

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
April 29, 2008
10:45 am

To: Board of Supervisors of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Sacramento Foreclosure Trends And Potential Local Initiatives

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Supervisory
District: All

Overview

Local communities across the nation are feeling the impacts of the foreclosure crisis and struggling to find the appropriate local response. In 2007, Sacramento experienced the fifth highest rate of foreclosure among the nation's 100 largest jurisdictions. Representing a six-fold increase from the previous year, there were 7,472 foreclosures in Sacramento County or one foreclosure for every 67 households. This report examines the extent and trend of foreclosures in Sacramento County in a report prepared by the Community Reinvestment Coalition. In addition, this report and presentation provide a strategic framework for local action – highlighting efforts currently underway as well as other promising approaches. Finally, an update on federal and state legislation gives the national context to the issue and solutions.

Recommendations

Informational report for Board consideration; receive and file.

Measures/Evaluation

Not applicable at this time. Performance measures will be determined as programs are developed or modified.

Fiscal Impact

None at this time. SHRA will request approval from the Board as more specific programs and responses are developed. These programs and resources will seek to position, SHRA, the City and the County to take advantage of current resources, as well as state, federal and lender resources that may become available in the future.

BACKGROUND

In 2007, Sacramento experienced the fifth highest rate of foreclosure among the nation's 100 largest jurisdictions. Representing a six-fold increase from the previous year, there were 7,472 foreclosures in Sacramento County or one foreclosure for every 67 households.

In general, the presence of high cost or subprime loans have correlated to high rates of foreclosure. In Sacramento County over one third of the loans made in 2005 and 2006 were high cost or subprime loans. Nationally, about one in five subprime mortgages made during this period ended in foreclosure. In general, foreclosures tend to be concentrated in lower-income and predominantly minority census tracts. In Sacramento County, the communities hit hardest with incidents of foreclosure are North Highlands, the Fruitridge Pocket, and Rosemont. Attachment I is a summary report of foreclosure trends in Sacramento prepared by California Reinvestment Coalition.

As the housing market continues to decline and the bulk of subprime loans with adjustable rate mortgages (ARM) reset in 2008 and 2009, Sacramento's families and neighborhoods will continue to experience the negative social and economic impacts of additional foreclosures. While cities and counties may hope to mitigate these impacts, local budgets are affected by reductions in property taxes, transfer tax revenues, and sales tax attributable to the foreclosure crisis.

DISCUSSION

The Sacramento Housing and Redevelopment Agency, working in partnership with City and County staff (Code Enforcement, Neighborhood Services, City Attorney and District Attorney) recognizes that, due to limited resources, local efforts are constrained in addressing the foreclosure crisis. However, the County can take strategic action aimed at reducing the rate of foreclosures and minimizing neighborhood impacts. By necessity, cities and counties throughout the nation are developing new strategies and approaches and advocating for their interests at the national and state level, as well as in the courts and with lenders. Through proactive and collaborative efforts, the County has the ability to aggressively pursue new resources and take advantage of strategic interventions and opportunities.

A local foreclosure strategy should address 1) preventing additional foreclosures; 2) mitigating community impacts; and 3) asking for help at the federal and state level to do these things.

In addition to providing data on foreclosure trends in Sacramento, this report and presentation discuss the following:

- What principles should be applied when crafting a local response?
- What role should local government and local agencies play in responding to the foreclosure crisis?
 - How do you prevent additional foreclosures?
 - How do you mitigate the impacts once foreclosures occur?
- How do we align our local strategy with federal and state initiatives and resources? What local resources may be available?
- What is currently underway in Sacramento and elsewhere? Which local initiatives are most promising?
- Where is more work needed?

To provide some of the national context, Attachment 2 summarizes federal and state legislation introduced to prohibit or curtail the most reckless subprime lending practices, to prevent further

foreclosures through assistance for refinancing or restructuring loans, and to provide funding to local governments to help rehabilitate and sell foreclosed homes to new homebuyers. This information may form the basis of positions of support or oppose that the County may wish to take in the future.

Next Steps

SHRA will request approval from the Board as more specific programs and responses are developed. Programs and resources will seek to position SHRA, the City and the County to take advantage of current resources, as well as state, federal and lender resources that may become available in the future.

SHRA, the City and County will continue to monitor trends and impacts, coordinate and share existing efforts and explore new strategies to address foreclosure prevention and mitigate neighborhood impacts. SHRA will continue to provide monthly updates through the release of the "SHRA Foreclosure Newsletter" available to interested parties and through its website.

COMMISSION ACTION

This report was presented to the Sacramento Housing and Redevelopment Commission on April 16, 2008.

MEASURES/EVALUATIONS

Not applicable at this time. Performance measures will be determined as programs are developed or modified.

FINANCIAL ANALYSIS

None at this time. SHRA will request approval from the Board as more specific programs and responses are developed. These programs and resources will seek to position, SHRA, the City and the County to take advantage of current resources, as well as state, federal and lender resources that may become available in the future.

POLICY CONSIDERATIONS

The report updates the Board and seeks input on the actions underway or under consideration by SHRA, the City and the County to address foreclosure issues.

ENVIRONMENTAL REVIEW

This report is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and CEQA Guidelines Section 15378 (b)(4).

M/WBE CONSIDERATIONS

The items discussed in this report have no M/WBE impact; therefore; M/WBE considerations do not apply.

Respectfully submitted,

APPROVED

LA SHELLE DOZIER
Interim Executive Director
Sacramento Housing and Redevelopment Agency

TERRY SCHUTTEN
County Executive

Attachments:

ATT I – Foreclosure Trends in Sacramento

ATT II – Legislative Update