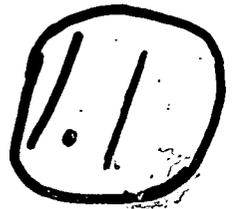




CONTINUED
FROM 5.20.97
TO 6.3.97

May 7, 1997



(Hummert)

APPROVED
BY THE CITY COUNCIL

JUN 3 1997

OFFICE OF THE
CITY CLERK

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: APPROVAL OF GRANTS UNDER THE NONPROFIT HOUSING
DEVELOPMENT CORPORATION ASSISTANCE PROGRAM

LOCATION AND COUNCIL DISTRICT: City

RECOMMENDATION

The Selection Committee for the Nonprofit Housing Development Corporation Assistance Program recommends approval of a resolution authorizing six grants totaling \$99,085. Applicants responded to a Request for Proposals issued in February 1997 in accordance with program guidelines adopted by the City Council and Board of Supervisors.

CONTACT PERSONS

John Dangberg, Director of Community Development, 440-1357;
Beverly Fretz-Brown, Assistant Director of Community Development, 440-1302

FOR COUNCIL MEETING OF: May 20, 1997

SUMMARY

Staff recommends the adoption of the Selection Committee's recommendations to fund six proposals submitted by nonprofit housing development corporations to carry out specific projects that directly benefit low-income people and the communities in which they live. Awards totaling \$99,085 in 1997 CDBG funds are recommended to fund tenant self-help programs leading to

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council
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employment, early investigative work leading to the acquisition of boarded properties, and neighborhood-based revitalization programs.

COMMISSION ACTION

At its meeting of May 7, 1997, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolutions. The votes were as follows:

AYES: Castello, Cespedes, Dobbins, Hoag, Newsome, Rotz, Simon

NOES: None

ABSENT: Diepenbrock, Holloway, Harland
NOT PRESENT TO VOTE: Amundson

BACKGROUND

On January 21, 1997, the City Council and Board of Supervisors adopted the Nonprofit Housing Development Corporation Operational Assistance Program and created a competitive process to award CDBG funds through the issuance of RFPs in February and October of 1997. The purpose of the Program is to fund administrative costs related to specific projects benefiting low-income persons where such costs cannot be covered by property-based mortgages or other typical financing sources. Eligible activities include 1) pilot tenant assistance programs, such as welfare to work programs; 2) investigative and predevelopment efforts leading to the acquisition and rehabilitation of problem properties; and 3) neighborhood revitalization and home ownership activities. The Program guidelines and evaluation criteria adopted by the City and County are found in Attachment I.

The Sacramento Housing and Redevelopment Agency received seven responses to the February 1997 RFP. Of the applications received, one requested funding for a project exclusively in the City of Sacramento, five included activities in both the City and County, and one was for activities exclusively in the County of Sacramento. Six of the seven applications are being recommended for funding. The seventh proposal was not recommended because it did not appear able to achieve the intended results (see Attachment II).

The members of the Selection Committee included a Sacramento Housing and Redevelopment Commissioner, a representative of Bank of America Community Development Bank, and a representative of the California State Department of Housing and Community Development. A

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council

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summary of the Selection Committee's analysis and conclusions are found in Attachment II. The Committee found all proposals well prepared, thoughtfully presented, and complete.

The recommended grants by category are as follows:

Welfare to Work (Tenant Assistance) programs were proposed by the Sacramento Mutual Housing Association and Rural California Housing Corporation, to be accomplished through the development of small-businesses, job training and placement, and supportive services including mentoring, confidence-building, language and computer skills. The pilot projects will be carried out in ten properties involving 787 families, 70 percent of whom receive some form of public assistance.

Acquisition/rehabilitation of troubled properties was proposed by the Sacramento Valley Organizing Community, OmniLife, and the Sacramento Mutual Housing Association. Funds will be used for predevelopment work and feasibility analyses leading to the acquisition and rehabilitation of up to thirteen problem properties (single family, multifamily, and half-plex).

Neighborhood revitalization on Parker Avenue in the unincorporated County was proposed by Sacramento Neighborhood Housing Services. Concentrated activities include acquisition and/or rehabilitation of distressed properties, home buyer assistance, and street improvements, potentially affecting 75 residential units on the street.

FINANCIAL CONSIDERATIONS

The appropriation of CDBG funds for the Nonprofit Housing Development Operational Assistance Program was approved by City Council as part of the City's Consolidated Plan and the Agency's 1997 budget. Of the \$210,000 allocated to the program in the City, \$120,000 was made available for commitment under the February RFP. County funding totaled \$300,000, with \$180,000 available for assistance under the initial RFP. This report recommends that \$266,338 of the 1997 CDBG funds that are allocated to the Nonprofit Housing Development Corporation Assistance Program be awarded to the following nonprofit organizations in the following amounts. The balance of the allocated funds will be carried forward to the October 1997 RFP.

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

City Council

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| | <u>CITY</u> | <u>COUNTY</u> | <u>TOTAL</u> |
|---|-----------------|------------------|------------------|
| Tenant Economic Independence (Welfare to Work) | | | |
| Rural California Housing Corporation | \$14,085 | \$42,253 | \$56,338 |
| Sacramento Mutual Housing Corporation | 10,000 | 10,000 | 20,000 |
| Acquisition/Rehabilitation of Troubled Properties | | | |
| SVOC Affordable Homes | 30,000 | 30,000 | 60,000 |
| OmniLife Inc. | 25,000 | - | 25,000 |
| Sacramento Mutual Housing Corporation | 20,000 | 20,000 | 40,000 |
| Home Ownership/Neighborhood Revitalization | | | |
| Neighborhood Housing Services | - | 65,000 | 65,000 |
| TOTAL ASSISTANCE RECOMMENDED: | <u>\$99,085</u> | <u>\$167,253</u> | <u>\$266,338</u> |

POLICY CONSIDERATIONS

The action recommended in this report is consistent with previously approved Agency guidelines and evaluation criteria regarding funding of the Nonprofit Housing Development Corporation Operating Assistance Program. City support of nonprofit corporations to provide affordable housing is also incorporated in the Action Plan of the City and County Housing Elements.

ENVIRONMENTAL REVIEW

The administrative activities funded by this program do not constitute a project under CEQA per guidelines section 15378(b)(3), and are exempt from NEPA per 24 CFR Part 58.34(a)(3).

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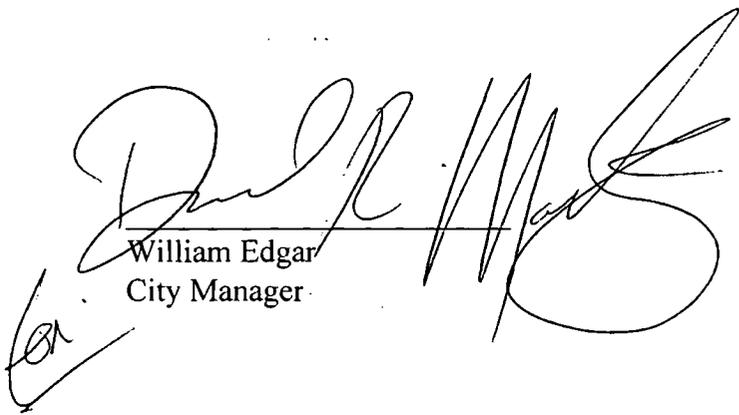
M/WBE CONSIDERATION

All projects receiving Agency funding will be required to meet Agency M/WBE requirements.

Respectfully submitted by,



THOMAS V. LEE
Executive Director



William Edgar
City Manager

APPROVED
BY THE CITY COUNCIL

JUN 3 1997

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 97-282

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**APPROVAL OF GRANTS PURSUANT TO THE 1997 CDBG
NONPROFIT HOUSING DEVELOPMENT
CORPORATION OPERATING ASSISTANCE PROGRAM**

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

Section 1. The recommendations of the Project Selection Committee of the
Nonprofit Housing Development Corporation Operating Assistance Program are approved to
fund the following nonprofit housing corporations pursuant to the Request for Proposals:

| | |
|---|------------------|
| Tenant Economic Independence (Welfare to Work) | |
| Rural California Housing Corporation | \$ 14,085 |
| Sacramento Mutual Housing Corporation | \$ 10,000 |
| Acquisition/Rehabilitation of Troubled Properties | |
| SVOC Affordable Homes | \$ 30,000 |
| OmniLife Inc. | \$ 25,000 |
| Sacramento Mutual Housing Corporation | \$ 20,000 |
| TOTAL ASSISTANCE RECOMMENDED: | <u>\$ 99,085</u> |

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 2. The Sacramento Housing and Redevelopment Commission is authorized and directed to take all actions necessary to expend 1997 City of Sacramento Community Development Block Grant funds in the amounts and for the purposes described above, including entering into and amending contracts for the performance of services.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

FACT SHEET

NONPROFIT HOUSING DEVELOPMENT CORPORATION ASSISTANCE PROGRAM

Program Description: The Nonprofit Housing Development Corporation Assistance Program funds administrative costs related to a specific project in those cases where such costs cannot be covered by property-based mortgages or other typical financing sources. The program will not provide on-going operational subsidies to the nonprofit corporation.

Program Goals: The goals of the program are to promote neighborhood revitalization, increase home ownership, acquire and rehabilitate deteriorated multifamily properties, and initiate tenant service and/or self-sufficiency programs in specific housing complexes. All projects must directly benefit low-income persons and the communities in which they live.

Form of Assistance: Grants are provided, governed by a contractual agreement, allowing for reimbursement of administrative expenses when related to performance under an Agency-approved work plan.

Other Terms: The project must be an activity eligible for Community Development Block Grant funding; address a specific community need whose beneficiaries are low-income people; require funding beyond that which is available from traditional funding sources and real estate loans; and be the most cost-effective method for providing the service or accomplishing the task.

ELIGIBILITY

Applicant: The nonprofit housing development organization must be incorporated in California, hold federal and state tax-exempt status, have a functioning volunteer board of directors, and be directly involved in the operation of the proposed activity.

The applicant must demonstrate financial and staff capability to carry out the work.

Project: The proposed work plan must be achievable within the time period presented and funds committed.

A line item budget and sources and uses of funds must show that the total project's operation is financially feasible.

Amount:

The amount of funding shall not exceed an amount which is reasonably required by the project, is comparable to costs in similar programs, and is not available from traditional sources including real estate based loans.

Application Procedures: Applicants must respond to Requests for Proposals issued by the Agency. All applications will be reviewed by a Selection Committee with recommendations that are subject to the approval of the City Council and Board of Supervisors.

NONPROFIT HOUSING DEVELOPMENT CORPORATION ASSISTANCE PROGRAM

GENERAL EVALUATION CRITERIA

1. Evaluation of the activity

- Documentation of need and identification of beneficiaries
- Alternatives: is the activity being provided by any other entity? Under what conditions could the activity be carried out without public subsidy?
- Description of permanent results; is proposed work plan effective in meeting goals; are milestones realistic?

2. Delivery of the activity or service

- Justification that the work plan shows the best means for delivering the service or accomplishing the task.
- Description of relationships with other entities on which the project's performance may be dependent.

3. Ability to carry out the activity

- Experience of the organization in this or related field; describe success.
- Identification of staff, board, or other competencies required to carry out the activity.
- Availability of necessary financial resources to carry out the program; if corporation has little liquidity, are other sources of funding committed? Submission of required financial documents (audits, income tax returns) necessary to determine financial strength.

4. Cost-effectiveness

- Justification that the job to be performed (complexity, number and skill of personnel, time, etc.) is related to the cost of providing the service.
- Leverage: what other funds are leveraged; describe uses of other sources of funds.
- Fundraising: if fundraising required for corporation stability, describe past success and persons involved in the activity.
- Clarity of description of administrative costs in project's itemized budget.

NONPROFIT HOUSING DEVELOPMENT CORPORATION OPERATING
ASSISTANCE GRANT PROGRAM

SUMMARY OF SELECTION COMMITTEE RECOMMENDATIONS

Tenant Assistance (two applications)

Applicant No. 1: Rural California Housing Corporation
Project: Family Self-Sufficiency Pilot Project
Amount Requested: \$56,338 (City/County)
Amount Recommended: \$56,338

Description of Project:

RCHC is proposing a pilot project in four of its apartment complexes to assist families achieve economic independence and in turn maintain the financial stability of the housing. Due to recent changes in the welfare system, recipients of public assistance will see a significant change in the duration and amount of funds they receive, which will affect their ability to meet their financial obligations, including rent.

RCHC's pilot program proposes several different approaches: 1) development of small businesses, organized as cooperatives, to provide alternatives for individuals without conventional employment skills; 2) job training and placement services; and 3) supportive services such as child care and transportation which will enhance the success of the prior two approaches.

The four apartments included in the pilot program are Village Park in the City of Sacramento; and Crossroads Gardens, Folsom Gardens I and II, and Lance Apartments in the County. They have 292 residents. RCHC will commit \$51,838 of its own funds and provide \$45,000 in in-kind services to the proposed program.

Evaluation of the Activity

Seventy percent of the families in the four apartment complexes receive some form of public assistance. They are the intended beneficiaries of the program and generally earn (from all sources) between 50 percent and 60 percent of the area's median income. The pilot program differs from traditional job training activities by developing businesses and providing supportive services from the community base of an apartment complex. The project responds to a real need; its goals and milestones are realistic.

Delivery of the Activity

The work plan integrates the use of new and existing resources, the latter including three VISTA Volunteers, RCHC staff, Sacramento Occupational Advancement Resources (SOAR), and teaching and social work interns from CSUS. These linkages will allow the immediate inception of the program.

Ability to Carry Out the Activity

RCHC is committing \$51,838 from its general operating fund to the project and will provide \$45,000 in in-kind services from VISTA Volunteers and other current job training activities. No additional fundraising is necessary. Its two Community Service Coordinators will be responsible for carrying out the program.

Cost-effectiveness

The four properties in which this program will take place house 292 families, of which 70 percent are on some form of public assistance. The cost per family in Agency funds is \$193, and is considered reasonable. If successful, RCHC plans to continue this project in future years with operating revenue from the apartment complexes and the organization's general budget. Administrative costs and salaries for each staff member involved in the project are itemized.

Tenant Assistance

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|---------------------|--|
| Applicant No. 2: | Sacramento Mutual Housing Association |
| Project: | Economic Independence and Community Partnerships |
| Amount Requested: | \$20,000 (City/County) |
| Amount Recommended: | \$20,000 |

Description of Project

The Sacramento Mutual Housing Corporation (the "Mutual") is proposing to initiate a program to increase economic independence among the residents of its six housing developments, the majority of whose residents currently receive some form of public assistance. The Mutual's efforts will include mentoring, confidence-building, language and computer skills. Residents will be linked with service providers for basic skills development and job preparation workshops. Alternative strategies, such as micro-loan programs for residents' businesses and leveraging jobs through the Mutual's contractors, will also be developed through the use of volunteers.

The Mutual is requesting \$20,000 in Agency funds to augment grants of \$47,500 received or pledged for a two-year period. The housing developments to be included are Glen Ellen,

Evergreen, and Norwood Estates in the City of Sacramento; and Los Robles, Greenway Village, and Foothill Plaza in the County.

Evaluation of the Activity

The proposed program will affect 495 residents in six Mutual housing developments. Sixty-five percent receive some form of public assistance which will be affected by changes in the welfare system. The Mutual proposes efforts to transition residents away from reliance on public sources of funds so that they can maintain their rent-paying ability and other financial obligations. Self-help and a variety of community partnership activities are proposed. All the beneficiaries are low-income people whose median incomes range from 40 percent to 60 percent of the area's median. The project deals with real needs; its work plan and milestones are realistic.

Delivery of the Activity

The project budget anticipates hiring a Program Specialist to direct the economic independence program and supervise the VISTA volunteers and other community participants, including students of social work at nearby universities. The Sacramento Mutual Housing Association has resident coordinators in place serving each site.

Ability to Carry Out the Activity

The proposed program is a new activity for the Mutual; it is based on the organization's existing work with residents in helping to manage the developments in which they live. The Mutual will increase its staffing and the use of volunteers to carry out the program.

Cost-effectiveness

The program's first year cost is projected to be \$66,000. The request of \$20,000 in Agency funding will be leveraged with \$47,500 in grants over a two-year period from Neighborhood Reinvestment, Bank of America, American Savings, and Wells Fargo Bank.

The six properties in which this program will take place house 495 families, of which 70 percent are on some form of public assistance. The cost per family in Agency funds is approximately \$60 due to the high level of private funding. Administrative costs and salaries for each staff member involved in the project are itemized and reasonable.

Redevelopment of Multifamily Problem Properties (three applications)

Applicant No. 1: Sacramento Valley Organizing Community
Project: Acquisition and Rehabilitation of Multifamily Properties
Amount Requested: \$100,000 (City/County)
Amount Recommended: \$60,000

Description of the Project

The Sacramento Valley Organizing Community (SVOC) proposes to perform up-front activities leading to the acquisition and rehabilitation of two yet to be identified complexes totaling 300 units. Once acquired, the properties will be affordable to low-income residents earning 60 percent or less of the area's median income. SVOC also proposes to establish a savings program for residents with matching funds from SVOC to create savings for downpayments, education, or starting businesses.

Evaluation of the Activity

The purchase and rehabilitation of deteriorated multifamily properties, and placing them under responsible management, is a high priority in the City and County. Despite their condition, such privately owned properties are generally difficult to purchase at a price which will allow the necessary rehabilitation to take place. The proposed activity, if successful, will benefit both the neighborhood in which the properties are located as well as the future tenants.

Delivery of the Activity

SVOC will use private consultants, coordinated by a community organizer, to conduct most of the property negotiations, rehabilitation assessment, and financial analysis needed for acquisition. The financial consultant is Devine and Gong (San Francisco); New Faze Construction provides the rehabilitation; and Larry Ferlazzo serves as community organizer. All are experienced entities.

Ability to Carry Out the Activity

SVOC has aggressively pursued several single family housing developments and one multifamily housing development during the past eighteen months. The multifamily project (Villa Jardin) and one single family subdivision (Morrison Avenue) are complete; the other two single family developments should be under construction this summer. SVOC is a coalition of many religious congregations who are actively involved in the organization's activities, providing a strong base of volunteers and potential residents of the housing constructed by the corporation.

Cost-effectiveness

The proposal envisages early investigative work, including such due diligence activity as structural pest reports, unit inspections by qualified contractors or technicians to assess the cost of rehabilitation, asbestos reports, and title searches. With this knowledge, financial estimates are then made to establish a realistic purchase price and debt coverage. SVOC's budget for such predevelopment work is realistic and is based on their assumption that two of the six projects could feasibly be acquired. However, the Committee felt that much of the financial consultant's proposed charges (\$60,000 out of a total proposal of \$100,000) would occur after the early investigative stage and could be recovered through construction and permanent financing. Therefore, the Committee recommended \$60,000 toward the program, reserving to SVOC the right to allocate the funds among its various consultants.. No other sources of funds were identified as contributing to the program, although SVOC has in the past been very successful in obtaining grants to support its housing activities.

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| Applicant No. 2: | OmniLife, Inc. |
| Project: | Acquisition and Rehabilitation of Properties |
| Amount Requested: | \$81,040 (City) |
| Amount Recommended: | \$25,000 |

Description of Project:

OmniLife, Inc., proposed two activities: 1) acquire and rehabilitate within 60 days a 12-room (dormitory type) multifamily property in Oak Park for rent to low-income families in transitional situations or low-income students; and 2) purchase and rehabilitate six single-family homes under HUD's 203(k) program for resale to qualified families earning approximately 65 percent of the area's median income. The committee recommends a grant award for the second activity aimed at creating homeownership opportunities.

Evaluation of the Activity

The purchase and rehabilitation of deteriorated single family and multifamily property is a high priority in the City and County. With regard to the organization's single family proposal, the result will be additional owner occupants in the Oak Park and Stockton Boulevard neighborhoods, and the proposed sales prices will be affordable to families who currently rent in these communities. With regard to the multifamily proposal, OmniLife intends to acquire a foreclosed multifamily property which was a residential hotel or group home and rehabilitate it for persons needing transitional housing or for low-income students. The beneficiaries in both instances are low-income persons.

Delivery of the Activity

OmniLife has established working relationships with local lenders, HUD inspectors, appraisers, and building contractors, all of whom are necessary for the purchase and rehabilitation of the targeted housing. The organization has an Executive Director (formerly board president) who is responsible for carrying out the housing program. A project director will be hired under the proposed grant request. OmniLife also manages recycling activities, and the current board president has been active in building and directing the organization's programs.

Ability to Carry Out the Activity

OmniLife was formed in 1995 and has successfully acquired and rehabilitated two properties in Oak Park and is currently renting them under a HUD lease-option program. The Selection Committee believes OmniLife demonstrated the ability to rehabilitate single family homes for eventual owner occupancy, but has not had any experience in carrying out multifamily rehabilitation or financing. The Committee recommends that OmniLife continue to gain experience and raise equity from single family purchase and rehabilitation by concentrating on five distressed houses which it and the Agency have identified. As it continues to demonstrate growth and performance, additional funding for multifamily rehabilitation could be applied for under the October RFP or through the Agency's ownership housing programs.

Cost-effectiveness

Of the requested amount of \$81,040, half represent expenses that would be financed under the FHA 203(k) program. The remaining \$40,520 represents OmniLife's administrative costs to carry out the homeownership and rental projects, given the level of proposed work. This amount translates into \$5,000 per single family home and \$12,000 for the multifamily property. The organization has set aside the equity required for participation in HUD's 203(k) program.

The Selection Committee recommends \$25,000 toward the single family homeownership activities proposed, based on administrative expenses of not more than \$5,000 per unit. The committee did not recommend funding for OmniLife's multifamily proposal.

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| Applicant No. 3: | Sacramento Mutual Housing Association. |
| Project: | Acquisition and Rehabilitation of Properties for Homeownership |
| Amount Requested: | \$82,000 (City/County) Two-year proposal |
| Amount Recommended: | \$40,000 (One year) |

Description of the Project

The Sacramento Mutual Housing Association (the "Mutual") has proposed to revitalize two troubled residential areas adjacent to an existing Mutual housing development and one that it is acquiring. Blight, drugs, crime, and gang activity in these areas threaten the Mutual's developments. The proposal seeks to acquire the 49 condominium and 42 halfplex units in these areas, actively manage and rehabilitate them, and convert them into ownership units for Mutual housing residents or other first time home buyers. The proposal begins with an analysis of the physical condition, market value, and ownership status of the units.

The two problem areas targeted are Morningstar Drive in the County, adjacent to the recently rehabilitated Greenway Village, and the condominiums adjacent to American River Village in South Natomas, just west of Northgate Boulevard.

Evaluation of the Proposed Activity

The areas targeted by the Mutual have been problems for the City and County for many years in the areas of code enforcement, nuisance abatement, and the need for police response to drugs and violence. The beneficiaries of the proposed program are the Mutual's residents, the surrounding neighborhoods, and those residents of the targeted areas who attend Mutual Housing and neighborhood association meetings and are committed to cleaning up the areas. The Mutual housing residents are low-income households.

Delivery of the Activity

The applicant proposes to hire a Housing Development Specialist to be the primary staff person responsible for the revitalization activity. Additional staff support will be given by the Executive Director and a half-time Community Corps Organizer who has been funded through a Neighborhood Reinvestment Corporation grant. In addition, the Mutual will partner with Sacramento Neighborhood Housing Services to market the units for homeowners and make available its below market financing through its secondary lenders and home loan pools.

The project's intended permanent results are stronger management of two problem areas, physical revitalization of residential property, decrease in crime, and increased neighborhood stability.

Ability to Carry Out the Activity

The Mutual has developed six multifamily properties, four of which were acquisition and rehabilitation of deteriorated properties. The existing staff has development, finance, acquisition, construction, and design experience. They have expertise in resident involvement and community-building activities.

Cost-effectiveness

The Sacramento Mutual proposes to leverage funds for both administrative expenses and acquisition/rehabilitation costs. Neighborhood Reinvestment has awarded them a \$5,000 grant to help pay the costs of a staff person for neighborhood revitalization activities. The Bank of America Community Development Bank has recently chosen the South Sacramento neighborhood as a special target area for the bank's intervention (Building on Neighborhoods), and will be working with the Mutual on this project. The proposal also intends to raise funds from HOME Savings' neighborhood impact program. The Mutual will commit \$13,000 of its general fund to this program during the first year.

Neighborhood Revitalization/Homeownership Assistance (two applicants)

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|---------------------|---|
| Applicant No. 1: | Sacramento Neighborhood Housing Services |
| Project: | Banner Block and Countywide Affordable Housing Products |
| Amount Requested: | \$125,000 |
| Amount Recommended: | \$65,000 |

Description of the Project

Neighborhood Housing Services (NHS) submitted two proposals in its application. The first, a "Banner Block" on Parker Avenue in the County, is a concentrated effort to revitalize a street, using homeownership and rehabilitation incentives and community organizing. The tools include home purchase loans at reduced costs, down payment assistance, acquisition and rehabilitation of distressed properties, free paint, housing rehabilitation financing, and improved lighting and landscaping projects.

The second part of the NHS proposal would provide affordable housing products and services countywide. These would include home purchase loans at reduced rates, home purchase with rehabilitation financing, home buyer education and counseling, and the "Good Neighbor/Home Maintenance" training programs developed with the Sacramento Home Loan Counseling Center.

Evaluation of the Activity

The intensive effort planned for the Banner Block provides the diversity of financing tools and strategies (homeownership, acquisition/rehabilitation) to create significant improvements. The residents have already formed a neighborhood association and are taking part in the project. The proposed activities will benefit a low-income neighborhood directly. There are approximately 75

residential units on the street, including single family homes, apartments, a group home, a women's shelter, and a ministry. Many structures require rehabilitation.

The second NHS proposal for countywide homeownership is targeted to families below 80% of the area's median income. The mortgage funding commitments and relationships with lenders are in place. The committee felt the activities would bring attractive financing to lower income home buyers, but that the program was part of NHS' ongoing operations and not a specific activity that could meet the objectives of the RFP.

Delivery of the Activity

The success of the Banner Block program depends on community support, lender participation, and the ability of the organization to bring them and other resources together effectively. NHS has established strong linkages with financial institutions and other community organizations needed to carry out the Banner Block program. New entities do not need to be formed. It has initiated community involvement activities with the residents of Parker Avenue and completed a physical assessment of the block, so that it is ready to proceed with the program.

Ability to Carry out the Activity

NHS has reshaped its activities dramatically over the last year to provide focused assistance to low-income neighborhoods and families. Its fundraising abilities have been successful to support a core staff and board involvement has been very high. The organization has the staff competence and financial capability to carry out the activities proposed. NHS has access to a large network of financial institutions and a secondary loan market through the national Neighborhood Reinvestment Corporation.

Cost-effectiveness

To analyze the two funding requests in NHS' proposal, the two proposals were separated and administrative costs divided equally between them. The resulting administrative cost for the recommended Banner Block program was \$65,000. Given the variety of activities, the cost per unit affected could range from \$866 to \$2,000.

| | |
|---------------------|--|
| Applicant No. 2: | Sacramento Home Loan Counseling Center. |
| Project: | Post-Purchase Program for First Time Home Buyers |
| Amount Requested: | \$45,000 (City/County) |
| Amount Recommended: | \$0 |

Description of Project:

Sacramento Home Loan Counseling Center (SHLCC) proposed a pilot program for post-purchase counseling for first time homeowners who have received downpayment assistance. Their default rates exceed that of conventional home purchasers. The program would involve monthly direct telephone contact for the first four months after home purchase, followed by bi-monthly telephone calls thereafter up to 18 months. Telephone contact would be supplemented by monthly mailings on money management, home maintenance, and related issues, and by one-on-one budgeting and counseling sessions for families with mortgage delinquency problems, at their request.

Evaluation of the Activity

Based on the information presented in the proposal, the Committee did not believe that the activities to be carried out would achieve the result of reducing default rates among the targeted population. The proposal states that most defaults occur 12-18 months after purchase and are the result of separation or divorce. The program, however, would offer intensive telephone contact and counseling during the first six months and would not have the ability to increase the family's income and avoid default in the event of those significant household changes.

There is no question that post-purchase counseling with borrowers in financial trouble is needed. The Committee recommended that SHRA's staff pursue the issue with the Sacramento Home Loan Counseling Center and investigate whether such an activity can be conducted through loan servicers and lenders, including assistance to the homeowner to sell the property to avoid the default. The Consumer Credit Counseling Services of Sacramento is a HUD-approved nonprofit corporation which provides a variety of credit counseling. The Committee did not believe that the SHLCC proposal duplicated the Credit Counseling program.

Delivery of the Activity

The SHLCC proposal would use Agency funds to hire a qualified credit counselor to implement the post-occupancy program. The existing SHLCC staff is very competent and able to oversee the program's operation. Persons enrolled in SHLCC's current pre-purchase counseling programs would also be notified of the post-purchase service. No relationships with other entities were proposed or required to carry out the program. The proposed program could not be implemented without SHRA assistance.

Ability to Carry Out the Activity

SHLCC has the ability to educate first time home buyers. It has been conducting similar types of training since 1991 and have many supporters in the lending community. It works closely with lenders and realtors who provide the volunteers for many of SHLCC's workshops.

Nonprofit Housing Corporation Assistance Program
Summary of Recommendations

Cost-effectiveness

The project is structured at \$75 per loan (maximum 600 loans) for a total of \$45,000 of necessary funding. Based on a 5% default rate among the targeted population (data provided in the application), there is a potential of 30 loans which could be saved from default. Using this measure, the cost would be \$1,500 per loan. The Committee questioned the program's ability to reach 600 persons per month by telephone during the first six months.

The Committee recommended that SHRA staff work with the Home Loan Counseling Center to investigate the possibility of working directly through servicers or lenders to accomplish post-purchase counseling. The cost of doing so, if only financially troubled borrowers were involved, would appear to be less than the costs of foreclosure.