



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



3

June 26, 1990

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Self-Help Housing, Inc. - \$20,000 Commitment Towards
First Project

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency of the City of Sacramento.

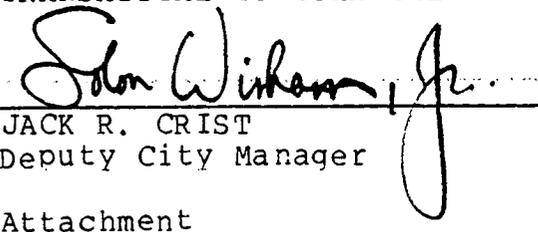
RECOMMENDATION

The staff recommends approval of the attached resolution approving the funding.

Respectfully submitted,


for ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:


for JACK R. CRIST
Deputy City Manager
Attachment



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



July 3, 1990

City Council and
Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session

SUBJECT: Self-Help Housing, Inc., \$20,000 Commitment Towards First Project

SUMMARY

This report recommends that the Redevelopment Agency of the City of Sacramento ("the Agency") approve a conditional commitment to Self-Help Housing, Inc. ("SHHI"), a California Non-profit Public Benefit Corporation, of an amount not to exceed \$20,000, towards development of traditional housing. Of the \$20,000, up to \$5,000 would be disbursable immediately, in the form of a 0%, 5-year unsecured note, to be used to secure an option on a site, pursuant to criteria, as outlined in the staff report. Final loan approval of the remaining funds would be contingent upon submittal to and acceptance by the Redevelopment Agency of the site and plans for financing, management, resident selection and supportive services. The option funds would then roll over into a permanent 3%, deferred interest, 30-year, acquisition and rehabilitation loan to the project. An advance commitment is desirable to assure SHHI the ability to act expeditiously to tie up a suitable piece of property that may become available and to solicit additional commitments from lending institutions and other potential participants. Twenty thousand dollars appears to be sufficient for this step.

BACKGROUND

- a) **Introduction:** SHHI, incorporated with the State in April of this year, is a non-profit corporation whose primary focus is to provide housing opportunities for very low income and/or homeless people in the Sacramento area. (SHHI's Articles of Incorporation are attached as Attachment A.) The group

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intends to identify and acquire dilapidated and boarded units which, with a moderate amount of self-help labor by prospective residents, will be rehabilitated to provide decent, housing to very low income households who are currently living in homeless shelters or in substandard housing. As a side benefit, the nonprofit will be improving blighted properties.

SHHI's Board of Directors (see list of Board of Directors- Attachment B) is made up of housing developers, service providers who have experience with the homeless, housing advocates and others with specific technical expertise in areas useful to a sweat-equity program. According to the By-laws, the Board must always consist of between five and fifteen Directors, two of whom must be tenants of housing owned by the corporation, or prospective tenants. The Board will include persons with development and financial experience.

SHHI's goal is to create a partnership between diverse interests, each of whom will donate (or provide at discount) labor, technical expertise, supervisory skills, financing, raw materials, land, and/or structures in order to reduce the cost of the completed housing.

During the initial start-up period, staffing is being provided through a grant provided by Legal Services of Northern California (LSNC) for developing a response to the needs of the homeless population in Sacramento. LSNC is paying a part-time contract attorney to provide staff services to the Board and to meet the basic administrative needs of the corporation until retention of a permanent staff person is possible. The present arrangement is expected to last through July.

SHHI expects to contract with Rural California Housing Corporation (RCHC) for construction supervision of the first project and with a shelter operating organization for management of the units once occupied. SHHI will function with limited staff assistance for at least the first year of operation. The Board members have agreed to commit the time necessary to keep the organization viable. For more long-term staffing, and anticipating additional projects in the future, SHHI plans to apply to VISTA for at least one staff person and will seek foundation funding as well.

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b) **Agency Loan:** Staff recommends that the Agency conditionally commit up to \$20,000 towards SHHI's first project. Of the \$20,000, up to \$5,000 would be disbursable immediately by the Executive Director in the form of a 0%, five-year unsecured note, to be used to gain an option on a suitable site. The balance of the funds would be made available upon receipt and acceptance by the Redevelopment Agency of site, project financing, management, resident selection and supportive service plans. Once approved, the option note would roll over into a permanent, three percent (3%), deferred interest, 30-year acquisition and rehabilitation secured loan to the project in an amount not to exceed \$20,000. This permanent loan would be forgivable at the end of its term if the conditions listed below are met. The conditions would be incorporated into a regulatory agreement to run with the land:

- 1) The project remains in compliance with the approved plans.
- 2) The property is used continuously to house very low-income homeless persons, or persons already residing in residential hotels or substandard housing. (See selection criteria below.)
- 3) The property is continually operated by a nonprofit organization acceptable to the Agency.

If, at any point in the 30-year term of the loan, SHHI does not meet the above conditions, the loan would immediately become due and payable. The \$20,000 note will be subordinated to other financing.

c) **Potential Sites:** To date, several acquisition and rehabilitation possibilities have been explored. Two are described below for illustrative purposes only. No recommendations in regard to these properties are included in this staff report. Other possibilities are also being investigated by SHHI.

The first possibility is a four-plex in the UCD Medical Center clearance area. The four-plex would be moved to a yet-to-be identified lot. An SHHI Board member and architect, is assessing the feasibility of such a move. SHHI has explored

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POLICY IMPLICATION

The development of transitional housing of this nature is consistent with the Agency's homeless program objectives. In general, the Agency supports the creation of new non-profits with mandates for the development of affordable housing. The Agency has assisted other non-profits in the past by providing acquisition, construction and permanent financing on a project-by-project basis. The Agency has also provided technical assistance in the organizational development of new non-profits. However, the approval of an unsecured loan to a non-profit for the purposes of optioning a site would represent a new mode of assistance. Staff believes that this is a logical and necessary step in the Agency's role of providing assistance to non-profits. In fact, the need for predevelopment funds has been noted in the Agency's Housing Assistance Plan, Program and Financing Strategy and the Three Year Action Plan. In the future, we envision a predevelopment loan program that provides small (\$5,000-\$10,000) up-front, unsecured funds for options, followed by larger, (\$20,000-\$100,000) secured loans. Often, non-profits are put in an untenable position because state and federal programs make site control a prerequisite to application for funding, but non-profits cannot obtain site control without money to fund option payments. The recommendations in this staff report will make it possible for this non-profit to move expeditiously to secure targets of opportunity structures.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of June 25, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

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RECOMMENDATION

Staff recommends adoption of the attached resolutions which:

- 1) Finds that development of a self-help housing project outside the Downtown Redevelopment Project area will be of benefit to that area.
- 2) Approves a commitment of up to \$20,000 to Self-Help Housing, Inc. towards development of a self-help housing project for homeless persons and families.
- 3) Authorizes disbursement of up to \$5,000 of the \$20,000 commitment to SHHI, in the form of a 0%, unsecured note, to be used to secure an option on a suitable site pursuant to the criteria outlined in the staff report.
- 4) Pledges the remaining \$15,000, upon submittal to and acceptance by the governing body of the Redevelopment Agency of:
 - a) A site development and rehabilitation plan.
 - b) A financing plan for acquisition, rehabilitation and operation of the project.
 - c) A management plan for operations following project completion, to include landlord/tenant issues.
 - d) Tenant eligibility criteria and selection process.
 - e) A program for provision of supportive services, to be developed in consultation with the Agency's Community Services Department.

Respectfully Submitted,

TRANSMITTAL TO COUNCIL:


For ROBERT E. SMITH
Executive Director

WALTER J. SLIPE
City Manager

Contact Person: Tom Lee - 440-1357

(7)

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

PREDEVELOPMENT LOAN FOR SELF-HELP HOUSING, INC.

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Agency finds that the development of a self-help housing project for homeless persons outside of the Downtown Redevelopment Project Area will be of benefit to said Area.

Section 2: The Agency commits up to \$20,000 to Self-Help Housing, Inc. ("SHHI") towards development of a housing project for homeless people.

Section 3: Of the foregoing sum, up to \$5,000 shall be available immediately, on a 0%, 5-year unsecured note, to be used by SHHI to secure an option on a suitable site. This first \$5,000 may be disbursed upon approval of SHHI's option and optioned site by the Executive Director, pursuant to criteria outlined in the staff report.

Section 4: The balance of the Agency's commitment shall be made available to SHHI upon submittal to and approval by the Agency of the following requirements for the project:

- a) A site development and rehabilitation plan.
- b) A financing plan for acquisition, rehabilitation and operation of the project.
- c) A management plan for operations following project completion, to include landlord/tenant issues.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

- d) Tenant eligibility criteria and selection process.
- e) A program for provision of supportive services, to be developed in consultation with the Agency's Community Services Department.

CHAIR

ATTEST:

SECRETARY

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION OF BENEFIT FOR SELF-HELP HOUSING, INC. PROJECT

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1: The Council finds that the development of a self-help housing project for homeless persons outside of the Downtown Redevelopment Project Area will be of benefit to said Area.

MAYOR

ATTEST:

CITY CLERK

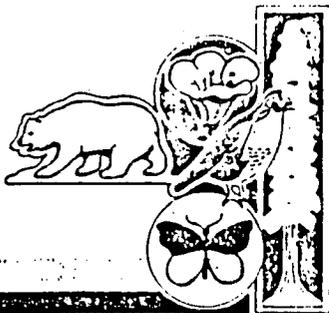
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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ (10)

1662320



State of California

OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

APR 10 1990



March Fong Eu

Secretary of State

ARTICLES OF INCORPORATION
OF
SACRAMENTO SELF-HELP HOUSING, INC.

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

APR 10 1990

MARCH FONG EU, Secretary of State

ARTICLE I

The name of this corporation is SACRAMENTO SELF-HELP HOUSING, INC.

ARTICLE II

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of California for charitable purposes. The charitable and public purposes include:

1. To acquire, develop, rehabilitate, and manage housing for very low-income people.
2. To expand the opportunities available to said residents and groups to own, manage, and operate business enterprises in economically depressed areas; to assist said residents and groups in developing entrepreneurial and management skills necessary for the successful operation of business enterprises; and to assist said residents and groups in obtaining financial support from other sources.
3. To expand opportunities available to said residents and groups to obtain adequate low-cost housing accommodations by constructing, rehabilitating, and providing decent, safe and sanitary housing in Sacramento for persons and families of low-income who otherwise would not be able to find or afford a suitable place to live; to help relieve the poor, distressed, underprivileged and indigent by enabling them to secure the basic human needs of decent shelter and to thus lessen the burdens of government and promote the social welfare; to provide such housing through rehabilitation of existing substandard buildings and construction of new facilities in the place of blighted structures or blighted vacant sites for the purpose of combatting the deterioration of the community and contributing to its physical improvement.

ARTICLE III

The name and address in this state of the corporation's initial agent for service of process is BARRIE J. ROBERTS, c/o LSNC, 515 12th Street, Sacramento, CA 95814.

ARTICLE IV

The number of directors may be fixed or changed from time to time by amendment of the bylaws of this corporation in the manner set forth in the bylaws.

ARTICLE V

The authorized number and qualifications of members of the corporation, the classes of membership, if any, and the property, voting and other rights and privileges of the members shall be as set forth in the bylaws and the liability for dues and assessments and the method of collection, if any, shall be as set forth therein.

ARTICLE VI

A. this corporation is not organized nor shall it be operated for pecuniary profit and no part of this corporation's income or assets shall ever inure to the benefit of any director, officer or member of this corporation or to the benefit of any private individual. The property of this corporation is

irrevocably dedicated to charitable and public purposes.

B. On the dissolution or winding up of this corporation, its assets remaining after payment of, or provision for payment of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation as organized and operated exclusively for charitable and/or public purposes and that has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

ARTICLE VII

A. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law), or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

B. No substantial part of the activities of this corporation shall consist of the carrying on of propaganda or otherwise attempting to influence legislation, nor shall this corporation participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for political office.

Dated: April 10, 1990

Robert J. Slober
Director

[Signature]
Director

Jim Brown
Director

Camilla Easton
Director

Jill Slater
Director

Stanley W.
Director

M Walsh
~~Director~~
Sister Sheila Walsh
~~Director~~

~~Director~~

We declare that we are the persons who executed the above articles of incorporation, and that this instrument is our act and deed.

Robert Slope
~~Director~~
[Signature]
~~Director~~
[Signature]
~~Director~~
Cynthia Easton
~~Director~~
[Signature]
~~Director~~
[Signature]
~~Director~~
[Signature]
~~Director~~
Sister Sheila Walsh
~~Director~~
~~Director~~

self2
1/23/89

Sacramento Self-Help Housing Inc.
Board of Directors

Form 1023 -

Tim Brown
Homeless Organizing Committee
P. O. Box 19552
Sacramento, CA 95816

Cynthia Easton
Architect
2122 J Street
Sacramento, CA 95816

Victor Geminiani
Legal Services of Northern California
515 - 12th Street
Sacramento, CA 95814

Stan Keasling
Rural California Housing Corporation
2125 - 19th St. #101 West
Sacramento, CA 95818

Kay Kneprath
California Housing Coalition
926 J St. Room 408
Sacramento, CA 95814

Jeff Slater
Sierra Foundation
5155 Arden Way #11
Carmichael, CA 95608

Robert Slobe
North Sacramento Land Co.
2121 Canterbury Rd.
Sacramento, CA 95815

Stephen Switzer
Legal Services of Northern California
515 - 12th St.
Sacramento, CA 95814

Sister Sheila Walsh
Jericho
926 J St. #410
Sacramento, CA 95814



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

ATTACHMENT C

SELF-HELP HOUSING, INC. PRELIMINARY PROGRAM CONCEPTS

- a) Acquisition and Rehabilitation: To the extent that additional funding is necessary, as in the case of rehabilitation of a non-donated property, SHHI has identified and will explore the following possible sources of financing:
- 1) Below market rate loans from banks through use of FIRREA.
 - 2) State Predevelopment Loan Fund.
 - 3) Rental Rehabilitation Block Grant
 - 4) California Housing Finance Agency loan.
 - 5) California Housing Rehabilitation Program (CHRP) loans
 - 6) Federal funding and site acquisition opportunities made available through the McKinney Act.

Once a project is identified and acquired, as much as possible of the actual rehabilitation of the structure will be completed by the future residents of the building, working under qualified supervision. Each prospective tenant will be expected to work a minimum of 30 hours per week in the rehabilitation process. This will not only substantially reduce the cost of the rehabilitation but will develop a sense of ownership in the occupied unit which will improve chances for the units to be properly maintained. SHHI also believes that a guarantee that homeless persons themselves will participate in the work substantially contributes to the willingness of outside entities to donate their skills, time, and materials to the project.

RCHC has agreed to provide the construction supervision for this project, under contract with SHHI. Staff believes that project supervision by RCHC will stabilize the program and ensure that the project is completed successfully and in accordance with plans and specifications.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Attachment C
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SHHI has met with the Sierra Building Trades Council, which is supportive of SHHI's aims and will seek donated union labor for the project, if specific technical skills are needed which cannot be provided by prospective tenants. Once a project is selected and a materials needs list is developed, the Building Trades Council may also be able to assist SHHI in approaching suppliers for donated or reduced-cost materials.

Legal work will be donated by LSNC. Architectural services will be donated by Cynthia Easton, also a Board member.

- b) **Participant Selection:** The Board of Directors of SHHI will select program participants, in consultation with the management agency (see "On-going Operations"). Notification of this housing opportunity will be widely circulated among Agency homeless program participants, social service providers and local shelters. The Agency, social service providers and shelter operators will also be asked for recommendations of those among their client group who meet resident selection guidelines, have a strong interest in the program and appear ready to undertake and follow-through on the commitment. This approach is similar to that of our Moderate Rehabilitation Section 8 Program for SROs (the Midtown Motel).

A subcommittee of the Board of Directors of SHHI will screen applicants and make recommendations to the Board based on the following preliminary criteria:

- 1) Income of not more than 35% of area median income.
- 2) Willingness to work on rehabilitation of the building for a minimum of 60 hours (two weeks) on a trial basis.
- 3) Single persons or families will be eligible to participate.
- 4) Homeless at the time of application to the program. Homeless will be defined as one who is a resident in a Sacramento area shelter, or living in severely substandard housing with outstanding health and safety code violations.
- 5) Total minimum work commitment of 500 hours, which will include the 60 hours noted above.
- 6) Potential ability to pay at least the base rents.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Attachment C

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- c) **Rents:** Rents will be dependent on the costs and financing of the completed project. SHHI's goal is to have base, or minimum, rents of \$175 to \$220 per unit, with the actual rents fixed to the tenants' ability to pay using the accepted standard of 30% of income for housing.
- d) **Participant Equity:** The initial residents will earn an equity share in the housing that they help to rehabilitate. The equity will have a value equal to the front-end costs (i.e. first and last month's rent and/or security deposit) of alternative shelter should the resident decide to move from the complex. The equity will not be exchanged for cash directly to the individual, as this might provide undue incentive to some residents to move. Instead, if the initial resident chooses to leave, SHHI will pay front-end costs directly to the new landlord.
- e) **On-going Operations:** Once completed and occupied, the complex will be managed on a day-to-day basis by an existing shelter operating agency, under contract with SHHI, which will handle rent collection, routine maintenance, and tenant problems. It is expected that tenants will have a say in the management of the project, through a resident Council but there will also be strictly enforced occupancy standards and regulations. If the managing agency decides at any point that eviction is necessary, such a decision would only be made in consultation with the Board of Directors.
- SHHI will utilize its own contacts, as well as coordinating with the Agency's Homeless Programs Unit, to contract for the provision of supportive services, including job referral and training services, for the residents of the building. Such supportive services are deemed essential for the success of this project.
- f) **Future Plans:** SHHI will treat the rehabilitation of the first complex as a demonstration project. The corporation's goal is to develop a self-help model for the homeless which will be repeatable with a variety of rehabilitation, and possibly new construction, opportunities.

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