



**REPORT TO COUNCIL**  
**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Consent**  
June 11, 2013

**Honorable Mayor and Members of the City Council**

**Title: Foreclosed Property Access and Rehabilitation Program Amendment**

**Location/Council District: Citywide**

**Issue:** This report seeks authorization to continue and expand the Foreclosed Property Access and Rehabilitation Program (FAP), which allows for the purchase and rehabilitation of foreclosed properties and resale to homebuyers.

**Recommendation: Adopt a City Council Resolution:** a) authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to seek National Community Stabilization Trust (NCST) approval to expand FAP target areas boundaries and to implement the FAP program in these areas using eligible City of Sacramento census tracts located within the defined NCST First Look program area, and; b) make related findings.

**Contact:** Chris Pahule, Program Manager, Community Development, 440-1350

**Presenters:** N/A

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis**

**Issue:** In June 2009, SHRA began acquiring foreclosed, REO properties through its partnership with the NCST, a national nonprofit organization created to connect banks and loan servicers holding foreclosed properties with local government entities and organizations working to stem the decline of communities with high concentrations of vacant and abandoned foreclosed properties. NCST administers a "First Look" program, whereby its participating entities are provided access to foreclosed or abandoned properties prior to the properties being listed on the open market, allowing for the targeted and expedited purchase of these properties from various financial institutions working with the organization. Through the First Look program, SHRA acquired over 40 foreclosed and/or abandoned properties within targeted areas of the City and County of Sacramento as a component of the SHRA administered Neighborhood Stabilization Program (NSP). Properties acquired through NCST under the NSP program have since been rehabilitated and sold to income eligible owner

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occupant homebuyers, or are being land banked for future redevelopment purposes.

On October 25, 2011, the City Council (Council) authorized SHRA to establish and implement a pilot program referred to herein as the FAP. The FAP provides builder participants with a unique opportunity to access and expedite the purchase of foreclosed and/or abandoned REO properties prior to being listed and offered for sale on the open market. This program expands upon the revitalization efforts of the existing NSP, targeting the rehabilitation and resale of single family dwelling units within some of Sacramento's most challenging low and moderate income neighborhoods. As a part of the Council's approval, SHRA was asked to report back after one year of program operation with a summary of the program successes, its ability to recover staffing costs, and to present any recommended changes that might be needed to help facilitate the continued operation and administration of the program.

With the Council's authorization to proceed, the FAP subsequently expanded the eligibility for participation in the First Look program to SHRA's approved builder partners. During the past year approximately 140 properties have been made available through the program to FAP program participants. From this inventory, eight properties were acquired, four of which have been rehabilitated and resold to owner occupants, and one of which is currently in escrow.

As originally conceived, the revitalization strategy for the FAP was to target specific low- and moderate-income neighborhoods in Sacramento where foreclosure rates ranked among the highest in the nation. While sound from a strategic perspective, due to the limited size of the geographical areas, one of the resulting constraints has been a limited amount of inventory that has been funneled through the First Look program to the FAP participants. More recently, and largely due to private investment funds purchasing residential properties for conversion to rental housing, new legal protections for homeowners, rising home prices, and banks pursuing other foreclosure alternatives such as short sales, there has been a significant decline in the amount of available inventory within the existing target areas and throughout Sacramento. In order to counter these constraints, and at the request of the program participants, staff recommends updating and expanding the target area boundaries to include other eligible census tracts within the defined First Look program area. In addition to increasing the amount of available inventory to the program builders, it is SHRA's goal to expand its revitalization efforts to reach a broader spectrum of low and moderate-income neighborhoods negatively impacted by the foreclosure crisis.

In its administrative capacity, SHRA continues to provide oversight review of rehabilitation costs and scopes of work to ensure consistency with program construction standards, monitor construction throughout the rehabilitation process, ensure that homebuyer eligibility requirements are being met prior to sale and, serve as the program's Community Coordinator and primary point of contact to facilitate the transfer and sale process between multiple builder partners, NCST and participating lenders. While it is not possible to anticipate the number of properties that will continue to flow to the FAP, based on the level

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of interest being expressed by the program participants, staff is recommending that the FAP be continued for the foreseeable future.

**Policy Considerations:** The recommended actions in this staff report are consistent with the 2008-2013 Housing Element of the General Plan, adopted November 18, 2008, which indicates that, "The City shall support efforts to alleviate the individual and community problems associated with mortgage default and foreclosure." To implement this policy, the Housing Element includes program 19, committing the City to enacting a comprehensive plan for addressing the foreclosure crisis, including "neighborhood reinvestment strategies."

### Environmental Considerations:

**California Environmental Quality Act (CEQA):** The proposed action, which is in furtherance of a program to facilitate the rehabilitation of foreclosed, vacant properties for resale to qualifying homebuyers, is categorically exempt pursuant to CEQA Guidelines Section 15301.

**Sustainability Considerations:** The activities included in this report have been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. As presented, the contents of this report will advance the following goals, policies and targets: rehabilitating units following green building standards; improve energy efficiency of the rehabilitated homes; and create healthy urban environments through restorative redevelopment.

**National Environmental Policy Act (NEPA):** There is no federal funding or other federal action associated with the proposed actions; therefore, NEPA does not apply.

**Commission Action:** On May 15, 2013, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Chan, Gore, Griffin, LeDuc, Morgan, Morton, Rosa, Shah

NOES: None

ABSENT: Johnson, Stivers

**Rationale for Recommendation:** Sacramento ranked fifth in the nation for rate of foreclosure activities in 2007. Despite the collaborative efforts of the City, County, SHRA and numerous non-profit organizations, the impacts of this crisis can still be seen in neighborhoods throughout Sacramento. Accordingly, the FAP strives to expand upon the successes of the Neighborhood Stabilization Program (NSP), by providing continuing opportunities to target and address foreclosed properties throughout Sacramento's hardest hit neighborhoods. With

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the recent decline in available REO inventory, SHRA is recommending that steps be taken to increase the geographical area of the FAP in order to increase the flow of properties to the program participants and to further enhance rehabilitation and revitalization efforts within the community.

**Financial Considerations:** No direct financial assistance is provided to participating builder partners as part of the FAP. SHRA's administrative activities to date have essentially been revenue neutral, with revenues totaling approximately \$19,745, and expenditures totaling approximately \$17,500. Cost recovery has been achieved through the program's annual \$1,000 participation fee, and payment of a one percent per property transaction fee at the time of acquisition through the First Look Program and again upon resale to an owner occupant.

**M/WBE and Section 3 Considerations:** The activities discussed in this report do not involve federal funding, therefore, M/WBE and Section 3 requirements do not apply.

Respectfully Submitted by:



LA SHELLE DOZIER  
Executive Director

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**Attachments**

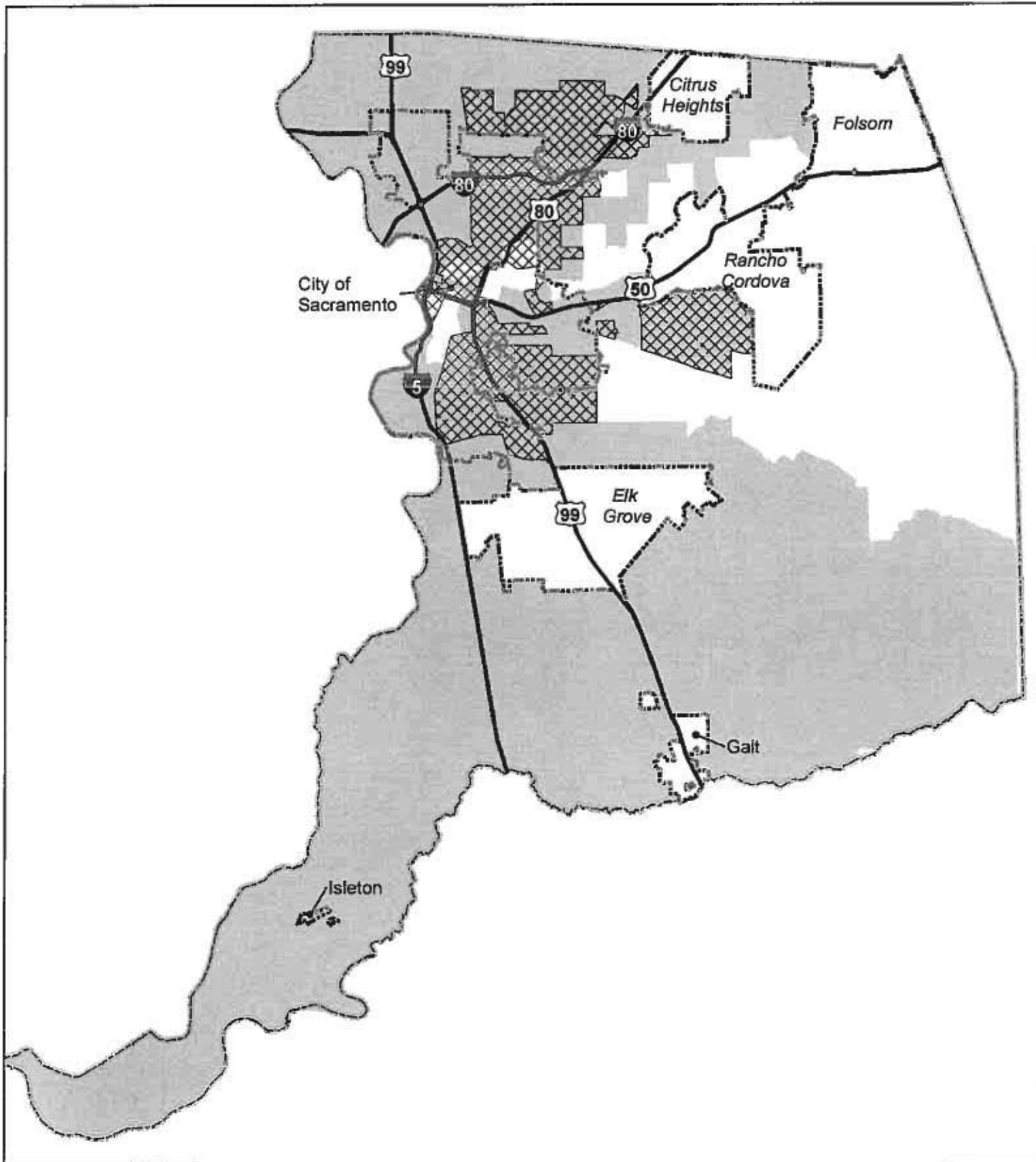
1 Map – Expanded Target Areas pg. 5  
2 City Council Resolution pg. 6

Approved as to form:

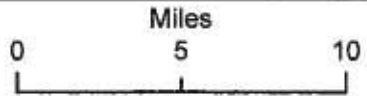


Agency Counsel

# SHRA Foreclosed Property Access and Rehabilitation Program



- Incorporated City
- Original FAP Boundary
- Sacramento County
- Expanded FAP Target Area Boundary



SHRA GIS  
MAY 7, 2013

**RESOLUTION NO. 2013 -****Adopted by the Sacramento City Council**

On date of

**FORECLOSED PROPERTY ACCESS AND REHABILITATION PROGRAM****BACKGROUND**

- A. In June 2009, the Sacramento Housing and Redevelopment Agency (SHRA) began acquiring real estate owned (REO) properties through its partnership with the National Community Stabilization Trust (NCST), a national nonprofit organization created to connect banks and loan servicers holding foreclosed properties with local governments and organizations working to stem the decline of communities with high concentrations of vacant and abandoned foreclosed properties.
- B. On October 25, 2011, the City Council authorized SHRA to establish and implement a pilot program referred to as the Foreclosed Property Access and Rehabilitation Program (FAP), wherein the participants are provided access to foreclosed or abandoned properties prior to the properties being listed on the open market, allowing for the targeted and expedited purchase of these properties from various financial institutions working with NCST.
- C. After one year of program operation, SHRA was directed to report back to the City Council regarding the successes of the program, including recommendations for its continuation and any modifications that might be needed to maintain the successful administration and operation of the program.
- D. Through NCST's "First Look" program, to date SHRA has acquired over 40 foreclosed or abandoned properties, and SHRA's participating builder partners have acquired 8 properties within targeted areas of the City and County.
- E. Due to challenges created by the overall decline in inventory of foreclosed or abandoned properties, SHRA desires to update and expand the target area boundaries to include other eligible census tracts located within the defined NCST program area in an effort to potentially increase the number of properties that may be made available to SHRA's participating builder partners.
- F. Expansion of the FAP program target boundaries will enhance and continue SHRA's efforts to facilitate community revitalization and rehabilitation of foreclosed, vacant properties for resale to qualifying homebuyers, in addition to assisting neighborhoods struggling to eliminate blight, reduce vandalism, and prevent a further deterioration of local property values.

- G. The proposed action, which is in furtherance of a program to facilitate the rehabilitation of foreclosed, vacant properties for resale to qualifying homebuyers, is categorically exempt pursuant to CEQA Guidelines Section 15301.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, are approved.
- Section 2. SHRA is authorized to seek NCST approval and implement expanded FAP target area boundaries that include eligible City of Sacramento census tracts located within the defined NCST First Look program area.