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April 5, 1999



City Council and Housing Authority of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Authorization and Funding for First Phase of Franklin Villa Revitalization Plan;
Adoption of Franklin Villa Memorandum of Understanding (MOU)

LOCATION & COUNCIL DISTRICT

An area bounded by Franklin Boulevard, Brookfield Drive, and Morrison Creek, Council District 8

RECOMMENDATION

Staff recommends the adoption of two resolutions to carry out the first phase of the Franklin Villa Revitalization Plan. The first resolution:

- Authorizes the Executive Director to amend the Sacramento Housing and Redevelopment Agency Budget to transfer \$1 million in federal Home Investment Partnership (HOME) funds to the Franklin Villa Housing Fund for the acquisition, rehabilitation, and reconfiguration of Franklin Villa units; and
- Authorizes the staff to negotiate a Memorandum of Understanding to define the commitments of SHRA, The City of Sacramento, the Sacramento Employment and Training Agency, Nehemiah Progressive Housing Corporation (Nehemiah), and other local public and private entities working in Franklin Villa, and to recognize the involvement of Freddie Mac (through the City's Alliance Agreement).

The second resolution:

- Authorizes the Executive Director to enter into a Memorandum of Understanding with the United States Department of Housing and Urban Development (HUD) to purchase, rehabilitate, reconfigure and manage HUD-foreclosed properties in Franklin Villa.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

CONTACT PERSONS

Gregg Fortner, Director of Housing, 440-1337

Beverly Fretz-Brown, Director of Development Services, 440-1357

FOR COUNCIL MEETING OF April 20, 1999

SUMMARY

This report outlines significant actions proposed for Franklin Villa made possible through a new cooperative agreement between the Housing Authority and HUD. It recommends allocating \$1 million (approximately 15 percent of the total estimated cost of implementing the Franklin Villa Revitalization Plan) and further identifies the respective roles of the partners in securing the necessary resources. To the extent additional funds become available, we believe the Revitalization Plan can be fully implemented in three to five years and lead the way to the return of home ownership and well managed privately owned property.

This report also describes the role of key local partners (the Sacramento City Police Department, Nehemiah, the City of Sacramento, and SHRA) whose commitments will be incorporated into a Memorandum of Understanding. The Memorandum will also summarize the involvement of other private parties, including Freddie Mac, through the City's Alliance Agreement, and the Enterprise Foundation.

COMMISSION ACTION

At its meeting on April 7, 1999, it is anticipated that the Sacramento Housing and Redevelopment Commission will recommend approval of the attached resolutions.

BACKGROUND

Franklin Villa Estates is a 1970s condominium development of fourplexes and townhomes. (Please see the location map, Attachment I). It is distinguished by:

- 943 privately owned condominium units in a compact area
- 650 different owners, most of them absentee
- 81 percent rental units
- 96 HUD-foreclosed units
- Five different homeowner associations
- 2,400 persons, 40 percent under age 13
- Over 50 percent of households receive some form of public assistance
- Average income of Franklin Villa households is below 50 percent of area median income
- 22 percent unemployment rate, compared to a rate of less than 5 percent for the City of Sacramento
- Franklin Villa comprises less than .2 percent of the City's total area but generates 2 percent of service calls to the Sacramento Police Department

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For the past five years, SHRA, City departments, and community-based nonprofit corporations have united their resources to deal with serious problems stemming from disinvestment in this unusual subdivision. These efforts include intensive social services, active neighborhood policing, and grassroots organizing and education among the homeowner associations and residents. Notwithstanding these efforts, Franklin Villa continues to be one of the most troubled neighborhoods in Sacramento. With so many absentee owners not engaging in tenant screening or common management, destructive tenants continue to rent in the community. The homeowner associations have difficulty collecting dues, ending up with few resources to prevent the deterioration of roofs, building exteriors, and common areas, and no mechanism to coordinate security to protect the residents. Physical and site layout problems exacerbate these social ills.

The City of Sacramento, SHRA, Nehemiah, and other partners in the public and private sector have decided to alter the course and take on additional risk, including:

- Assuming control of more units
- Strengthening the management and accountability of the home ownership associations
- Vigorously pursuing national funding to reduce density and site layout problems
- Maintaining the local alliances with social services providers for job training, food and clothing, a new Head Start center, and linkages with the local elementary school
- Implementing the City's Alliance Agreement with Freddie Mac to increase outside resources, including resident preparation and financing for home ownership.

SHRA has negotiated an agreement with HUD to purchase HUD's inventory of 96 foreclosed units in Franklin Villa for \$100 each, and to acquire future real estate owned (REO) units for a value determined by HUD, currently set at \$1,000. The Agency will rehabilitate the units to HUD Housing Quality Standards and future home ownership requirements, manage the units, and reinvest its rental income after operating expenses are paid to fund protective and social services. Rental revenues in the amount of \$200,000 annually will be committed to community policing and problem oriented policing activities in the first year of the program pursuant to an individual project agreement between the City of Sacramento and the Housing Authority. Based on a positive assessment at the end of year one, police funding will be continued for up to two additional years.

Depending on location, this report recommends authorization to purchase up to 50 additional units for sale on the open market. We anticipate that these purchases will include 23 units currently held by Nehemiah. We are currently in discussion with Nehemiah to determine the fair market value of these properties.

The Agency proposes to use \$1 million in City HOME funds for the purchase, rehabilitation, and reconfiguration of units. The financing will be in the form of equity contributions. Rehabilitation inspections have not taken place because the Agency does not yet have access to HUD's units, which are boarded and vacant. Based on the experience of other organizations working in Franklin Villa, the unit rehabilitation costs are estimated to range from \$5,000 to

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

\$15,000; reconfiguration from four to two units is estimated at \$30,000 to \$40,000 per reconfigured unit. Because the homeowner associations own a number of the common building systems, including exterior walls and roofs, agreements will be explored to allow the Agency to repair, replace, and/or improve those elements as part of the rehabilitation scope of work.

The Housing Authority will own and manage the units, screen tenants, and set rents to cover operating costs and community reinvestment. Under a special pilot program, the Housing Authority will establish a minimum tenant rent, with the balance paid through Section 8 tenant-based assistance. A portion of the combined rent paid for the unit will be placed in a home ownership fund, available to residents who wish to purchase a unit in Franklin Villa after one year's occupancy upon meeting the qualifications of the SHRA home ownership program for public housing and Section 8 residents. A detailed account of the Admissions and Continued Occupancy Plan for Franklin Villa Estates is available from the office of the Clerk of SHRA.

Freddie Mac Alliance Agreement

On February 2, 1999, Freddie Mac, a leader in the secondary mortgage market, entered into an Alliance Agreement with Sacramento that initiated an Employer-Assisted Housing Program beginning with the Sacramento City Unified School System and the UCD Health Services Administration. Another significant element of the Alliance is Freddie Mac's commitment to increasing key resources in Franklin Villa, both technical and financial, focused on increasing owner-occupancy as the community stabilizes. Freddie Mac has secured the involvement of the Enterprise Foundation to assist the local elementary school in raising program funds and is discussing its new lease-purchase financing program with SHRA as one means to build resident eligibility for home ownership.

Local Partnerships and the Memorandum of Understanding

SHRA has convened a Franklin Villa Project Management Group to develop the recommended MOU, which will concentrate on specific tasks, services and programs that will support the entire Franklin Villa community. We will report back to Council within 60 days with an overview of the MOU and timeline for implementation.

The five areas of concentration are as follows:

- *Social Services*
- *Protective Services*
- *Housing Management*
- *Community Involvement*
- *Physical Improvements*

The priority activities in each of these areas will be merged into a timeline incorporated into the MOU. A significant amount of work on the MOU is already in place, due to the efforts of the Project Management Group. The major participants are: the City of Sacramento, SHRA, Nehemiah, Sacramento Employment and Training Agency, the County Department of Human

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Assistance, the Franklin Villa Resource Center, Rural California Housing Corporation, and public school programs.

A key element of the MOU will focus on a strategy SHRA and Nehemiah have negotiated to leverage SHRA's property ownership as a mechanism to enhance the Franklin Villa-wide property management responsibilities currently held by five homeowners associations.

The new MOU will prioritize activities, integrate their delivery, and set milestones for performance. Changes in social support programs as a result of welfare reform will be reflected, as will be the housing management role of SHRA. To achieve full implementation of the Franklin Villa Revitalization Plan, the MOU will identify the role of partners in raising additional funding for common area improvements, security, road realignment, and school-based programs. Congressman Robert Matsui, who represents the area, is initiating the funding drive by introducing a \$2.5 million appropriation request from the HUD budget to support the Franklin Villa Revitalization Plan. It is the Agency's goal that over a three to five year time period, many of the publicly held properties can be returned to owner-occupancy and/or to private ownership with high quality management.

FINANCIAL CONSIDERATIONS

Staff recommends that the following funds be transferred:

From:

1995 City HOME funds, Developers Assistance	\$400,000
1995 City HOME funds, Special Projects	1,364
1995 City HOME funds, Public Housing Single Family	100,000
1996 City HOME funds, Single Family Rehabilitation	153,409
1997 City HOME funds, Single Family Rehabilitation	120,227
1997 City HOME funds, Single Family New Construction	<u>225,000</u>
Total to be transferred	\$ 1,000,000

To:

Franklin Villa Housing Fund	\$ 1,000,000
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The funds will be used by the Housing Authority for the purchase, rehabilitation, and reconfiguration of Franklin Villa units, including HUD real estate owned units and those currently for sale by private owners. To accomplish the purchases from HUD, staff recommends approving the Housing Authority's request to enter into an agreement with HUD to pay \$100 per unit for the foreclosed units in HUD's current inventory and to acquire future REO property in Franklin Villa at a value based on existing conditions, not to exceed \$1,000 during the initial year of the agreement.

If the work program recommended in this report is successful, these or future HOME funds will be considered to continue the acquisition and rehabilitation effort.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

POLICY CONSIDERATIONS

The actions requested in this report are consistent with Agency priorities to fund the acquisition and rehabilitation of deteriorated properties, and with the City's adopted Franklin Villa Revitalization Plan 1998-2002.

ENVIRONMENTAL REVIEW

M/WBE CONSIDERATIONS

Contracting activities related to this request are subject to Agency M/WBE requirements.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

~~AMENDED~~

RESOLUTION NO. 99-190

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

FRANKLIN VILLA: TRANSFER OF HOME FUNDS AND MEMORANDA OF UNDERSTANDING WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND OTHER ENTITIES

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

Section 1. The Sacramento Housing and Redevelopment Agency (SHRA) budget is hereby amended to transfer funds as follows:

From:	
1995 City HOME funds, Developer Assistance	\$400,000
1995 City HOME funds, Special Projects	1,364
1995 City HOME funds, Public Housing Single Family	100,000
1996 City HOME funds, Single Family Rehabilitation	153,409
1997 City HOME funds, Single Family Rehabilitation	120,227
1997 City HOME funds, Single Family New Construction	<u>225,000</u>
Total to be transferred	\$1,000,000

To:	
Franklin Villa Housing Fund	\$1,000,000

Section 2. The Housing Authority of the City of Sacramento (Authority) is authorized to enter into a Memorandum of Understanding (MOU) with the United States Department of Housing and Urban Development, in a form approved by Authority Counsel. The MOU will include provisions for the Authority to acquire, rehabilitate, reconfigure, lease and sell units at Franklin Villa and to take various other actions consistent with the Franklin Villa Revitalization Plan and to utilize the HOME funds transferred pursuant to Section 1.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 3. The Authority, SHRA and City staff are hereby authorized to negotiate a memorandum of understanding with public and private entities which provide services to the Franklin Villa community, to define their respective commitments.

Section 4. City staff and SHRA are directed to prepare and return with quarterly reports on the Franklin Villa project.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

amended

RESOLUTION NO. 99-190

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

FRANKLIN VILLA: TRANSFER OF HOME FUNDS AND MEMORANDA OF UNDERSTANDING WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND OTHER ENTITIES

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DATE ADOPTED: _____

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MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

AMENDED

RESOLUTION NO. 99-004

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
ON DATE OF

**FRANKLIN VILLA: MEMORANDA OF UNDERSTANDING WITH
THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND OTHER ENTITIES**

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

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Section 2. The Executive Director is hereby authorized to negotiate and enter into purchase and sale agreements; leases; rehabilitation, demolition and site improvement contracts; and to enter into other agreements, execute other documents, and perform other actions necessary to accomplish the acquisition, rehabilitation, and reconfiguration of Franklin Villa housing units, including without limitation, subordination, extension, and restructuring of debt and payments, all as approved by Authority Counsel, provided that such actions are consistent with the Franklin Villa Revitalization Plan.

Section 3. The Executive Director is authorized to negotiate a memorandum of understanding with public and private entities which provide services to the Franklin Villa community, to define their respective commitments.

Section 4. The Executive Director is directed to prepare and return with quarterly reports on the Franklin Villa project.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO. 99-004 as amended

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
ON DATE OF



**FRANKLIN VILLA: MEMORANDA OF UNDERSTANDING WITH
THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
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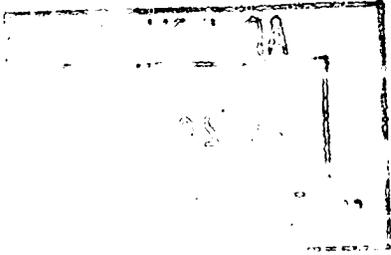
CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____



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