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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

February 25, 1981

CITY MANAGER'S OFFICE
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Housing Authority of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Recommendations to Discontinue the SNAP
Homeownership Program (SHOP)

BACKGROUND

The SHOP Program, a joint City and County pilot program, was designed to provide homeownership opportunities for low income persons who could not qualify for conventional mortgage financing. Six existing housing units were to be purchased by the Sacramento Housing and Redevelopment Agency. The Agency was to provide a low interest SNAP loan to the qualified applicant with the applicant contributing a portion of the labor to lower the rehabilitation cost. The acquisition and rehabilitation costs incurred by the Agency were to be recovered through the repayment of the loan, with the proceeds to be deposited in a revolving loan fund for future SHOP activities.

ACTIVITIES TO DATE

The Agency has purchased from the Department of Housing and Urban Development (DHUD), at approximately 10% below market value, three FHA-repossessed structures. One of the structures is located in the County, while the other two are located in the City. Work write-ups and cost estimates have been completed for the rehabilitation of these units. The acquisition and estimated rehabilitation costs of these units are as follows:

<u>Location</u>	<u>Acquisition Price</u>	<u>Estimated Rehabilitation Cost</u>	<u>Total</u>
4318 8th Avenue (City)	\$ 5,500	\$14,450	\$19,950
2180 Ferran Avenue (City)	26,550	7,225	33,775
4212 Gothberg Avenue (County)	29,700	12,350	42,050

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date

3/10/81

3-10-81

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FINANCIAL DATA

The following information is a breakdown of SHOP Program expenditures for these three units through December 1, 1980:

	<u>City</u>	<u>County</u>
Budget	<u>\$67,500</u>	<u>\$67,500</u>
Real Estate Purchased	32,050	29,700
Agency Operating Expenditures	<u>4,348</u>	<u>5,387</u>
Total Expenditures	<u>36,398</u>	<u>35,087</u>
Budget Balance	<u>31,102</u>	<u>32,413</u>

ANALYSIS

An analysis of the practicability of continuing this project indicates a very poor future due to the following reasons:

1. The stock of available FHA-repossessed homes suitable for acquisition and rehabilitation with which to continue the program is limited and according to local FHA staff will stay that way in the future.
2. The average acquisition cost of currently available structures is \$29,000 or \$12,000 (71%) more than contained in the original program proposal. This cost is continually increasing.
3. The amount of staff time that would be necessary to implement the program would impact on the Agency's ability to meet established production goals of other rehabilitation programs.

Additional staff time would be required in the following areas:

1. Advertise program.
2. Screen applications for general qualifications of family size, capacity to make loan payments and rehabilitation skills.
3. Form the applicant selection committee comprised of a County, City and Agency representative.

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4. Prepare Owner Participation Agreement specifying which portions of the work will be performed by the contractor and applicant.
5. Construction supervision.

The additional cost for this work and associated indirect support costs of the Legal, Real Estate and Finance Departments is estimated to be \$4,100 per property.

4. The remaining funds in both the City and County SHOP budgets are insufficient to complete even one additional respective project.
5. The difficulty is in implementing the Program's provision of creating a revolving loan fund for future SHOP activities by arranging a loan from another source to repay the SHOP loan. The monthly principal and interest payments that would result from refinancing the SHOP loan with either the below market interest rates available under the HOHI Program or conventional financing would exceed the applicant's ability to afford as provided in the Program guidelines. The Program provides that the maximum housing payment a hypothetical family of four earning \$17,100 a year could make would be \$356. Using the \$33,775 total estimated cost of the Ferran Avenue property as an example, the monthly principal and interest payment at the below market HOHI rate of 10% is \$371. The California Housing Finance Agency is experiencing difficulty in selling new bonds and HOHI loan funds are currently limited. The monthly payment with conventional financing at 14% would be \$500. The cost of taxes and insurance would be in addition to these monthly payments. It appears that even with the use of the subsidized interest rate available under the HOHI Program, the establishment of a SHOP revolving loan fund is not feasible.

At its regular meeting on February 2, 1981, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were recorded as follows:

AYES: Knepprath, Luevano, Serna, Teramoto, Walton,
B. Miller

NOES: None

ABSENT: Coleman, Fisher, A. Miller

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RECOMMENDATIONS

It is hereby recommended:

1. That the three units already acquired be absorbed into the Agency's Substantial Rehabilitation Program recently approved by DHUD. The Substantial Rehabilitation Program utilizes direct Federal monies and would not involve expending any local dollars.
2. That the SHOP Program be discontinued and the remaining budgeted funds totaling \$67,500 be deposited in the respective City and County Contingency Fund and then reallocated to the SNAP Revolving Loan Fund account to be utilized for additional housing rehabilitation loans.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slipe

WALTER J. SLIPE
City Manager

Contact Person: Leo T. Goto

RESOLUTION NO. 81-025

Adopted by the Housing Authority of the City of Sacramento

March 10, 1981

DISCONTINUING THE
SACRAMENTO HOMEOWNERSHIP PROGRAM

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY
OF SACRAMENTO:

Section 1. The Sacramento Homeownership Program as
established by Resolution No. 1646 dated October 3, 1978, is
hereby rescinded and dissolved.

Section 2. The two housing units previously acquired
under the Sacramento Homeownership Program shall be transferred
to the Substantial Rehabilitation Program recently established
by the Authority.

Section 3. The remaining funds in the Sacramento Home-
ownership Program in the amount of \$31,102, shall be transferred
to the City Contingency Fund and reallocated to the Sacramento
Neighborhood Assistance Program Revolving Loan Fund account to
be utilized for additional rehabilitation loans.

CHAIRMAN

ATTEST:

SECRETARY

FILED
SACRAMENTO HOUSING AUTHORITY
Date 3/10/81