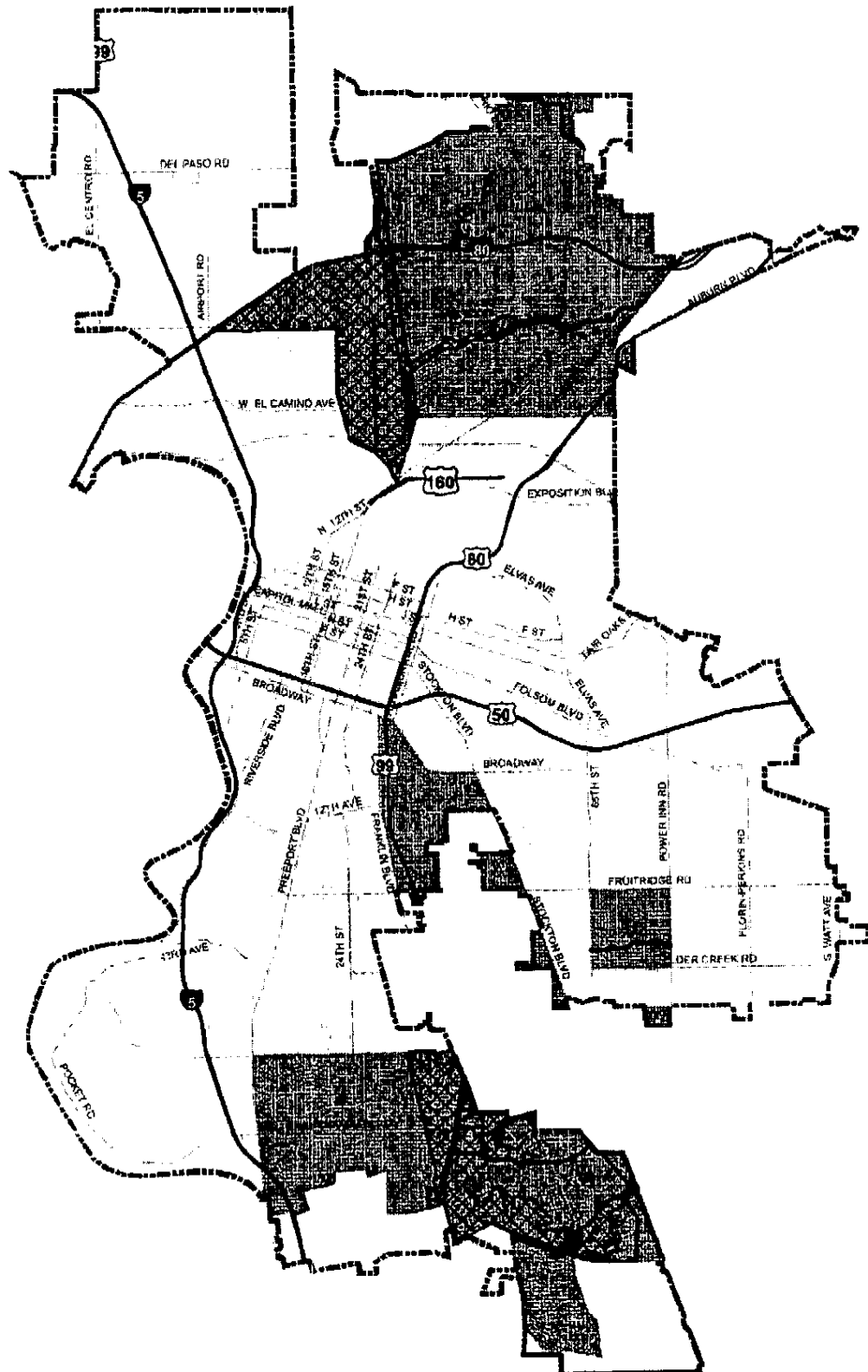
Property Recycling Program. Acquisition and land banking of the property pursuant to the Property Recycling Entity Program does not commit the Agency to proceed with a development project. California Environmental Quality Act (CEQA) Guidelines Section 15004(b)(2)(A) allows for land acquisition where the Agency will conduct CEQA review once the proposed project has been defined when the acquisition does not limit the choice of alternatives or mitigation measures, and future development of the land is subject to CEQA compliance. Environmental review of the proposed project will be conducted once the scope of development of the property has been defined. Demolition of up to three individual small structures is exempt from CEQA pursuant to Guidelines Section 15301.

The acquisition, disposition and land banking of existing property pursuant to the Property Recycling Entity Program is categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(5). Site specific environmental review will be performed for each subsequent action prior to funding commitment.

This report is the approval of Phase 1 of this program and is limited to all properties determined to meet 100 year flood protection requirements, as shown on the following map. All properties in Phase 2 will be the subject to a subsequent approval and environmental review process.

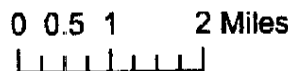


Environmental Determination



Phase 1 & Phase 2 Combined = NSP Target Area

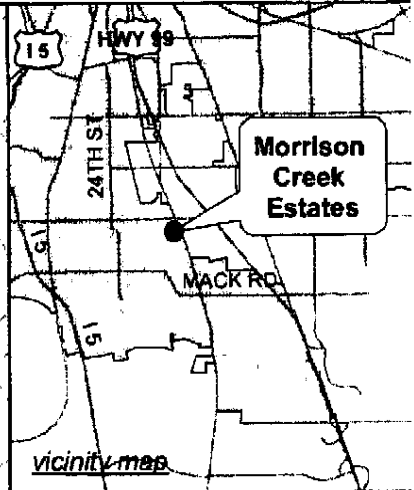
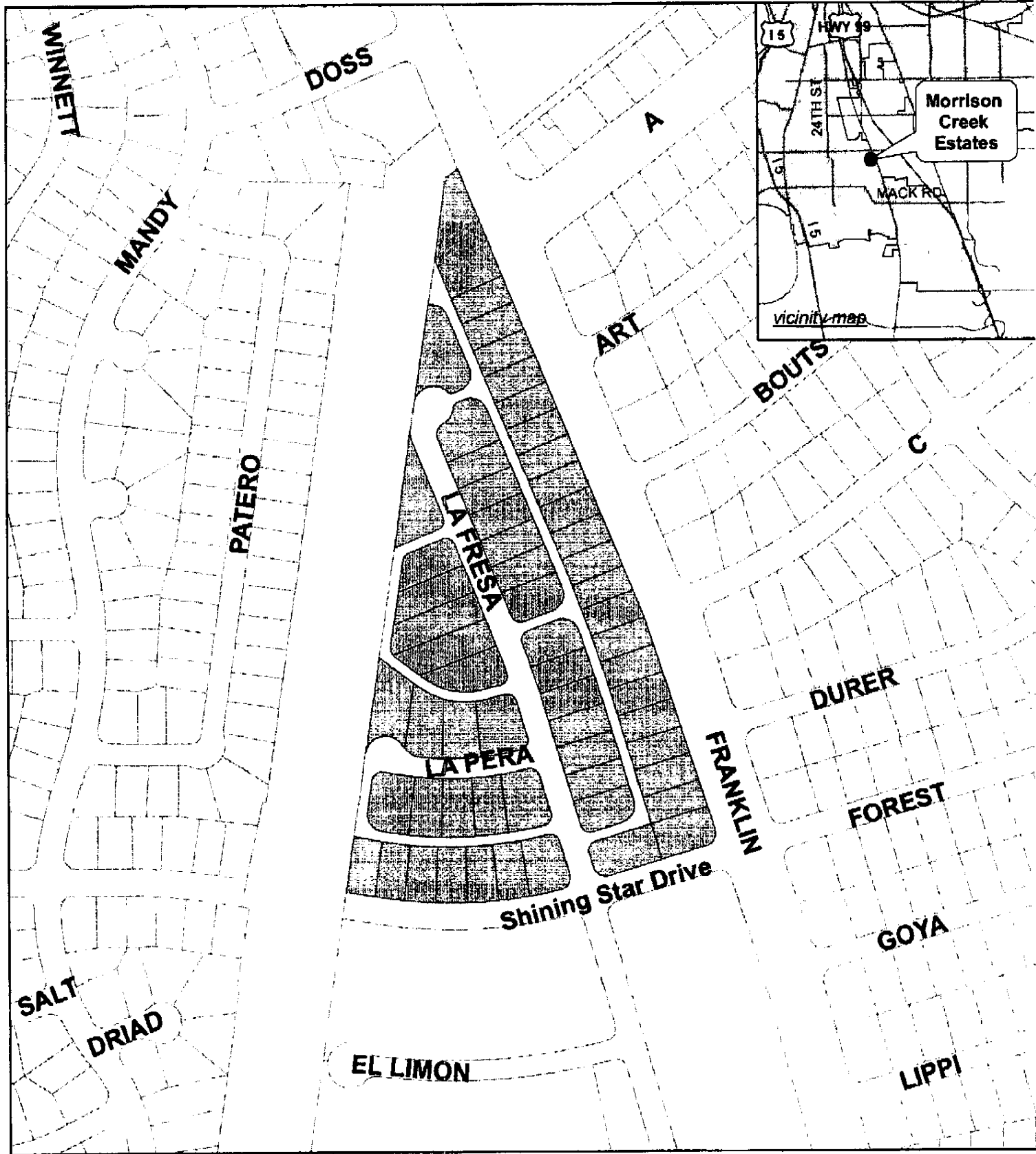
-  Phase 1
-  Phase 2
-  City of Sacramento



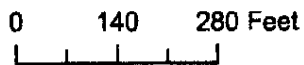
SHRA GIS
January 29, 2009



Morrison Creek Estates



Morrison Creek Estates



SHRA GIS
February 3, 2009

Project Summary Morrison Creek Estates (Franklin Villa)

<u>Address</u>	Morrison Creek Estates		
<u>Number of Units</u>	46		
<u>Year Built</u>	1970		
<u>Acreage</u>	14		
<u>Affordability</u>	34 units (100%) at or below 50% of median income		
<u>Unit Mix and Rents</u>	(50% AMI)		
2 Bedroom	46		
<u>Unit Square Footage</u>	920 square feet (approx.)		
2 Bedroom	Approx. 31,280 square feet		
Total			
<u>Permanent Sources</u>	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
NSP Loan	\$ 4,000,000	\$ 86,957	\$ 127.88
TOTAL SOURCES	\$ 4,000,000	\$ 86,957	\$ 128
<u>Permanent Uses</u>			
Acquisition	\$ 1,640,000	\$ 35,652	\$ 52.43
Construction Costs	\$ 1,380,000	\$ 30,000	\$ 44.12
Contingency	\$ 283,880	\$ 6,171	\$ 9.08
Fees/Permits	\$ 60,400	\$ 1,313	\$ 1.93
Planning, Architecture & Engineering	\$ 150,000	\$ 3,261	\$ 4.80
Appraisal	\$ 16,400	\$ 357	\$ 0.52
Replacement Reserves	\$ 54,500	\$ 1,185	\$ 1.74
Asset Management Fee	\$ 362,400	\$ 7,878	\$ 11.59
Insurance and Marketing	\$ 52,420	\$ 1,140	\$ 1.68
TOTAL USES	\$ 4,000,000	\$ 86,957	\$ 128
<u>Management / Operations</u>			
Operations Budget:	\$207,000	\$4,500 per unit	
Replacement Reserves:	\$16,100	\$350 per unit	

Implementation of the Neighborhood Stabilization Program

RESOLUTION NO. 2009 -**Adopted by the Sacramento City Council**

on date of

APPROVAL OF GUIDELINES FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM; AMENDMENTS TO THE 2009 ACTION PLAN AND THE SHRA BUDGET**BACKGROUND**

- A. On October 23, 2007, the Sacramento City Council approved the 2008-2012 Consolidated Plan. The Consolidated Plan identifies the City's housing and community development needs and describes the long-term strategy for meeting those needs. In addition, it specifically addresses federally funded housing and community development programs to include the Community Development Block Grant (CDBG).
- B. The Department of Housing and Urban Development (HUD) requires the annual submittal of a One-Year Action Plan describing proposed activities and expenditures for the following year using the goals and priorities of the Consolidated Plan.
- C. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as the designee for the City of Sacramento to administer community development grants originating from HUD.
- D. On July 30, 2008, Congress passed and the President signed into law House Resolution 3221, the Housing and Economic Recovery Act of 2008 (HERA), which authorized a one-time \$3.9 billion allocation to be distributed to the states and local governments to mitigate community impacts resulting from foreclosure.
- E. HUD released the formula and regulations for the new allocation of CDBG under the Neighborhood Stabilization Program (NSP) as prescribed by HERA on September 29, 2008, and a substantial amendment to the Consolidated Plan for NSP funding was to be submitted to HUD no later than December 1, 2008 and approved no later than February 13, 2009.
- F. On October 21, 2008, a noticed public hearing soliciting comments and approving the 2009 One-Year Action Plan containing the Substantial Amendment for NSP and its submission was held by the Sacramento City Council.

Implementation of the Neighborhood Stabilization Program

- G. A noticed public hearing soliciting comments on the guidelines for activities to be undertaken as part of the NSP and necessary amendment to implement was held by the Sacramento Housing and Redevelopment Commission on February 18, 2009 and the Sacramento City Council on February 24, 2009.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, are approved.
- Section 2. The Amendment to the 2009 Action Plan, which allocates \$5.5 million (\$5,500,000) in anticipated NSP funding to the Vacant Property Program is approved.
- Section 3. The Sacramento Housing and Redevelopment Agency (SHRA) is authorized to establish an over-the-counter submission process to accept qualifications and select participants for the Vacant Property Program.
- Section 4. SHRA is authorized to establish qualification and selection criteria pursuant to the guidelines included in Exhibit A the Vacant Property Program.
- Section 5. SHRA is authorized to establish a Rehabilitation Loan for participants based upon an accepted scope of work and corresponding budget pursuant to the Vacant Property Program.
- Section 6. SHRA is authorized under the Vacant Property Program to create a pilot program to fund a rehabilitation loan/line-of-credit to support properties that cannot be prevented from going into foreclosure in order to rapidly reoccupy them as part of a larger private equity foreclosure prevention activity.
- Section 7. SHRA is authorized to select and implement the participant(s) in the pilot program as set out in the guidelines in Exhibit A for the Vacant Property Program.
- Section 8. SHRA is authorized to establish a Developer Fee of \$30,000 payable to participating builders in the Vacant Property Program upon the close of escrow with a qualified homebuyer pursuant to the guidelines included in Exhibit A for the Vacant Property Program.
- Section 9. The Amendment to the 2009 Action Plan, which allocates \$4 million (\$4,000,000) in anticipated NSP funding to the Morrison Creek Estates project is approved.

Implementation of the Neighborhood Stabilization Program

- Section 10. SHRA is authorized to utilize the Housing Authority to undertake planning, acquisition, and rehabilitation activities to leverage preexisting infrastructure to initiate the Block Acquisition and Rehabilitation strategy in the Morrison Creek Estates community.
- Section 11. The Amendment to the 2009 Action Plan, which allocates \$2,464,829 in anticipated NSP funding to the Project Recycling Program is approved.
- Section 12. SHRA is authorized, under the Property Recycling Program, to purchase and/or land bank vacant or foreclosed properties in the targeted areas that are \$500,000 or less, meet the NSP discount requirements and either support larger site assembly efforts; can be absorbed into the Housing Authority or private partner's property management portfolio; or will alleviate the negative impacts of foreclosure in a neighborhood due to the deteriorated condition of the property.
- Section 13. The Amendment to the 2009 Action Plan which allocates \$1,300,000 in anticipated NSP funding to program administration to carry out activities for the life of the program is approved.
- Section 14. SHRA is authorized to apply for and/or accept additional NSP funding.
- Section 15. SHRA and its constituent entities are authorized to purchase, accept and/or transfer ownership of properties to further the goals of NSP pursuant to the guidelines as set out in the various activities referenced above.
- Section 16. SHRA is authorized to execute agreements and such additional documents, as approved by SHRA Counsel, and to take such additional actions as necessary to implement the authorized contracts and this resolution.
- Section 17. The City Manager is authorized to execute agreements and such additional documents and to take such additional actions as necessary to implement the authorized contracts and this resolution.

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- Exhibit A: Vacant Property Program
Exhibit B: Property Recycling Program



630 I Street, Sacramento, CA 95814 (916) 444-9210

Neighborhood Stabilization Program Sacramento Vacant Properties Program (PROGRAM GUIDELINES)

Vacant Properties Program

The Vacant Properties Program will promote the acquisition and rehabilitation of foreclosed, single-family vacant homes in targeted areas of the City and County of Sacramento for sale to owner-occupants. Vacant properties are unoccupied homes that have proceeded through Trustee Sale or ownership has transferred to a bank, lending institution, or private equity lender qualifying the property as Real Estate Owned (REO). Participating developers receive a rehabilitation loan and developer fee for resale of qualified homes. The program may be modified or changed based on funding requirements and regulations.

Participation. Submit "over-the-counter" application for designation as "Preferred Builder" to Sacramento Housing and Redevelopment Agency (SHRA), 630 I Street, 2nd Floor, Sacramento, CA 95814. Once designated a Preferred Builder, participants are eligible to apply for funding under the program.

Developer Fee. The developer fee is to be \$30,000 for each home successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

Eligible Properties. Need at minimum \$15,000 worth of rehabilitation (but not more than \$60,000 without prior SHRA approval). Approval is contingent upon SHRA inspection and construction/rehabilitation standards.

Eligible Areas. Eligible areas have been targeted according to the Neighborhood Stabilization Program and specific address ranges correspond to specific census blocks.

Construction Requirements. Applicants shall follow Housing Quality Standards (HQS) and shall complete the SHRA Existing Home Checklist. Green building standards are also required and included in the Checklist. Lead based paint clearance and prevailing wage requirements apply.

Loan Provisions. There shall be no interest accrued on the loan. The loan may be partially forgivable if the total acquisition, rehabilitation, and disposition costs exceed the sale price. Initial home sales must start at the after rehabilitation appraisal. All properties must be aggressively marketed; upon the request of the Preferred Builder, SHRA may consider a price reduction to the home after 30 days of the unit being on the market.

Sales Price. Maximum sales prices will not exceed the total of acquisition, rehabilitation, and disposition costs. Acquisition of the property out of foreclosure must be at no more than the current market appraised value at the time of purchase. The current market appraised value is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103. Disposition costs may include real estate commissions and closing costs but shall not exceed 10 percent of the sales price. The loan shall include a provision to forgive the difference in acquisition, rehabilitation, and disposition costs and actual sales price. All property scopes of work will be approved by SHRA and inspected to meet construction requirements prior to sale.

Eligible Sales. Homes must be sold to homeowner occupants making no more than 120% of area median income, adjusted for family size, and who have completed 8 hours of HUD approved homebuyer education counseling.

Eligible Applicants. Developers interested in the Vacant Properties Program must:

- have experience in rehabilitating or constructing and selling at least Five single-family homes;
- can demonstrate to the satisfaction of SHRA financial resources or funding commitments sufficient to meet acquisition and holding costs;
- be a licensed general contractor or work with a licensed general contractor, either as an employee or through agreement, be in good standing with the Contractor State Licensing Board and not listed on the federally debarred contractor list;
- have SHRA required insurance coverage;
- have no code enforcement violations on property owned within the last three years;

- demonstrate that work meets or exceeds SHRA construction standards;
- provide at least two client/sub-contractor references; and
- SHRA has the right to remove participants based on noncompliance with provision of program.

Eligible Home Purchasers. Purchasers of the rehabilitated homes must:

- have a household income not to exceed 120% of the area median income adjusted for family size;
- have completed HUD approved homebuyer counseling courses; and
- Enter into a fixed rate 30 year loan. Adjustable rate loans are discouraged but maybe eligible subject to review by SHRA.



Neighborhood Stabilization Program
Sacramento Vacant Properties Program
(PILOT PRE-FORECLOSURE INITIATIVE)

Pilot Program Initiative

Designed to help prevent foreclosure by supporting a private equity investor purchase distressed mortgages at a significant discount and attempt to refinance mortgages for existing borrowers at an affordable rate. A percentage of mortgages purchased likely cannot be refinanced at an affordable rate and some units will have been vacated and abandoned. These mortgages thus will proceed through the foreclosure process. NSP funds will be made available to assist in the rehabilitation of those properties that must be foreclosed to expedite the process of returning them to occupancy. NSP funds will provide a backstop to mitigate risk to attract private equity into the market to purchase distressed mortgages.

Participation. Under the Pilot Program SHRA will release a Request For Proposals (RFP) and will select participants and implement the program. Interested parties must have a private equity partner at time of proposal submission and must either have a constituent entity that qualifies under the "Preferred Builder" criteria of the Vacant Property Program or must agree to work with "Preferred Builders" in order for rehabilitation funds to be made available.

Eligible Properties. Only foreclosed properties in the target areas are eligible.

Determination. Determination of vacancy must follow Notice of Default requirements under California State Law, California Civil Code Section 2923.5 wherein the participant after attempting to contact the borrower must either directly or through an agent or servicing company physically inspect the property. Upon confirmation that the unit has been vacated the property must be secured according to City or County of Sacramento Vacant Property Ordinance specifications.

Holding Period. The Private Equity Partner may choose to sell foreclosed properties immediately or rehabilitate then sell. SHRA must approve the overall disposition strategy and the corresponding property management plan.

Acquisition. All properties to be rehabilitated in the Pilot Program must be acquired from the Private Equity Partner portfolio by a "Preferred Builder" as determined by the guidelines governing the Vacant Property Program for no more than the current market appraised value. The current market appraised value is established through an appraisal consistent with the URA at 49 CFR 24.103.

Rehabilitation Fund. A Master Owner Participation Agreement (OPA) will guarantee an amount to be available to the private equity portfolio for "Preferred Builders" to access; the actual amount drawn will be based upon per unit costs determined by an approved scope of work.

NSP funds will be made available by the execution of a (loan agreement or line-of-credit agreement). The Private Equity Partner has six months from the initial purchase of the mortgages to identify the properties that will proceed with the foreclosure process, at which time any mortgages that are to fall into default will not be covered by the agreement.

Loan Provisions. The loan provisions for this program shall be identical to those established under the Vacant Property Program.

Rehabilitation. The rehabilitation standards and inspection process for this program shall be identical to the standards established under the Vacant Property Program. Properties are subject to SHRA inspection and rehabilitation standards for approval of rehab loan.

Sales Price. Per the Vacant Property Program guidelines, the initial sales price is to be determined by an after rehabilitation appraisal of the home. Maximum sales prices will be limited to the total of acquisition, rehabilitation, and disposition costs. The loan shall include a provision to forgive the difference in acquisition, rehabilitation, and disposition costs and actual sales price. All property scopes of work will be approved by SHRA and inspected to meet construction requirements prior to sale.

Eligible Sales. Sales of properties under the Vacant Property Program must be to homeowner occupants making no more than 120% of area median income, adjusted for family size, and who have completed 8 hours of HUD approved homebuyer education counseling.

Developer Fee. As per the guidelines governing the Vacant Property Program the developer fee is to be \$30,000 for each unit successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

Homebuyers. Purchasers of the rehabilitated homes must:

- have a household income not to exceed 120% of the area median income adjusted for family size;
- have completed HUD approved homebuyer counseling courses; and
- Enter into a fixed rate 30 year loan. Adjustable rate loans are discouraged but maybe eligible subject to review by SHRA.



Neighborhood Stabilization Program Sacramento Property Recycling Program PROGRAM GUIDELINES

Property Recycling Entity Program

The Sacramento Property Recycling Program (PRP) is designed to facilitate community and neighborhood revitalization through investment in deteriorated vacant and/or foreclosed properties with the ability to strategically acquire individual properties and facilitate bulk acquisitions. The PRP is a multifaceted approach to neighborhood stabilization wherein properties can be land banked, transferred, financed, and/or facilitate a change in use in addition to standard rehabilitation and new construction activities.

Participation. The PRP will be administered by the Housing and Community Development Department, 630 I Street, Second Floor, Sacramento, CA 95814. The PRE will utilize a Strategic Acquisition Fund structure that will deploy a property acquisition strategy within the target areas focusing on foreclosed properties that meet the NSP requirements and support: 1) larger site assembly projects; 2) activities that will provide significant leveraging opportunities; or 3) will alleviate the negative impacts of foreclosure in neighborhoods where a property has deteriorated to the point that it has created a health and safety issue and rehabilitation is not reasonable, thus likely necessitating demolition and land banking. Ability to participate will relate to standards identified in Request for Qualification (RFQ), Request for Proposals (RFP), and Notice of Funding Availability (NOFA) released by the Agency related to corresponding disposition activities.

Eligible Properties. Targeting vacant and foreclosed properties within the target areas that directly support City, County, and affiliated agency projects and/or can be acquired in bulk as a method to maximize leverage. All acquisitions utilizing NSP funds must meet the required discount. NSP acquisitions must realize an overall 15 percent portfolio discount from current market appraised value. The current market appraised value is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60-days prior to an offer made for the property. The proportion of NSP contribution for any combination of acquisition and/or rehabilitation compared to total project cost will determine the number of units required to be made available to households at or below 120 percent Area Median Income (AMI).

Rehabilitation. A single family rehabilitation project must meet the rehabilitation requirements established under the Vacant Properties Program. A multi-family rehabilitation project must meet the rehabilitation requirements established under the multi-family housing guidelines.

A multi-family rehabilitation project must provide for a minimum rehabilitation of \$15,000 per unit or 15% of the value of the improvements, whichever is greater. The project must also meet the Agency's minimum property rehabilitation standards in which major systems have an expected life of at least 15 years upon completion of the rehabilitation. "Major systems" generally include heating and air conditioning, plumbing, electrical, mechanical, siding, windows, and roofing systems. A complete list of standards is included in our Multifamily Lending and Mortgage Revenue Bond Policies.

Property Management. For all multiple property (bulk) acquisition activities a comprehensive management plan must be established. The plan must address rental procedures (if applicable), maintenance schedule and standards, eviction procedures (if applicable), and overall day to day operations including safety and security.

Rent Restrictions. Affordability definitions are based on the area median income (AMI) for the Sacramento Metropolitan Statistical Area (MSA) as established by the US Department of Housing and Urban Development (HUD). The median income is subject to change annually. Maximum rent to be charged for an assisted unit may not exceed 30 percent of the targeted income adjusted for household size appropriate for the unit, less an allowance for utilities. Proportional share of NSP funding to total project cost will define number of units that must be made available to households at or below 120% AMI.

Demolition. Activities requiring demolition will be in conjunction with one of the following three strategies: land banking, change of use, or new construction. Demolition and new construction activities will require additional environmental determinations under NEPA and CEQA. Program Income resulting from demolition activities will revert to the CDBG Program and will be treated as additional CDBG funds in accordance to Section 2301 of the NSP Notice published in the Federal Register on October 6, 2008.

Land Banking. Land banking activities will be in support of efforts where Agency intervention was necessary to prevent further deterioration of a neighborhood or in coordination with larger projects. No property placed in the land bank will exceed the ten year regulatory limitations outlined under NSP. Program Income resulting from land banking activities will revert to the CDBG Program and will be treated as additional CDBG funds in accordance to Section 2301 of the NSP Notice published in the Federal Register on October 6, 2008.

RESOLUTION NO. 2009 -**Adopted by the Housing Authority of the City of Sacramento**

on date of

APPROVAL OF GUIDELINES FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM; AMENDMENTS TO THE 2009 ACTION PLAN AND THE SHRA BUDGET**BACKGROUND**

- A. On October 23, 2007, the Sacramento City Council approved the 2008-2012 Consolidated Plan. The Consolidated Plan identifies the City's housing and community development needs and describes the long-term strategy for meeting those needs. In addition, it specifically addresses federally funded housing and community development programs to include the Community Development Block Grant (CDBG).
- B. The Department of Housing and Urban Development (HUD) requires the annual submittal of a One-Year Action Plan describing proposed activities and expenditures for the following year using the goals and priorities of the Consolidated Plan.
- C. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as the administrator for the City of Sacramento of community development grants originating from HUD.
- D. On July 30, 2008, Congress passed and the President signed into law House Resolution 3221, the Housing and Economic Recovery Act of 2008 (HERA), which authorized a one-time \$3.9 billion allocation to be distributed to the states and local governments to mitigate community impacts resulting from foreclosure.
- E. HUD released the formula and regulations for the new allocation of CDBG under the Neighborhood Stabilization Program (NSP) as prescribed by HERA on September 29, 2008, and a substantial amendment to the Consolidated Plan for NSP funding was to be submitted to HUD no later than December 1, 2008 and approved no later than February 13, 2009.
- F. On October 21, 2008, a noticed public hearing soliciting comments and approving the 2009 One-Year Action Plan containing the Substantial Amendment for NSP and its submission was held by the Sacramento City Council.

Implementation of the Neighborhood Stabilization Program

- G. A noticed public hearing soliciting comments on the guidelines for activities to be undertaken as part of the NSP and necessary amendment to implement was held by the Sacramento Housing and Redevelopment Commission on February 18, 2009 and the Sacramento City Council on February 24, 2009.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All evidence presented having been duly considered, the findings, including the environmental findings regarding this action, are approved.
- Section 2. The Executive Director, or her designee, is authorized to utilize the Housing Authority to undertake planning, acquisition and rehabilitation activities to leverage preexisting infrastructure to initiate the Block Acquisition and Rehabilitation Strategy in the Morrison Creek Estates community.
- Section 3. The Executive Director, or her designee, is authorized to utilize the Housing Authority under the Property Recycling Program to purchase, undertake rehabilitation, and/or land bank vacant or foreclosed properties in the targeted areas that are \$500,000 or less, meet the NSP discount requirements and either support larger site assembly efforts; can be absorbed into the Housing Authority or private partner's property management portfolio; or will alleviate the negative impacts of foreclosure in a neighborhood due to the deteriorated condition of the property.
- Section 4. The Executive Director, or designee, is authorized to take all reasonable steps to secure and maintain the acquired properties
- Section 5. The Executive Director, or designee, is authorized to execute agreements and such additional documents, as approved by Agency Counsel, and to take such additional actions as necessary to implement the authorized contracts and this resolution.

RESOLUTION NO. 2009 -**Adopted by the Redevelopment Agency of the City of Sacramento**

on date of

APPROVAL OF GUIDELINES FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM; AMENDMENTS TO THE 2009 ACTION PLAN AND THE SHRA BUDGET**BACKGROUND**

- A. On October 23, 2007, the Sacramento City Council approved the 2008-2012 Consolidated Plan. The Consolidated Plan identifies the City's housing and community development needs and describes the long-term strategy for meeting those needs. In addition, it specifically addresses federally funded housing and community development programs to include the Community Development Block Grant (CDBG).
- B. The Department of Housing and Urban Development (HUD) requires the annual submittal of a One-Year Action Plan describing proposed activities and expenditures for the following year using the goals and priorities of the Consolidated Plan.
- C. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as administrator for the City of Sacramento of community development grants originating from HUD.
- D. On July 30, 2008, Congress passed and the President signed into law House Resolution 3221, the Housing and Economic Recovery Act of 2008 (HERA), which authorized a one-time \$3.9 billion allocation to be distributed to the states and local governments to mitigate community impacts resulting from foreclosure.
- E. HUD released the formula and regulations for the new allocation of CDBG under the Neighborhood Stabilization Program (NSP) as prescribed by HERA on September 29, 2008, and a substantial amendment to the Consolidated Plan for NSP funding was to be submitted to HUD no later than December 1, 2008 and approved no later than February 13, 2009.
- F. On October 21, 2008, a noticed public hearing soliciting comments and approving the 2009 One-Year Action Plan containing the Substantial Amendment for NSP and its submission was held by the Sacramento City Council.

Implementation of the Neighborhood Stabilization Program

- G. A noticed public hearing soliciting comments on the guidelines for activities to be undertaken as part of the NSP and necessary amendment to implement was held by the Sacramento Housing and Redevelopment Commission on February 18, 2009 and the Sacramento City Council on February 24, 2009.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, are approved.
- Section 2. The Executive Director, or her designee, is authorized to utilize the Redevelopment Agency under the Property Recycling Program to purchase, undertake rehabilitation, and/or land bank vacant or foreclosed properties in the targeted areas that are \$500,000 or less, meet the NSP discount requirements and either support larger site assembly efforts; can be absorbed into the Housing Authority or private partner's property management portfolio; or will alleviate the negative impacts of foreclosure in a neighborhood due to the deteriorated condition of the property.
- Section 3. The Executive Director, or designee, is authorized to take all reasonable steps to secure and maintain the acquired properties
- Section 4. The Executive Director, or designee, is authorized to execute agreements and such additional documents, as approved by Agency Counsel, and to take such additional actions as necessary to implement the authorized contracts and this resolution.