

RESOLUTION NO. 2011-002

Adopted by the Housing Authority
of the City of Sacramento

February 15, 2011

APPLICATION FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDING ROUND THREE (NSP3); 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 TO THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (SHRA), AND ALLOCATING SALES REVENUES AFTER THE REHABILITATION OF THE HOMES TO THE 5(H) AND SECTION 32 PROGRAMS AND RELATED COSTS.

BACKGROUND

- A. 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
- B. The Housing Authority of the City of Sacramento (Housing Authority) has elected a proactive strategy to align the SHRA operations to the realities of the United States Department of Housing and Urban Development (HUD) funding environment while adhering to the SHRA's "guiding principles" and continuing to meet the needs of SHRA's traditional constituents.
- C. The Housing Authority has determined that based on current market conditions and funding it is not feasible to rehabilitate all the properties under the Section 32 Program therefore prompt disposition of the available Section 32 program homes to the City of Sacramento Redevelopment Agency, would put the developments in a more favorable position to be rehabbed and sold to low income families consistent with the intent of the Section 32 program.
- D. The proposed action is categorically excluded under the National Environmental Policy Act (NEPA) per 24 CFR Part 58.35 (a)(5), which covers dispositions where the structure and land will be retained for the same use. The California Environmental Quality Act (CEQA) does not apply to the proposed policy pursuant to CEQA Guidelines section 15378(b)(5), which excludes administrative activities of governments that will not result in direct or indirect changes in the environment.

- E. Based on these facts, the Housing Authority has concluded that disposition of Public Housing single family homes is appropriate for reasons that are consistent with the goals of the Housing Authority and its PHA Plan and are otherwise consistent with the United States Housing Act of 1937.
- F. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion for the Neighborhood Stabilization Program (NSP), known as NSP3, that was originally established under the Housing and Economic Recovery Act of 2008 (HERA).
- G. On February 24, 2009, the City Council authorized SHRA to amend and submit changes to the NSP in the 2009 One-Year Action Plan to HUD, authorized the City Manager and SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the NSP; and authorized SHRA to establish and implement the Vacant Property Program and the Property Recycling Program to undertake NSP activities.
- H. HUD released formula and regulations for the new allocation of CDBG under Neighborhood Stabilization Program 3 (NSP3) as prescribed by HERA on October 19, 2010, and an amendment to the 2010 One-Year Action Plan for NSP funding must be submitted to HUD no later than March 1, 2011.
- I. A noticed public hearing soliciting comments on the amendments to the 2010 One-Year Action Plan was held by the Sacramento Housing and Redevelopment Commission on February 2, 2011.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- 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 authorized to submit an application to the U.S. Department of Housing and Urban Development (HUD) for the disposition of the Housing Authority of the City of Sacramento's Section 32 and other vacant public housing single family homes for a fair market appraised value, which may commit the Housing Authority to the actions authorized by this resolution.
- Section 3. The Executive Director is authorized to transfer ownership of the HUD approved disposition properties to Sacramento Housing and Redevelopment Agency (SHRA), for the transfer to an entity that will accomplish the necessary renovations to these properties.
- Section 4. 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 Section 32 Program to reduce the homes included under that Program and transfer existing vacant Authority homes to

Sacramento Housing and Redevelopment Agency (SHRA) or constituent entities and (b) related 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 attached to this resolution (Exhibit B).

- Section 5. SHRA and its constituent entities are authorized for the NSP3 PRP to use the existing Volume Builders and Mission Driven Community Partners previously competitively selected through the Property Recycling Program's (PRP) Request for Qualifications (RFQ) established under NSP1 for participation.
- Section 6. The Executive Director is authorized to amend the Housing Authority budget to allocate the proceeds of the sale of homes under Neighborhood Stabilization Property Recycling Program. The proceeds are hereby allocated to the Housing Authority for 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 7. The modifications to the Property Recycling Program Guidelines set out in Exhibit A which is attached to this resolution are approved.
- Section 8. The Executive Director is hereby authorized to enter into Disposition and Development Agreements, regulatory agreements and loan agreements or other such agreements that may be required by HUD to affect the disposition of properties with Neighborhood Stabilization Property Recycling Program Volume Builders and Mission Driven Development Partners under the Neighborhood Stabilization Program, with the terms consistent with the requirements under these Programs and subject to approval by the Authority Counsel.
- Section 9. The Executive Director is authorized to execute Purchase and Sale Agreements or other such agreements that may be required by HUD to affect the disposition of properties to transfer Section 32 properties from the Housing Authority to SHRA.
- Section 10. The Executive Director is authorized to execute Reimbursement Agreements or other agreements required by HUD for SHRA to reimburse the Housing Authority acquisition cost for the Section 32 properties based on pre-rehabilitation appraised value.

Section 11. 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 HUD approved disposition agreement, 5(h), Section 32 Programs, and Neighborhood Stabilization Program.

Table of Contents:

Exhibit A – Property Recycling Program Guidelines

Exhibit B – Section 32 Property List

Adopted by the Housing Authority of the City of Sacramento on February 15, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy.

Noes: None.

Abstain: None.

Absent: Mayor Johnson.


Vice Chair Bonnie Pannell

Attest:


Shirley Concolino, Secretary



INVESTING IN COMMUNITIES

February 24, 2009
 Revised: February 15, 2011
 801 12th Street, Sacramento, CA 95814 (916) 440-1320

Neighborhood Stabilization Program

Sacramento Property Recycling Program

(PROGRAM GUIDELINES)

Property Recycling Program

The Sacramento Property Recycling Program (PRP) focuses on stabilizing neighborhoods through strategic investments and partnerships. The PRP aims to transform the most impacted neighborhoods, streets and properties; those areas where the market alone cannot ensure change. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures and vacant properties through redevelopment activities, acquisition, rehabilitation and rental of affordable housing, and acquisition and rehabilitation of single family homes for sale throughout Sacramento. The PRP is complimentary to the other programs funded under the Neighborhood Stabilization Program (NSP), all of which seek to reduce the impacts of foreclosures.

- 1.0 Administration.** The Property Recycling Program is administered by the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a joint powers authority of the City and County of Sacramento, and the recipient and administrator of the NSP funding. SHRA's primary role in the PRP is acquisition of properties and disposition to the appropriate Community Partner (see Section 7.0). SHRA's affiliated entities, the Redevelopment Agencies of the City and County of Sacramento and the Housing Authorities of the City and County may also serve as the purchaser of properties.
- 2.0 Eligible Areas.** All activities under the PRP will be for properties located in the NSP target areas, with a priority on areas that are characterized by significant code violations/actions, disproportionate foreclosure activity and/or other blighting conditions. See the attached map of the NSP target areas.
- 3.0 Eligible Properties.** Through the PRP, SHRA and its affiliated entities are authorized to purchase or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. NSP regulations regarding acquisition of properties at a discount from market appraised value will be applicable both on a property level and on a portfolio level. The current market appraised value is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60-days from the date of the final offer. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.
- 4.0 Affordability.** All residential units resulting from the acquisition, rehabilitation or construction through PRP activities must house families at or below 120% of area median income (AMI). Affordability definitions are based on the area median income (AMI) for the Sacramento Metropolitan Statistical Area (MSA) as established by the US Department of Housing and Urban Development (HUD). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. The median income is subject to change annually.

Properties purchased through the PRP are presumed to be "naturally affordable" based on the location and market conditions of the targeted areas (24 CFR 92.254(a)(5)(i)(B)). Units that will be sold (either initially or through a lease to own program) as a result of PRP activities must be sold to a family whose income does not exceed 120% of AMI (adjusted for family size) but will not require a long term affordability covenant unless required by additional funding sources. Rental units resulting from PRP activities will include long term affordability covenants that restrict income and occupancy to families at or below 50% AMI, consistent with HOME rent standards (24 CFR 92.252) and will be subject to additional affordability requirements of the

SHRA Multi-family Lending and Mortgage Revenue Bond Policies or Investment Property Program. In the instance of a multi-unit property, these affordability requirements will apply to the number of units proportionally assisted with NSP funding.

5.0 Property Acquisition. Under the PRP, SHRA can acquire residential and/or vacant properties that are located in a target area for one of three eligible activities, described in Section 6.0. In addition to purchases through local brokers, realtors and other publicly accessible routes, SHRA has established a relationship with the National Community Stabilization Trust (NCST). NCST allows partner governmental entities to view and acquire foreclosed properties within the NSP target areas at a significant market discount, prior to the properties being actively listed. SHRA may receive properties through donations that may be included for rehabilitation or land banking. All property acquired under the PRP is subject to the federal Uniform Relocation Act (49 CFR Part 24), as applicable.

6.0 Eligible Activities. The PRP includes three distinct activities, each of which is described in detail below.

6.1 Redevelopment. Properties that support a larger site assemblage effort of the City or County Redevelopment Agency or Housing Authority or that are severely dilapidated to the point necessitating demolition, will be acquired through the PRP. Properties under this activity may require an intermediate hold strategy in accordance with a long-term plan that can be fully implemented once the market can support the additional investment. As such, demolition and land banking activities are viable intermediate actions that can bring an immediate impact with the potential for an even larger benefit in the future.

6.1.1 Demolition. Activities requiring demolition will be in conjunction with one of the following three strategies: land banking, change of use, or new construction. Demolition and new construction activities will require additional environmental determinations under the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA). SHRA will complete a programmatic replacement housing plan that will identify units that will be created in the City and County in order to replace the maximum number of units that may be demolished in the Target Areas under the program.

6.1.2 Land Banking. Land banking activities will be in support of efforts where Agency intervention was necessary to prevent further deterioration of a neighborhood or in coordination with larger projects. No property placed in the land bank can be held by SHRA for more than ten years, as outlined under NSP.

6.1.3 Redevelopment. SHRA will partner with non-profit and for-profit developers to construct housing units on vacant properties. These properties that are purchased with NSP funds will be developed with new construction. SHRA may also partner with governmental agencies to utilize properties for a public use.

6.2 Rehabilitation and Resale of Single Family Housing. Existing single family (1-4 units) properties that are foreclosed upon and/or vacant may be disposed of to a Community Partner (see Section 7.0 below) to rehabilitate and sell. SHRA may require the Community Partner to provide a percentage of acquisition cost at the time of disposition to offset overall Agency funding commitment. SHRA will carry back the remaining cost of the acquisition until the property is sold to an eligible buyer. These properties will primarily come through the NCST, and, as such, will require expedient inspection, appraisal and purchase negotiations. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. Pre-approved Community Partners will be required to comply with all requirements of the NSP Property Recycling Program, including rehabilitation standards, payment of Prevailing Wages, and lead based paint requirements.

6.3 Rehabilitation of Rental Housing. Existing properties that are vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. SHRA may also fund the rehabilitation of such projects; however, a rental rehabilitation project must comply with all requirements of the SHRA Multi-Family Lending and Mortgage Revenue Bond Policies or Investment Property Program including management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. NSP restrictions will be placed on the proportionate number of

units funded with NSP money (e.g. if half of the project cost is funded with NSP, half of the units will be restricted by NSP). NSP units in rental properties must be affordable to families at or below 50% AMI. Properties may also be acquired and rehabilitated for long-term rental housing by the Housing Authority.

7.0 Community Partners. For multi-family and single-family properties acquired for rehabilitation and rent or resale, SHRA will work with a variety of pre-approved community partners. There are four types of Community Partners, described below, that SHRA will work with, subject to successful qualification, to ensure broad access to properties and nimble recycling of properties.

7.1 Mission-Driven Organizations. These are non-profit organizations that have an existing program and track record of rehabilitating or constructing single family homes, with a larger community purpose or goal. Such missions may include job training, youth empowerment, affordable housing, community reinvestment, etc. Partnerships among existing non-profit organizations are encouraged if needed to amass the appropriate experience.

7.1.1 Selection. SHRA will issue a Request for Qualifications (RFQ) for qualified Mission-Driven Community Partners. The RFQ will require information on past performance, community purposes, financial capacity and type(s) of properties desired. Approval under the RFQ is a pre-requisite for participation as a Mission-Driven Community Partner.

7.1.2 Property Access. Approved Mission-Driven Community Partners will be provided access to homes or vacant properties that are the consistent with the Partner expertise and that match with the particular community needs. Should more than one Mission-Driven Community Partner request the same property, SHRA will offer it first to the partner who has not received a property and second to the partner needing the least financial assistance. Should the Mission-Driven Community Partner not want the properties offered, they will be offered to the volume builder(s) or VPP participants, in that order.

7.1.3 Financial Assistance. Mission-Driven Community Partners may be offered the rehabilitation loan and developer fee assistance under the Vacant Properties Program. In addition, based on SHRA staff review of the partner's financial capacity, the property may be offered at a discount from the SHRA purchase price or as a donation, if needed to support a reduced sales price based on the partner's mission or to support the cost of training or other community components of the partner's mission. If a property is offered to a Mission-Driven Partner as a donation, then SHRA will not provide a developer fee.

7.2 Volume Builders. These are non-profit or for-profit single family builders who have the financial capacity to rehabilitate at least 10 scattered homes at a time, including the ability to provide capital for purchase, rehabilitate and the ability to support carrying costs on the homes and the ability to provide sufficient labor.

7.2.1 Selection. SHRA will issue a Request for Qualifications (RFQ) for qualified Volume Builder Community Partners. The RFQ will require information on past construction and rehabilitation projects, financial capacity and projected volume capacity. SHRA anticipates selecting one Volume Builder Community Partner who can efficiently and expeditiously acquire, rehabilitate and sell the majority of units purchased under the NCST. Approval under the RFQ is a pre-requisite for participation as a Mission-Driven Community Partner.

7.2.2 Property Access. All properties not appropriate for or not desired by the Mission-Based Community Partner(s) will be offered to the Volume Builder Community Partner(s).

7.2.3 Financial Assistance. Homes will be sold to the Volume Builder Community Partner(s) at a price determined by SHRA, not to exceed the price paid for property. The partner(s) may be offered a rehabilitation loan and developer fee assistance under the Vacant Properties Program.

7.3 Vacant Property Program Participants. These are the single family developers/builders approved through the Vacant Property Program RFQ process.

7.3.1 Selection. The Vacant Property Program has a separate application process to become a "Preferred Builder." Approval under this application process will be deemed approval under the PRP.

7.3.2 Property Access. Any property not acquired by the Mission-Driven or Volume Builder Community Partners will be offered to the VPP participants on a first-come, first-serve basis.

7.3.3 Financial Assistance. Homes will be sold to the VPP Community Partner(s) at the same price when purchased by SHRA. The partner(s) will be offered the same rehabilitation loan and developer fee assistance under the Vacant Properties Program.

7.4 Rental Housing Developers. These are non-profit, for-profit, governmental entities or the Housing Authority that develop rental properties, with experience in constructing, rehabilitating, operating and/or maintaining affordable rental housing. As multi-family properties become available that are not suitable for the Housing Authority, SHRA will release property specific Request for Proposals (RFP) to obtain the best developer and project for the particular site. Financial assistance will be considered consistent with SHRA Multi-family Lending and Mortgage Revenue Bond Policies or Investment Property Program.

8.0 Disposition Process. Properties purchased for demolition and redevelopment or rental housing objectives, unless utilized by the Housing Authority, will be disposed of by the Redevelopment Agency through a public process. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. The Disposition and Development Agreement (DDA) for the properties will be subject to legislative approval.

Properties purchased for rehabilitation and re-sale to owner occupants will be disposed of to pre-selected Mission Driven or Volume Builder Community Partners, described in Section 7.1 – 7.2, above. Concurrent with the acquisition from NCST, SHRA will “triage” the property to determine the best end use, and work with the identified Community Partners on their interest and capacity in the property. It is expected that at the time of SHRA’s close of escrow on the property, they will be positioned to immediately transfer the property to the identified Community Partner through a Disposition and Development Agreement (DDA). SHRA may require the Volume Builder Community Partner(s) to provide a percentage of acquisition cost at the time of disposition to offset to overall Agency funding commitment. SHRA will carry back the remaining cost of the acquisition until the property is sold to an eligible buyer. If a Mission Driven or Volume Builder Community Partner(s) do not acquire the property, SHRA will offer the properties to the Vacant Property Program Participants through a bid process, with disposition through a property specific DDA.

After rehabilitation of single family for sale homes, Community Partners will be responsible for the sale of the homes to income eligible buyers, consistent with standards of the Property Recycling Program. Maximum sales prices may not exceed the total of acquisition, rehabilitation, and disposition costs. Disposition costs may include real estate commissions and closing costs but these costs shall not exceed 10 percent of the sales price. Homes must be sold to homeowner occupants making no more than 120% of area median income, adjusted for family size who have completed 8 hours of HUD approved homebuyer education counseling and who have attained a fixed rate, 30 year first mortgage.

Vacant Section 32 and 5(H) Properties

Exhibit B

HMY	SCODE	SADDR1	SCITY	SSTATE	SZIPCODE	Community	BR	Type	Category	Vacancy
53836	503403	1001 NORTH AVE	SACRAMENTO	CA	958380000	Lexington Place	2	md	Section 32	Offline
52950	503405	3927 FELL ST	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
52727	503422	7730 40TH AVE	SACRAMENTO	CA	958240000	Lexington Place	3	h	Section 32	Offline
53416	503451	3917 TEMPLE AVE	SACRAMENTO	CA	958200000	Lexington Place	3	h	Section 32	Offline
52895	503457	3908 HIGH ST	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53191	503459	1424 STEPHANIE AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
55493	503468	3346 CYPRESS ST	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53274	503487	616 SOUTH AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
52705	503494	3817 16TH AVE	SACRAMENTO	CA	958200000	Lexington Place	3	h	Section 32	Offline
52998	503495	4308 36TH ST	SACRAMENTO	CA	958200000	Lexington Place	3	mj	Section 32	Offline
53985	503601	613 LINDSAY AVE	SACRAMENTO	CA	958380000	Lexington Place	3	md	Section 32	Offline
52839	503611	8004 38TH AVE	SACRAMENTO	CA	958240000	Lexington Place	3	mj	Section 32	Offline
52802	503866	250 FAIRBANKS AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
52929	503872	139 DANVILLE WAY	SACRAMENTO	CA	958380000	Lexington Place	2	mj	Section 32	Offline
53089	503876	716 ACACIA AVE	SACRAMENTO	CA	958150000	Lexington Place	3	h	Section 32	Offline
52834	503885	573 MORRISON AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53396	503931	3527 HIGH ST	SACRAMENTO	CA	958380000	Lexington Place	2	h	Section 32	Offline
52653	503934	1329 STEPHANIE AVE	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
52933	503936	1409 STEPHANIE AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53470	503970	3625 6TH AVE	SACRAMENTO	CA	958170000	Lexington Place	3	mj	Section 32	Offline
55237	503981	612 KESNER AVE	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53512	503982	3901 FELL ST	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
52710	503986	156 OLMSTEAD DR	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53527	519578	3829 ALDER ST	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53110	519629	3641 5TH AVE	SACRAMENTO	CA	958170000	Lexington Place	3	h	Section 32	Offline
55408	522137	3349 WESTERN AVENUE	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53992	503450	3744 9TH AVE	SACRAMENTO	CA	958170000	Windscape	2	mj	PB8	Offline
52646	503854	146 DANVILLE WAY	SACRAMENTO	CA	958380000	Windscape	4	mj	PB8	Offline
53301	503880	3933 BRANCH ST	SACRAMENTO	CA	958380000	Windscape	4	mj	PB8	Offline
53105	503881	3934 BRANCH ST	SACRAMENTO	CA	958380000	Windscape	4	mj	PB8	Offline
53648	522135	3293 WESTERN AVENUE	SACRAMENTO	CA	958380000	Windscape	5	md	PB8	Offline
	503349	3740 9TH AVE	SACRAMENTO	CA	95817	Windscape			PB8	
54353	701257	3513 MAY ST	SACRAMENTO	CA	958380000	Mt Ash Commons	3	h	Section 32	Offline