

RESOLUTION NO. 2005-004

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF **MAR 01 2005**

APPROVING AGREEMENTS WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR DISPOSITION OF HOMES OWNED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO UNDER THE 5 (h) AND SECTION 32 PROGRAMS, AND ALLOCATING SALES REVENUES FOR REHABILITATION OF THE HOMES IN THE 5(h) AND SECTION 32 PROGRAMS AND RELATED COSTS

WHEREAS, in 1997 the Housing Authority of the City of Sacramento ("Authority") and the Housing Authority of the County of Sacramento jointly initiated the 5(h) "Homes for Sale" Program with the approval of the US Department of Housing and Urban Development ("HUD"), which allowed existing conventional public housing and Housing Choice Voucher clients the opportunity to purchase scattered single family two and three bedroom homes owned by the Authorities which were designated for removal from the public housing inventory; and

WHEREAS, to-date 60 homes have been sold under this Program; however, 190 additional homes owned by the Authority remain unsold, in part due to the restrictions impose under the 5(h) program that existing public housing tenants residing in these homes may not be required to relocate; and

WHEREAS, in order to improve opportunities for low income families to acquire housing and to expedite sale of the remaining Authority housing, it is desirable to modify the 5(h) program so that it only includes the 44 homes that are currently vacant and to establish a new program under HUD's Section 32 program for disposition of the remaining 146 homes that are occupied.

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO:

Section 1. After due consideration of the evidence presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution are approved.

Section 2. The Executive Director is hereby authorized to submit applications, negotiate, and enter into the following agreements with HUD: (a) an amended Implementation Agreement for the 5(h) Program to reduce the homes included under that Program to only existing vacant Authority homes, (b) an Implementation Agreement and relocation plan for the remaining occupied Authority homes that were previously under the 5(h) Program to be covered under HUD's Section 32 Program, and (c) related

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agreements required by HUD to implement the foregoing; all of which in a form approved by Authority Counsel. The homes to be included in the Section 32 Program are the following HUD Development Numbers:

CA005002	1 unit
CA005019	41 units
CA005020	28 units
CA005021	19 units
CA005023	11 units
CA005025	20 units
CA005035	14 units
CA005041	<u>12 units</u>
	146 units

Section 3. The proceeds of the sale of homes under the 5(h) and Section 32 Programs are hereby allocated to the Public Housing Rehabilitation and Sale account in order to fund the costs of rehabilitation of the homes in these Programs, related administration and sales costs, relocation expenses, and other purposes authorized under the 5(h) and Section 32 Programs.

Section 4. The Executive Director is hereby authorized to solicit, award and enter into construction contracts for rehabilitation of the 5(h) and Section 32 homes, and to enter into agreements to market and sell these homes, provide homeownership counseling and relocation services, and for related services needed to implement the 5(h) and Section 32 Programs subject to available funding in the Public Housing Rehabilitation and Sale account.

Section 5. The Executive Director is hereby authorized to enter into sales, regulatory and loan agreements with purchasers of homes under the 5(h) and Section 32 Programs, with the terms consistent with the requirements under these Programs and subject to approval by the Authority Counsel.

Section 6. The Executive Director is authorized to enter into any necessarily-related agreements, as approved by Authority Counsel, which agreements are in accordance with Authority policies, this resolution, and with the staff report that accompanies this resolution, to implement the 5(h) and Section 32 Programs.

HEATHER FARGO

CHAIR

ATTEST:

SHIRLEY CONCOLINO

SECRETARY

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February 16, 2005

Housing Authority of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: APPROVAL OF REVISION TO 5(H) "HOMES FOR SALE" PROGRAM
AND AUTHORIZATION TO APPLY TO THE US DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT FOR A SECTION 32
HOMEOWNERSHIP PROGRAM

LOCATION & COUNCIL DISTRICT Citywide

RECOMMENDATIONS

Staff recommends adoption of the attached resolution which authorizes the Executive Director or her designee to:

- approve the revision of the 5(h) "Homes for Sale" program of the City and County of Sacramento Housing Authorities by limiting it to the sale of 73 vacant houses to low-income households, 44 of which are owned by the City Housing Authority;
- submit an application to the United States Department of Housing and Urban Development (HUD) for a Section 32 Homeownership Program to sell to low-income households the remaining 212 two- and three-bedroom houses owned by the housing authorities, 146 of which are owned by the City of Sacramento Housing Authority;
- execute an Implementation Agreement, Amended Implementation Agreement and related documents with HUD to conduct the revised 5(h) and Section 32 homeownership programs;
- enter into and amend construction contracts, regulatory agreements, and loan documents necessary for the implementation of the programs; and
- allocate to the Public Housing Rehabilitation and Sale Fund proceeds of sale to finance the rehabilitation of the houses, administrative costs, and other purposes permitted by the 5(h) and Section 32 programs.

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CONTACT PERSONS

Thomas V. Lee, Deputy Director, SHRA, 440-1337
Beverly Fretz-Brown, Policy Analyst, 440-1330

FOR COUNCIL MEETING OF: March 8, 2005

SUMMARY

The Housing Authorities of the City and County of Sacramento have requested HUD's approval to revise their HUD 5(h) homeownership program. Originally approved by HUD and the Board of Supervisors in 1997, the program permitted the housing authorities to sell their single family units to public housing residents, Housing Choice Voucher participants, and low-income households. The proposed revision would divide the program into two components: (1) limit the existing City/County program to the sale of 73 vacant houses, and (2) carry out the sale of the remaining 2- and 3-bedroom houses under a homeownership program at HUD that replaced 5(h) and provides more flexibility. This report seeks approval for that revision and the submission of an application for the replacement homeownership program, called Section 32.

COMMISSION ACTION

At its meeting of February 16, 2005, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Coriano, Gore, Hoag, Piatkowski, Stivers

NOES: Harland, Simon

ABSENT: None

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opportunities to residents of public housing, Housing Choice Vouchers (HCV) participants, persons on the public housing and HCV waiting lists, and low-income persons in the community. This initial program was called the 5(h) Homeownership Program, or "Homes for Sale" program. The second purpose for the program was to increase the housing authorities' management and maintenance efficiency by reducing the number of scattered single family homes, which were very costly to maintain.

SHRA provided extensive outreach to all public housing residents and HCV participants, holding numerous information meetings to explain how to qualify for homeownership. Families living in the single family homes were the first to be offered the opportunity to participate, followed by other public housing residents and HCV participants.

To date, 60 houses have been sold to public housing residents and HCV participants who were given priority to purchase the housing if they met income and rental history requirements. Consistent with HUD 5(h) regulations, the Agency could not cause families in the single family homes to relocate to other public housing if they did not wish to participate in or were not eligible for the homeownership program. As a result, most of the housing authorities' homes could not be sold. Therefore in November 2004, the Agency requested HUD's approval to limit the 5(h) program to the existing 73 vacant houses, and to subsequently apply to HUD to allow the rest of the homes to be sold under HUD's Section 32 program. The Section 32 program has replaced the 5(h) program by allowing more flexibility.

Of the 73 vacant houses, 44 are owned by the Housing Authority of the City of Sacramento and 29 are owned by the County Housing Authority. (Please see Attachment I for City and County location maps for the revised 5(h) program.) Of the 212 houses proposed for the replacement Sec. 32 program, 146 are owned by the City Housing Authority and 66 by the County. (Please see Attachment II for City and County location maps for the Sec. 32 program.) Four- and five-bedroom houses owned by the housing authorities will not be converted to homeownership; they will remain in the public housing inventory.

The two HUD homeownership programs are very similar.

- Public housing residents and HCV participants receive preference as home purchasers.
- All applicants must meet income thresholds, be current in all rental payments, have a good rental history and an acceptable credit report, complete a series of homebuying and home maintenance seminars, and qualify for a mortgage.

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- Household incomes cannot exceed 80 percent of the area median income.
- Homeownership assistance from the Agency and private lenders helps attain affordability for the low-income purchasers.

All homes are rehabilitated before they are sold, with the rehabilitation ranging from moderate repairs to major system replacements. Proceeds from the sale of the homes will be the primary funding source for rehabilitation, supplemented by the possible use of redevelopment tax increment funds in those homes located in redevelopment areas where the Redevelopment Advisory Committees and the Redevelopment Agencies approve such expenditures. If redevelopment funds are proposed, their approval will be requested under a separate staff report.

The Sec. 32 program differs from the original 5(h) homeownership program in two respects. The most significant is that residents in the single family units will be required to move to other public housing units so that the houses can be converted to homeownership. The housing authorities will pay for moving and related utility costs, and will submit to HUD a relocation plan as part of its Sec. 32 submission. In addition, the Sec. 32 program requires specific anti-windfall resale provisions, such as the housing authorities' taking back a second deferred payment loan for the difference between the market value of the house and its affordable price. A description of the proposed Sec. 32 program is found in Attachment III: "Section 32 Homeownership Plan."

Because the original 5(h) program has been operating for a few years, the homes to be sold under the revised 5(h) vacant home program or the proposed Sec. 32 plan will be offered first to the public housing and HCV households who have previously applied and are in the process of homebuyer counseling and credit repair. Households also participating in the housing authorities' Family Self-Sufficiency Program, which includes savings plans, will also be included as potential purchasers. Thereafter, lower income households in the general public will have the opportunity to submit applications. Throughout the entire estimated three and one-half year term of the programs, public housing residents and HCV participants who meet the eligibility requirements will always receive priority as purchasers. An open window process will be established for their participation, communicated through the Resident Advisory Board, the resident councils, and HCV staff.

FINANCIAL CONSIDERATIONS

This report recommends allocating to the Public Housing Rehabilitation and Sale Fund the proceeds of sale from the 44 5(h) vacant houses and the 146 houses proposed to

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be covered under the Sec. 32 program. The homes are 40 to 50 years old, on average, and require substantial rehabilitation. The Agency's construction staff estimates that rehabilitation and related construction management costs will average \$99,000 per unit, primarily for replacement of heating and cooling systems, windows and doors, cabinets and appliances, carpets and counters, and upgrading of electrical and plumbing systems – all on an as-needed basis. The Agency estimates that housing counseling, relocation, marketing, sales, procurement and administrative costs for implementing the homeownership program will average \$5,150 per unit.

Based on recent comparable sales in the areas in which the houses are located, the Agency estimates that the market value of the homes will range from \$200,000 to \$220,000. The affordable prices, using HUD formulas for affordability, are estimated to range from \$160,000 to \$170,000. The housing authorities will carry back the difference between the market value of the home and the affordable price. Affordability is also enhanced by the eligible home buyers' taking advantage of the Agency's and private lending institutions' subsidy programs for first-time home buyers.

POLICY CONSIDERATIONS

Rehabilitating rental single family homes and selling them to new lower income homeowners are activities endorsed by the City and County in their Housing Elements. This is a particularly significant activity because most of the homes owned by the housing authorities are located in lower income neighborhoods, which are striving to increase homeownership.

In addition, the housing authorities' goal for the disposition of these scattered site homes is increased efficiency in operations. With the federal government cutting back on funds to operate and maintain public housing, the housing authorities have had to strategically assess means to create additional efficiencies. The existing and proposed homeownership programs will decrease the high costs of managing nearly 400 scattered site and older single family houses while it provides opportunities for homeownership for lower income people.

ENVIRONMENTAL REVIEW

The proposed action which includes the rehabilitation and sale of existing single family residences is exempt from environmental review under the CEQA Guidelines Section 15301(d) and under NEPA per HUD regulations at 24 CFR Sections 58.35(a)(3) and (a)(5).

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M/WBE CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully submitted,

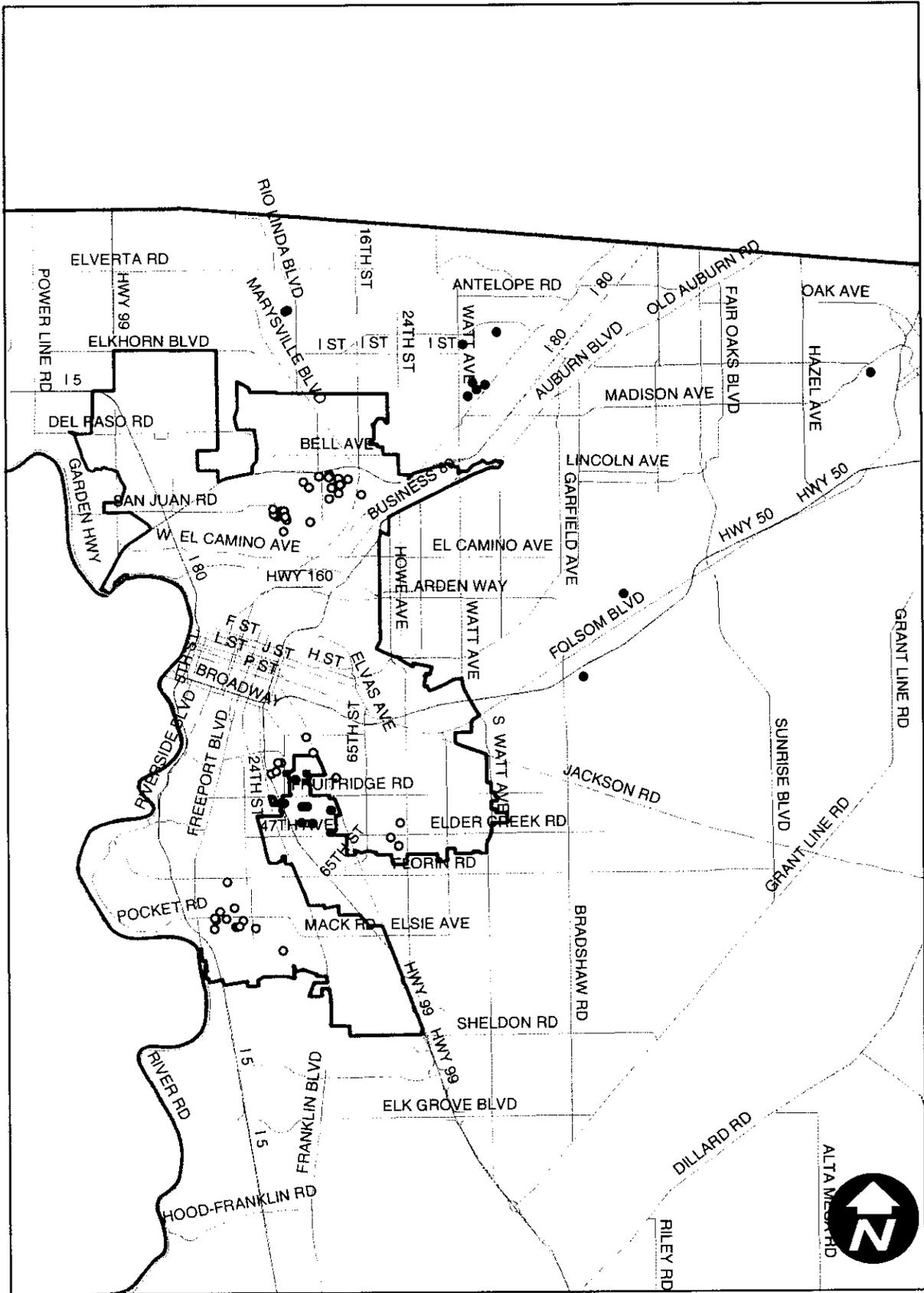

ANNE M. MOORE
Executive Director

Transmittal approved,


ROBERT P. THOMAS
City Manager

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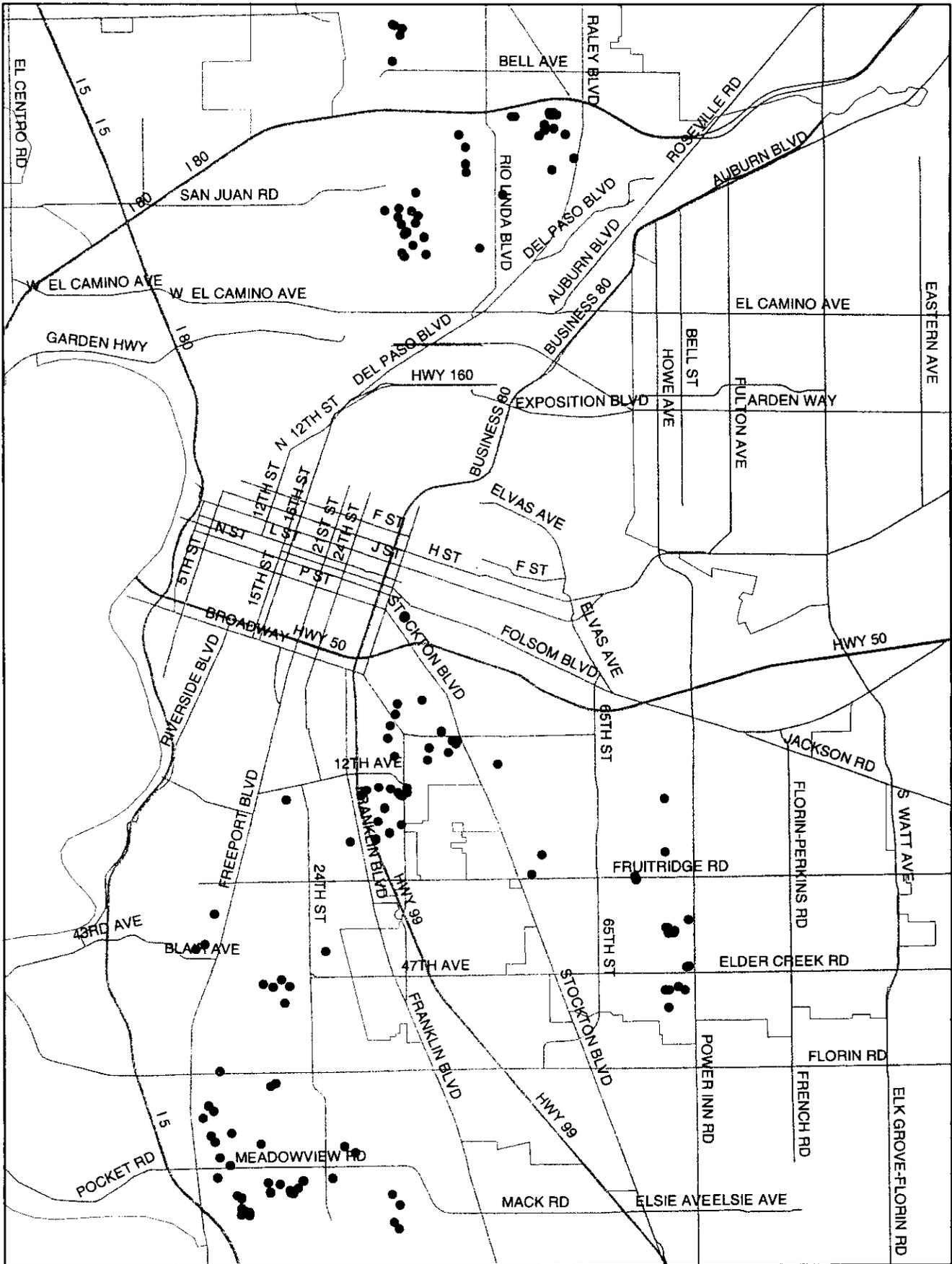
- 1) Att I. Location Map of Vacant 5 (h) Houses, Page 7
- 2) Att. II. Location Map of Section 32 Houses, Page 8
- 3) Att. III. Section 32 Draft Homeownership Program, Page 9
- 4) Resolution – Page 29 & 30



5(h) Vacant Homes in the City and County of Sacramento

Legend

- Units in City of Sacramento
- Units in County of Sacramento



Section 32 Homes in the City of Sacramento



Legend

- City of Sacramento: Section 32 Housing
- City of Sacramento