INVESTING IN COMMUNITIES

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Neighborhood Stabilization Program

Sacramento Property Recycling Program

(PROGRAM GUIDELINES)

Property Recycling Program

The Sacramento Property Recycling Program (PRP) focuses on stabilizing neighborhoods through strategic investments and partnerships. The PRP aims to transform the most impacted neighborhoods, streets and properties; those areas where the market alone cannot ensure change. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures and vacant properties through redevelopment activities, acquisition, rehabilitation and rental of affordable housing, and acquisition and rehabilitation of single family homes for sale throughout Sacramento. The PRP is complimentary to the other programs funded under the Neighborhood Stabilization Program (NSP), all of which seek to reduce the impacts of foreclosures.

1.0 Administration. The Property Recycling Program is administered by the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a joint powers authority of the City and County of Sacramento, and the recipient and administrator of the NSP funding. SHRA's primary role in the PRP is acquisition of properties and disposition to the appropriate Community Partner (see Section 7.0). SHRA's affiliated entities, the Redevelopment Agencies of the City and County of Sacramento and the Housing Authorities of the City and County may also serve as the purchaser of properties.

2.0 Eligible Areas. All activities under the PRP will be for properties located in the NSP target areas, with a priority on areas that are characterized by significant code violations/actions, disproportionate foreclosure activity and/or other blighting conditions. See the attached map of the NSP target areas.

3.0 Eligible Properties. Through the PRP, SHRA and its affiliated entities are authorized to purchase or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. NSP regulations regarding acquisition of properties at a discount from market appraised value will be applicable both on a property level and on a portfolio level. 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 from the date of the final offer. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.

4.0 Affordability. All residential units resulting from the acquisition, rehabilitation or construction through PRP activities must house families at or below 120% of area median income (AMI). 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). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. The median income is subject to change annually.

Properties purchased through the PRP are presumed to be "naturally affordable" based on the location and market conditions of the targeted areas (24 CFR 92.254(a)(5)(i)(B)). Units that will be sold (either initially or through a lease to own program) as a result of PRP activities must be sold to a family whose income does not exceed 120% of AMI (adjusted for family size) but will not require a long term affordability covenant unless required by additional funding sources. Rental units resulting from PRP activities will include long term affordability covenants that restrict income and occupancy to families at or below 50% AMI, consistent with HOME rent standards (24 CFR 92.252) and will be subject to additional affordability requirements of the SHRA Multi-family Lending and Mortgage Revenue Bond Policies or Investment Property Program. In the instance of a multi-unit property, these affordability requirements will apply to the number of units proportionally assisted with NSP funding.

5.0 Property Acquisition. Under the PRP, SHRA can acquire residential and/or vacant properties that are located in a target area for one of three eligible activities, described in Section 6.0. In addition to purchases through local brokers, realtors and other publicly accessible routes, SHRA has established a relationship with the National Community Stabilization Trust (NCST). NCST allows partner governmental entities to view and acquire foreclosed properties within the NSP target areas at a significant market discount, prior to the properties being actively listed. SHRA may receive properties through donations that may be included for rehabilitation or land banking. All property acquired under the PRP is subject to the federal Uniform Relocation Act (49 CRF Part 24), as applicable.

6.0 Eligible Activities. The PRP includes three distinct activities, each of which is described in detail below.

6.1 Redevelopment. Properties that support a larger site assemblage effort of the City or County Redevelopment Agency or Housing Authority or that are severely dilapidated to the point necessitating demolition, will be acquired through the PRP. Properties under this activity 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.

6.1.1 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 the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA). SHRA will complete a programmatic replacement housing plan that will identify units that will be created in the City and County in order to replace the maximum number of units that may be demolished in the Target Areas under the program.

6.1.2 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 can be held by SHRA for more than ten years, as outlined under NSP.

6.1.3 Redevelopment. SHRA will partner with non-profit and for-profit developers to construct housing units on vacant properties. These properties that are purchased with NSP funds will be developed with new construction. SHRA may also partner with governmental agencies to utilize properties for a public use.

6.2 Rehabilitation and Resale of Single Family Housing. Existing single family (1-4 units) properties that are foreclosed upon and/or vacant may be disposed of to a Community Partner (see Section 7.0 below) to rehabilitate and sell. SHRA may require the Community Partner to provide a percentage of acquisition cost at the time of disposition to offset overall Agency funding commitment. SHRA will carry back the remaining cost of the acquisition until the property is sold to an eligible buyer. These properties will primarily come through the NCST, and, as such, will require expedient inspection, appraisal and purchase negotiations. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. Pre-approved Community Partners will be required to comply with all requirements of the NSP Property Recycling Program, including rehabilitation standards, payment of Prevailing Wages, and lead based paint requirements.

6.3 Rehabilitation of Rental Housing. Existing properties that are vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. SHRA may also fund the rehabilitation of such projects; however, a rental rehabilitation project must comply with all requirements of the SHRA Multi-Family Lending and Mortgage Revenue Bond Policies or Investment Property Program including management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. NSP restrictions will be placed on the proportionate number of units funded with NSP money (e.g. if half of the project cost is funded with NSP, half of the units will be restricted by NSP). NSP units in rental properties must be affordable to families at or below 50% AMI. Properties may also be acquired and rehabilitated for long-term rental housing by the Housing Authority.

7.0 Community Partners. For multi-family and single-family properties acquired for rehabilitation and rent or re-sale, SHRA will work with a variety of pre-approved community partners. There are four types of Community Partners, described below, that SHRA will work with, subject to successful qualification, to ensure broad access to properties and nimble recycling of properties.

7.1 Mission-Driven Organizations. These are non-profit organizations that have an existing program and track record of rehabilitating or constructing single family homes, with a larger community purpose or goal. Such missions may include job training, youth empowerment, affordable housing, community reinvestment, etc. Partnerships among existing non-profit organizations are encouraged if needed to amass the appropriate experience.

7.1.1 Selection. SHRA will issue a Request for Qualifications (RFQ) for qualified Mission-Driven Community Partners. The RFQ will require information on past performance, community purposes, financial capacity and type(s) of properties desired. Approval under the RFQ is a pre-requisite for participation as a Mission-Driven Community Partner.

7.1.2 Property Access. Approved Mission-Driven Community Partners will be provided access to homes or vacant properties that are the consistent with the Partner expertise and that match with the particular community needs. Should more than one Mission-Driven Community Partner request the same property, SHRA will offer it first to the partner who has not received a property and second to the partner needing the least financial assistance. Should the Mission-Driven Community Partner not want the properties offered, they will be offered to the volume builder(s) or VPP participants, in that order.

7.1.3 Financial Assistance. Mission-Driven Community Partners may be offered the rehabilitation loan and developer fee assistance under the Vacant Properties Program. In addition, based on SHRA staff review of the partner’s financial capacity, the property may be offered at a discount from the SHRA purchase price or as a donation, if needed to support a reduced sales price based on the partner’s mission or to support the cost of training or other community components of the partner’s mission. If a property is offered to a Mission-Driven Partner as a donation, then SHRA will not provide a developer fee.

7.2 Volume Builders. These are non-profit or for-profit single family builders who have the financial capacity to rehabilitate at least 10 scattered homes at a time, including the ability to provide capital for purchase, rehabilitate and the ability to support carrying costs on the homes and the ability to provide sufficient labor.

7.2.1 Selection. SHRA will issue a Request for Qualifications (RFQ) for qualified Volume Builder Community Partners. The RFQ will require information on past construction and rehabilitation projects, financial capacity and projected volume capacity. SHRA anticipates selecting one Volume Builder Community Partner who can efficiently and expeditiously acquire, rehabilitate and sell the majority of units purchased under the NCST. Approval under the RFQ is a pre-requisite for participation as a Mission-Driven Community Partner.

7.2.2 Property Access. All properties not appropriate for or not desired by the Mission-Based Community Partner(s) will be offered to the Volume Builder Community Partner(s).

7.2.3 Financial Assistance. Homes will be sold to the Volume Builder Community Partner(s) at a price determined by SHRA, not to exceed the price paid for property. The partner(s) may be offered a rehabilitation loan and developer fee assistance under the Vacant Properties Program.

7.3 Vacant Property Program Participants. These are the single family developers/builders approved through the Vacant Property Program RFQ process.

7.3.1 Selection. The Vacant Property Program has a separate application process to become a “Preferred Builder.” Approval under this application process will be deemed approval under the PRP.

7.3.2 Property Access. Any property not acquired by the Mission-Driven or Volume Builder Community Partners will be offered to the VPP participants on a first-come, first-serve basis.

7.3.3 Financial Assistance. Homes will be sold to the VPP Community Partner(s) at the same price when purchased by SHRA. The partner(s) will be offered the same rehabilitation loan and developer fee assistance under the Vacant Properties Program.

7.4 Rental Housing Developers. These are non-profit, for-profit, governmental entities or the Housing Authority that develop rental properties, with experience in constructing, rehabilitating, operating and/or maintaining affordable rental housing. As multi-family properties become available that are not suitable for the Housing Authority, SHRA will release property specific Request for Proposals (RFP) to obtain the best developer and project for the particular site. Financial assistance will be considered consistent with SHRA Multi-family Lending and Mortgage Revenue Bond Policies or Investment Property Program.

8.0 Disposition Process. Properties purchased for demolition and redevelopment or rental housing objectives, unless utilized by the Housing Authority, will be disposed of by the Redevelopment Agency through a public process. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. The Disposition and Development Agreement (DDA) for the properties will be subject to legislative approval.

Properties purchased for rehabilitation and re-sale to owner occupants will be disposed of to pre-selected Mission Driven or Volume Builder Community Partners, described in Section 7.1 – 7.2, above. Concurrent with the acquisition from NCST, SHRA will “triage” the property to determine the best end use, and work with the identified Community Partners on their interest and capacity in the property. It is expected that at the time of SHRA’s close of escrow on the property, they will be positioned to immediately transfer the property to the identified Community Partner through a Disposition and Development Agreement (DDA). SHRA may require the Volume Builder Community Partner(s) to provide a percentage of acquisition cost at the time of disposition to offset to overall Agency funding commitment. SHRA will carry back the remaining cost of the acquisition until the property is sold to an eligible buyer. If a Mission Driven or Volume Builder Community Partner(s) do not acquire the property, SHRA will offer the properties to the Vacant Property Program Participants through a bid process, with disposition through a property specific DDA.

After rehabilitation of single family for sale homes, Community Partners will be responsible for the sale of the homes to income eligible buyers, consistent with standards of the Property Recycling Program. Maximum sales prices may not exceed the total of acquisition, rehabilitation, and disposition costs. Disposition costs may include real estate commissions and closing costs but these costs shall not exceed 10 percent of the sales price. Homes must be sold to homeowner occupants making no more than 120% of area median income, adjusted for family size who have completed 8 hours of HUD approved homebuyer education counseling and who have attained a fixed rate, 30 year first mortgage.