

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 18, 2013

To: Board of Supervisors of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Foreclosed Property Access And Rehabilitation Program Amendment

Supervisory
District: All

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

Overview

On November 15, 2011, the Board of Supervisors (Board) authorized the Sacramento Housing and Redevelopment Agency (SHRA) to establish and implement a pilot program referred to herein as the Foreclosed Property Access and Rehabilitation Program (FAP). The FAP provides SHRA, working with builder participants, a unique opportunity to access and expedite the purchase of foreclosed and/or abandoned real estate owned (REO) properties prior to being listed and offered for sale on the open market. This program expands upon the revitalization efforts of SHRA's existing Neighborhood Stabilization Program (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 Board'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 help facilitate the continued operation and administration of the program.

Recommendations

Adopt the attached resolution that authorizes SHRA to:

1. Seek National Community Stabilization Trust (NCST) approval to expand FAP target area boundaries and to implement the FAP program in these areas using eligible County of Sacramento census tracts located within the defined NCST First Look program area.

Measures/Evaluation

The FAP is intended to focus on stabilizing low and moderate income neighborhoods through the acquisition and rehabilitation of vacant and foreclosed single family properties. SHRA proposes to expand the program area boundaries in an effort to increase the amount of REO inventory that can be made available for acquisition and rehabilitation. SHRA anticipates a continuation of its ability to recover staffing expenses through the existing FAP fee structure, however the number of properties that may be administered by the program is unknown at this time.

Fiscal Impact

Cost recovery for SHRA's administrative activities is to be achieved through the FAP's annual participation fee and per unit transaction fee.

BACKGROUND

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 NSP. Properties acquired through NCST under the NSP program have since been rehabilitated and sold to income eligible owner occupant homebuyers, or are being land banked for future redevelopment purposes.

The FAP which was approved in 2011 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, 8 properties were acquired, four of which have been rehabilitated and resold to owner occupants, and one that is currently in escrow.

DISCUSSION

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 available 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 crises.

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

COMMISSION ACTION

At its meeting of 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

MEASURES/EVALUATIONS

The FAP is intended to complement existing efforts to facilitate neighborhood stabilization through the acquisition and rehabilitation of vacant and foreclosed single family properties. With the recent decline in available REO inventory, it is SHRA's goal to continue these efforts to the greatest extent feasible by broadening the program boundaries and creating an opportunity to increase or capture as many properties as possible that can then be made available for acquisition and rehabilitation. Additionally, SHRA anticipates a continuation of its ability to recover staffing expenses through the existing fee structure.

FINANCIAL ANALYSIS

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.

POLICY CONSIDERATIONS

The recommended actions in this staff report are consistent with the County of Sacramento's 2008-2013 Housing Element of the General Plan adopted December 17, 2008. Policy HE-15 of the Housing Element indicates that the County shall "Support efforts to alleviate the individual and community problems associated with mortgage default and foreclosure".

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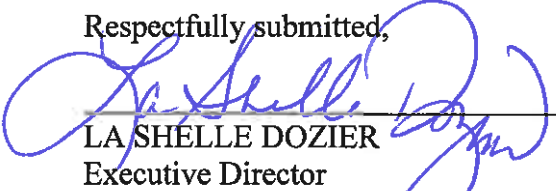
ENVIRONMENTAL REVIEW

The proposed actions, which are in furtherance of a program to facilitate the rehabilitation of foreclosed, vacant properties for resale to qualifying homebuyers, are categorically exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15301. There is no federal funding or other federal action associated with the proposed actions; therefore, the National Environmental Policy Act (NEPA) does not apply.

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,



LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

APPROVED

BRADLEY J. HUDSON
County Executive

Attachments:

RES – County BOS Resolution

ATT I – Map Expanded Target Areas

RESOLUTION NO. _____

ON DATE OF

FORECLOSED PROPERTY ACCESS AND REHABILITATION PROGRAM

WHEREAS, 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.

WHEREAS, on November 15, 2011, the Board of Supervisors 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.

WHEREAS, after one year of program operation, SHRA was directed to report back to the Board of Supervisors regarding the successes of the program, including a recommendations for its continuation and any modifications that might be needed to maintain the successful administration and operation of the program.

WHEREAS, 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.

WHEREAS, due to challenges created by the overall decline in inventory of foreclosed or abandoned properties, SHRA desires to update and expand the FAP 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.

WHEREAS, expansion of the FAP program target area 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.

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

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO

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 County of Sacramento census tracts located within the defined NCST First Look program area.

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California this 18th day of June, 2013, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

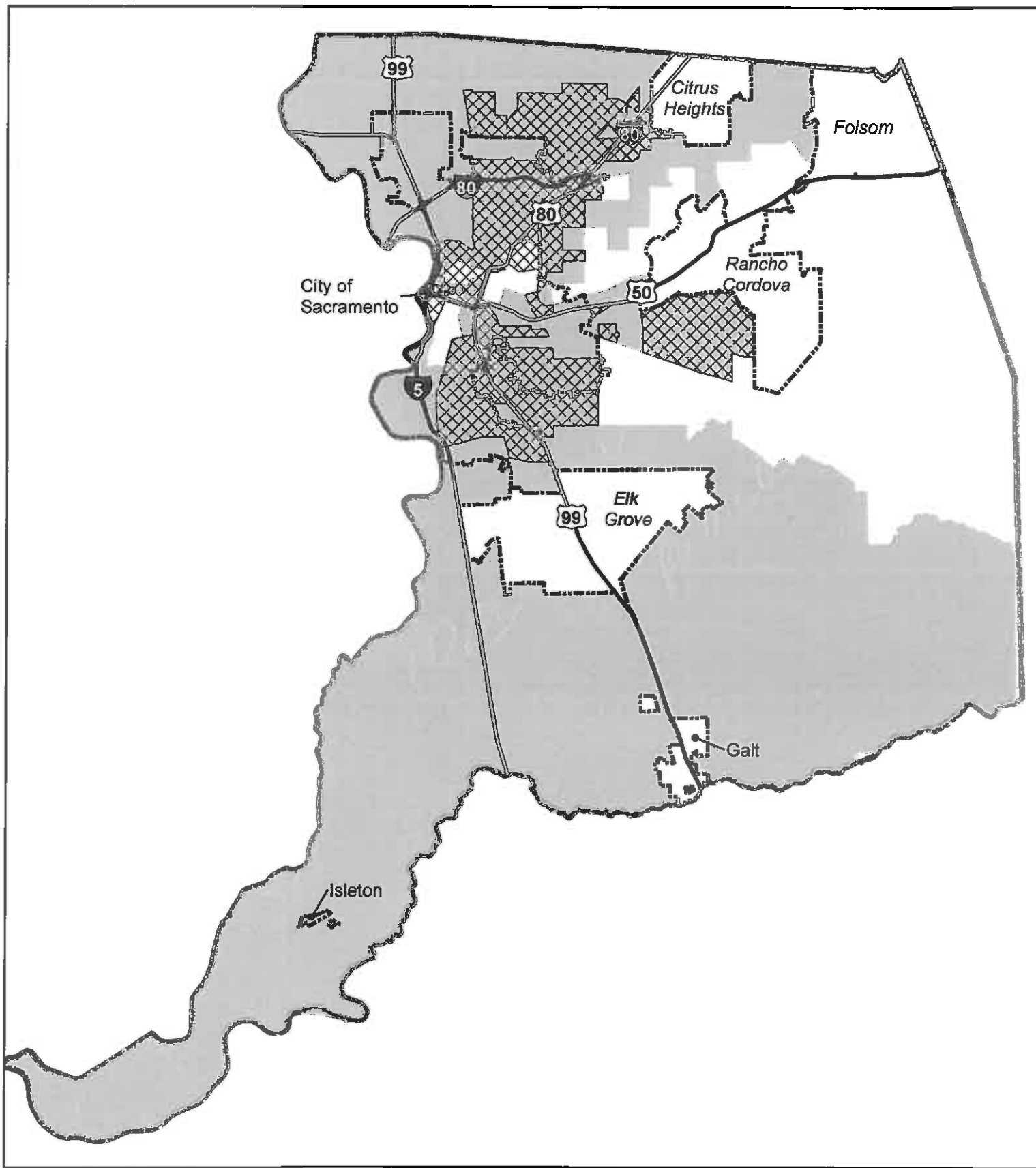
Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

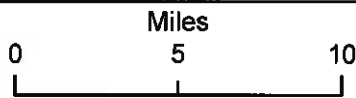
ATTEST: _____
Clerk, Board of Supervisors



Foreclosed Property Access and Rehabilitation Program



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



SHRA GIS
May 7, 2013