



APPROVED
BY THE CITY COUNCIL

JUL 29 1997

OFFICE OF THE
CITY CLERK

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July 16, 1997

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: BUDGET TRANSFER TO THE PREAPPRENTICESHIP CONSTRUCTION
JOB TRAINING PROGRAM; COMMUNITY DEVELOPMENT BLOCK
GRANT PUBLIC HEARING

LOCATION AND COUNCIL DISTRICT:

Meadowview, District 8
Oak Park Redevelopment Project Area, District 5
Del Paso Heights Redevelopment Area, District 2

RECOMMENDATION

Staff recommends 1) transferring \$275,000 from the 1997 Community Development Block Grant (CDBG) contingency funds to the Preapprenticeship Construction Job Training Program (the Program) for phase II of home construction in the Meadowview area, and 2) committing the funds from the sale of these homes back into the Program for future phases in Avondale/Glen Elder.

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 2

CONTACT PERSONS:

Cassandra Jennings, Director, Economic Development, 440-1312
Greg Wessel, Program Manager, Economic Development, 440-1346

FOR COUNCIL MEETING OF: July 29, 1997

SUMMARY

This report recommends the transfer of \$275,000 from CDBG contingency funds to the Preapprenticeship Construction Job Training Program. The monies will be used to continue the Meadowview Phase II project to construct four homes in the Meadowvale Estates Subdivision for sale to low-income home buyers. These funds replace anticipated bank construction financing that was not available for this phase. Any funds from the sale of the properties shall revolve back into the Program for future phases. The marketing plan to promote the sale of completed Program homes has been overhauled to include more incentives to buyers and agents, more favorable pricing, and promotional tools that call attention to our homes.

COMMISSION ACTION

At its meeting of July 16, 1997, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolution. The votes were as follows:

AYES: Amundson, Castello, Cespedes, Dobbins, Hoag, Rotz,
NOES: Simon, Taylor, Harland
None
ABSENT: Holloway
ABSTAIN: Newsome

BACKGROUND

The Preapprenticeship Construction Job Training Program is a demonstration program that provides for construction training opportunities and for the construction of affordable single-family homes in redevelopment and target areas. The training component allows us to assist a difficult to reach population to begin to change their lives and the community where they

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 3

live. This Program provides trainees an opportunity to obtain a marketable skill, to obtain a general equivalence degree (GED), and to increase their standards of living. On the construction side, the benefit is multi-fold. People within the immediate communities are helping to rebuild their own neighborhoods. Low-income families are purchasing homes that have the most modern amenities. The construction provides for in-fill opportunities and the elimination of blighted vacant property in a market where private sector developers are not currently active.

Program Description

The Preapprenticeship Construction Job Training Program was approved in December 1993 as a pilot effort in Oak Park (Oak Park I). The pilot program was implemented by a partnership of the Sacramento Sierra Construction and Building Trades Council (BTC), the Sacramento County Office of Education Regional Occupational Program (ROP), the Sacramento Employment and Training Agency (SETA), and the Sacramento Housing and Redevelopment Agency (Agency). Since the pilot effort, the financial lending institutions have joined the partnership with either financing, grants or other contributions. To date, U.S. Bank, First Interstate Bank, Wells Fargo Bank, and Farmers and Merchants Bank have participated.

The successful two-home pilot was expanded in July 1994 to include a second phase in Oak Park (Oak Park II) and a first phase in the Del Paso Heights Redevelopment Area (Del Paso I). In July 1995 the City Council approved expanding the Program to a 20 home demonstration program (hereinafter called the Program) which included two phases in Meadowview (Meadowview I and II), two additional phases in Oak Park (Oak Park III and IV), and two additional phases in Del Paso Heights (Del Paso II and III). All homes have been constructed except Meadowview Phase II and Del Paso Phase III. The partners have been continuously evaluating the current Program and anticipate bringing forward in the next 90 days a follow-up report to expand the Program, with modifications, into the Avondale/Glen Elder area.

Student Graduation Results

The Program to date has recruited residents primarily between the ages of 18 to 30 as participants. The 24-week training program was designed to enhance basic educational, vocational, and employability skills; to qualify participants for entrance in the trades unions; and to make available an extensive vocational training and employer network. Through Oak Park Phase IV, 207 students achieved employment and/or training through the Program. Of

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 4

the total, 145 graduated and an additional 62 students found employment and left before completing the course and graduating. The placement component of the Program is an ongoing function of the Program partners who maintain frequent contact with the graduates as part of their case management function. Every effort is and will continue to be made to place and keep these individuals in construction or construction-related jobs.

Our experience indicates that there continues to be opportunities in the construction industry for Program graduates. Furthermore, our graduation and placement rates have increased with each phase of the Program. For instance, of the 22 graduates of the most recently completed Oak Park Phase IV, 15 obtained employment in the trades at graduation and another seven became indentured union apprentices of which two have secured employment. At the time of graduation, there was a 100 percent placement for graduates. According to a study commissioned by the Agency's Office of Equal Opportunity in Construction (OEOC) in 1995, it is estimated that based on the proposed construction projects in the County of Sacramento, approximately 2,700 new construction jobs can be absorbed in the market annually between 1995 and 1999.

The Program is viewed as very successful by the community, the participants, and the partners. The Program provides training, develops vacant in-fill lots, and increases home ownership in low-income neighborhoods. Most importantly, the Program provides employment opportunities to youth and young adults who would otherwise find it difficult to attain such opportunities at comparable salaries.

Proposed Financing

The \$275,000 allocation from CDBG contingency to the Program is intended to replace the bank construction financing originally planned for this phase as previously approved by the City Council. Up through Oak Park Phase IV, banks have joined with us as partners in this Program. However, because of current levels of unsold home inventory, the banks approached for construction financing for this phase declined to lend additional funds at this time.

Providing the balance of the construction financing for Meadowview II from CDBG funds will allow the Program to proceed thus avoiding a loss of training momentum. Program continuation also assures that our partners—Sacramento Employment and Training Agency (SETA), Sacramento County Department of Education Regional Occupation Program (ROP), and Northern California Construction Training (NCCT) (formerly BTC)—will see the Program to completion. An extended period of Program inactivity may lead to a loss of partners or the

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 5

inability to re-energize the Program later. There are also about 80 local youths and young adults on the waiting list for Meadowview Phase II and a number of carry-over students from Oak Park IV who wish to complete the course. Furthermore, the construction industry has enjoyed a resurgence in Sacramento in recent months and it is easier to place graduating students in good jobs now than at any time in the Program's history. We would like to take advantage of the fact that there is relatively low construction trades unemployment, making entry to this employment sector easier for graduating students. A prolonged Program delay may mean missing this window of opportunity. Allocating CDBG funding now will also save the Program about \$30,000 in interest costs over the life of the Meadowview phase and will provide a revolving funds pool for future construction financing beyond the demonstration program.

Market Conditions

One of the more challenging Program aspects has been marketing the completed homes to eligible buyers. The Program intent has always been to sell the completed homes within a reasonable period and revolve the proceeds back into the Program for future construction. Homes constructed in the pilot and early phases of the Program sold well. However, because market conditions in the last year and a half have made it difficult to sell homes, banks have been reluctant to lend for construction of the Meadowview Phase II. Some of the unsold homes have been completed and on the market for more than one year. Our response to the real estate market condition has been to significantly boost our marketing and sales efforts in order to promote the available homes to eligible prospects. Recent improvement in new homes sales in the Sacramento area is indicative that buyers are again looking and considering home purchases. Our marketing efforts will encourage buyers to seriously consider our properties.

The Program was designed to build a total of twenty-eight homes. Twenty-one homes have been completed and eleven have been sold. The three newest homes in Oak Park Phase IV were just recently completed and placed on the market within the last 30 days. All of the other seven unsold homes have attracted numerous offers which for various reasons have not resulted in closed sales. Among the reasons are: lack of buyer interest and confidence, insufficient cash reserves for down payment, poor credit to qualify for mortgage financing, and undocumented immigrants applying for loans, among others. The homes in the Program must be offered to sale to first-time home buyer at 80 percent of median income or below in order to utilize the Program's generous buyer incentives but the number of qualified buyers in this pool of prospective home purchasers is limited. Qualified buyers with sufficient reserves for a down payment are choosing to purchase in neighborhoods that they perceive as more desirable. In

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 6

recent weeks, however, we have seen the housing market in our neighborhoods strengthen with one completed sale and good offers on four additional homes. The improving local economic conditions along with increasing consumer confidence will encourage more renters in our target neighborhoods to consider purchasing their first home.

Marketing

We have examined our Program marketing plan and have made improvements to attract more qualified buyers and stimulate sales by: 1) providing additional signage and point-of-sale information material on the homes to increase interest, 2) providing a higher commission rate (4.5 percent vs. 3.0 percent) to the selling agent to stimulate sales emphasis on our oldest homes, 3) providing more detailed information to agents to help them explain the very favorable financing to potential buyers, 4) directing property listings to brokers who have produced sales of other Program homes, and 5) adjusting prices and increasing buyer incentives on those homes held the longest.

The marketing plan for the proposed Meadowview Phase II includes: 1) attempting to pre-sell all four homes before construction starts, 2) placing signs on the site to attract buyer attention, 3) building two two-story homes each with four bedrooms for larger families, 4) supplying floor plan and elevation drawings depicting the future homes to agents and at the site, and 5) establishing tie-ins with Meadowview events and festivals to promote this phase in the local community. We will select listing agent(s) based upon their history of generating sales of other Program homes in Meadowview or elsewhere. In Meadowview and subsequent phases we will also research offering a self-help program for home buyers that would allow buyers to earn all or part of their down payment through sweat-equity work on the home they are purchasing.

Meadowview Phase II is scheduled to begin in mid- to late August 1997 and Del Paso Heights Phase III would begin in approximately February 1998. The Agency has applied to the Department of Housing and Urban Development for a YouthBuild Grant which, if successful, will provide up to \$700,000 for the training components and support services for the Del Paso Heights phase.

FINANCIAL CONSIDERATIONS

This report recommends that \$275,000 be transferred from the CDBG contingency to this Meadowview Phase II Preapprenticeship Construction Training Program. An additional \$419,900 has already been appropriated for this phase.

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 7

PROPOSED FINANCING FOR THE MEADOWVIEW PHASE II	
Development, Building and Selling Costs:	
Land	\$ 53,500
Construction of four homes and training	\$ 535,000
Home buyer financing, marketing, real estate and legal fees	\$ 76,400
Construction and Program Contingency	\$ 30,000
Total Meadowview Phase II Costs	\$ 694,900
Source of Funding	
Funds already allocated in the Program budget for this phase	\$ 419,900
Proposed CDBG transfer	\$ 275,000
Total Meadowview Phase II Funding Required	\$ 694,900

POLICY CONSIDERATIONS

The actions recommended in this report are consistent with Agency policy to provide affordable housing, to remove blight, and to encourage self-sufficiency via employment training.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b) (3). The Program is a continuing project under NEPA, thus no further review is required.

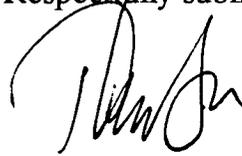
SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
July 16, 1997
Page 8

M/WBE CONSIDERATIONS

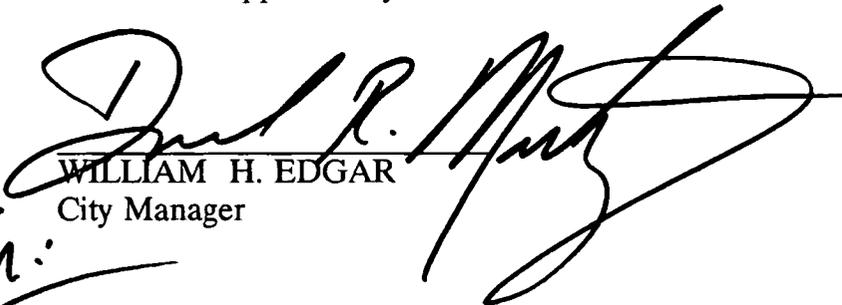
The Agency does not award contracts under this program, therefore, M/WBE considerations do not apply. However, every effort is made to recruit women and minorities into the training program.

Respectfully submitted by,



THOMAS V. LEE
Executive Director

Transmittal approved by:



WILLIAM H. EDGAR
City Manager

for:

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APPROVED
BY THE CITY COUNCIL

JUL 29 1997

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 97-437

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

PREAPPRENTICESHIP CONSTRUCTION JOB TRAINING PROGRAM: AMENDMENT OF 1997 CDBG PROGRAM AND FINAL STATEMENT AND AGENCY BUDGET

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

Section 1. The Sacramento Housing and Redevelopment Agency is authorized to amend the Agency Budget and the 1997 Community Development Block Grant (CDBG) Program and Final Statements to transfer \$275,000 from the 1997 CDBG Contingency Fund to the Preapprenticeship Construction Job Program (Program) fund for construction of Meadowview Phase II. Upon completion and sale of the four (4) homes in that phase the Agency budget is amended to receive sales proceeds into the Program fund.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____