



INVESTING IN COMMUNITIES

NOTICE OF REGULAR MEETING
Sacramento Housing and Redevelopment
Commission
Wednesday, September 17, 2014 – 6:00 pm
801 12th Street Sacramento, CA

ROLL CALL

APPROVAL OF AGENDA

1. APPROVAL OF MINUTES - September 3, 2014

CITIZENS COMMENTS

2. While the Commission welcomes and encourages participation in the Commission meetings, it would be appreciated if you would limit your comments to three minutes so that everyone may be heard. Please fill out a speaker card and present it to the Agency Clerk if you wish to speak under Citizen Comments or on a posted agenda item. Matters under the jurisdiction of the Commission, and not on the posted agenda, may be addressed by the general public at this time. Commission attendees are requested to silence any electronic devices that they have in their possession.

PUBLIC HEARINGS

3. Approval of 2014 One Year Action Plan Amendments for the Twin Rivers (Dos Rios) Transit-Oriented Development and Light Rail Station Initiative Acquisition, Predevelopment and Planning activities – City report
4. Amendment to the Section 32 Homeownership plan to use proceeds from the City Public Housing Homeownership Program for the Preservation, Rehabilitation and Sale of Vacant Section 32 Single Family Homes to SHRA as the Purchase and Resale Entity (PRE) approved by HUD, and authorization to execute a seller Carry Back Loan - City report
5. Designation Of The Sacramento Housing And Redevelopment Agency (SHRA) As A Purchase And Resale Entity (PRE) For The Preservation, Rehabilitation And Sale Of Vacant Section 32 Homeownership Single Family Homes – County report

BUSINESS

6. Discussion and possible action regarding proposed amendment to SHRA Commission Bylaws to establish a standing Committee to advocate for SHRA programs and projects

WORKSHOP/INFORMATIONAL ITEMS

7. SHRA Budget Workshop – Public Housing and Housing Choice Voucher

EXECUTIVE DIRECTOR REPORT

COMMISSION CHAIR REPORT

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

ADJOURNMENT

Staff reports are available for public review on the Agency's website www.shra.org and include all attachments and exhibits. Hard copies are available at the Agency Clerk's office (801 12th Street) for 10 cents per page. A copy of materials for this agenda will be available at the meeting for public review. **Assistance for the Disabled:** Meeting facilities are accessible to persons with disabilities. If you require special assistance to participate in the meeting, notify the Agency Clerk at (916) 440-1363 at least 48 hours prior to the meeting.



MINUTES

Sacramento Housing and Redevelopment Commission (SHRC)

Regular Meeting

September 3, 2014

Meeting noticed on August 28, 2014

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Alcalay. A quorum of members was present.

MEMBERS PRESENT: Alcalay, Chan, Creswell, Macedo, Morgan, Morton, Raab

MEMBERS ABSENT: Griffin, Johnson, Stivers (one vacancy)

STAFF PRESENT: Vickie Smith, La Shelle Dozier, Don Cavier, David Levin, Christine Weichert, Tyrone Williams, MaryLiz Paulson, Jim Shields, Sarah Thomas, Monique Pierre

APPROVAL OF AGENDA The Agenda was approved as submitted.

APPROVAL OF MINUTES

1. August 6, 2014 minutes were approved unanimously as amended. Chair Alcalay abstained.

CITIZENS COMMENTS

Sammi Fernandez commented about issues at Clauss Court.

BUSINESS ITEM

2. Election of SHRA Commission Vice Chair
Chair Alcalay nominated Commissioner Griffin to serve as Commission Vice-Chair. Commissioner Morton seconded the motion and it was approved unanimously.

PUBLIC HEARING

3. Public Housing Agency Five-Year Action Plan and 2015 Annual Plan for the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento; Submission of PHA Five-Year and 2015 Annual Plan to the Department of Housing and Urban Development (HUD); Certificates of Compliance

Chair Alcalay opened and closed the public hearing. Sarah Ropelato from Legal Services and Sammi Fernandez spoke during public comment.

Commissioner Morgan recommended that staff make documents such as this available to the commission at the beginning of the public comment period.

Commissioner Cresswell recommended that this be brought back for a more thorough review by the commission.

Executive Director LaShelle Dozier suggested that staff hold an executive session prior to the regular meeting on September 17th to review the document.

WORKSHOP/INFORMATIONAL ITEMS

4. SHRA Budget Workshop – Development

Development Director Tyrone Williams presented the items.

5. Review/Discussion of Housing Partnership document

Staff reviewed the Housing Partnership document with Commission.

Chair Alcalay suggested that an Ad Hoc committee be formed to work on Commission advocacy projects. Commissioner Cresswell, Macedo, Alcalay and Raab volunteered to be part of this committee. Commissioner Cresswell will serve as Chair.

EXECUTIVE DIRECTOR REPORT

LaShelle Dozier announced the following:

- Next meeting will be September 17th
- HCV Waitlist to be open 9-15
- Bing Kong Tong Building event on 9-16

COMMISSION CHAIR REPORT

Chair Alcalay requested.

- Report back about media plan
- More frequent communication about letters from HUD and others.
- Suggested a beautification project for the commission and staff.

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

Commissioner Chan asked if Meals on Wheels was still funded by SHRA. Staff indicated that it is still being funded.

ADJOURNMENT

As there was no further business to be conducted, Chair Alcalay adjourned the meeting at 7:30 p.m.



September 12, 2014

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of 2014 One Year Action Plan Amendments for the Twin Rivers (Dos Rios)
Transit-Oriented Development and Light Rail Station Initiative Acquisition,
Predevelopment and Planning activities

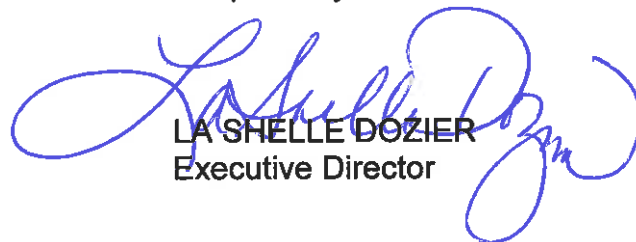
SUMMARY

The attached report is submitted to you for review prior to consideration by the City of
Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,



LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO CITY COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Business
October 7, 2014

Honorable Mayor and Members of the City Council

Title: Approval of 2014 One Year Action Plan Amendments for the Twin Rivers (Dos Rios) Transit-Oriented Development and Light Rail Station Initiative Acquisition, Predevelopment and Planning activities

Location/Council District: Citywide and District 3

Recommendation: Adopt 1) a **Council Resolution:** a) approving and adopting amendments to the 2014 One-Year Action Plan for Community Development Block Grant (CDBG) funded projects and programs; b) amending prior years' Action Plans; c) amending the Sacramento Housing and Redevelopment Agency (SHRA) budget to allocate funding for programs and activities in accordance with the amendments, including acquisition, predevelopment, and planning activities for the Twin Rivers (Dos Rios) Transit-Oriented Development and Light Rail Station Initiative; d) authorizing the SHRA to submit the 2014 Action Plan amendments and prior year action plan amendments to the United States Department of Housing and Urban Development (HUD) and to execute the subsequent grant agreements and contracts with HUD and other appropriate entities to carry out activities in accordance with the Action Plans; e) authorizing the SHRA to execute any and all related documents and agreements as necessary to carry out the federal programs as described in the Action Plans, and f) making related environmental findings, and 2) a **SHRC Resolution:** a) authorizing the Executive Director or her designee to take all actions and enter into any agreements and contracts as may be reasonably necessary to purchase properties on a voluntary basis, located at 520, 540 and 550 North 16th Street, 515 North 12th Street, and 1451 Sproule Avenue for not substantially more than just compensation; b) establishing just compensation for the foregoing properties for the fair market value determined by independent appraisal(s) prepared by a qualified member of the Appraisal Institute, and c) amending the Agency budget to allocate \$2,000,000 in CDBG funds to acquire the properties, conduct feasibility analyses and other predevelopment activities, and infrastructure analysis and planning, perform environmental review, environmental remediation, and enter into any agreements and contracts as may be necessary to carry out these activities.

Contact: Tyrone Roderick Williams, Director of Development, (916) 440-1316
Kyle Flood, Program Manager-Development (916) 440-1311

Presenters: Tyrone Roderick Williams, Director of Development

Amendment to 2014 CDBG Action Plan for Twin Rivers Project

Department: Sacramento Housing and Redevelopment Agency (SHRA)

Description/Analysis

Issue: On January 31, 2012, the U.S. Department of Housing and Urban Development (HUD) awarded the Housing Authority of the County of Sacramento (Housing Authority) a \$300,000 Choice Neighborhoods Initiative (CNI) Planning grant to develop a Neighborhood Transformation Plan (NTP) for the Twin Rivers - River District/Railyards neighborhood (see Attachment 1 map), with a primary goal of revitalizing the Twin Rivers public housing development.

Over the two year planning period, SHRA staff worked with a multitude of organizations, community groups, and Twin Rivers public housing residents to craft the comprehensive neighborhood vision which recommends strategies to address three core areas: Housing, People and Neighborhoods. If determined feasible and approved, the NTP will serve as basis for revitalization of the 218-unit Twin Rivers public housing site into a mixed-use, mixed income community, while simultaneously encouraging the transformation of the surrounding neighborhood with positive outcomes for families.

The Twin Rivers public housing development is the oldest development in the Housing Authority of the County of Sacramento's public housing inventory. Twin Rivers has existed as an isolated and disconnected community, cut off from the surrounding area by railroad tracks, levees and rivers, and limited connections via rail, road, or transit to other parts of the City. Through the CNI Planning Grant, the opportunity to re-engage this community not only through physical design but also socially through the linkage to services and the creation of a mixed-income housing environment became a reality.

The Plan was informed by the City of Sacramento's General Plan, as well as the Specific Plans for the River District and Railyards. The Plan envisioned the replacement of the 218-unit Twin Rivers public housing site with a mixed use, mixed income, transit-oriented development, both on the existing Twin Rivers site, and adjacent parcels off-site, consisting of over 800 units which could be developed over multiple phases. Further, the Plan included the development of a new light rail transit station (Dos Rios Station) to serve the revitalized site, to be located in the area of Richards Boulevard, Sproule Avenue and 12th Street.

The NTP for the River District-Railyards sets forth a comprehensive blueprint of the neighborhood, housing, and people strategies essential to realize the collective vision for this pivotal community in the City of Sacramento, though the Twin Rivers development is owned by the Sacramento County Housing Authority.

In December 2013 Sacramento Regional Transit (RT) was awarded a \$500,000 Community Design Funding Program Grant from Sacramento Area Council of Governments (SACOG) to plan and design the new Dos Rios Light Rail Station. SHRA committed \$500,000 as the match towards the planning effort, including

Amendment to 2014 CDBG Action Plan for Twin Rivers Project

environmental review. The design phase is scheduled to begin in November 2014 and completed within 18 months.

This report requests the authority to negotiate the purchase on a voluntary basis of five properties located at 520, 540 and 550 North 16th Street, 515 North 12th Street, and 1451 Sproule Avenue for not substantially more than just compensation for the potential future light rail station and transit oriented development (see Attachment 2 map). This property acquisition would not obligate SHRA or the Housing Authority to pursue any particular type of development, nor does the acquisition obstruct SHRA or the Housing Authority from considering alternatives.

The NTP was completed and submitted to the City Council in December 2013 and to HUD in January 2014. It is important to note that the NTP is not an adopted, regulatory plan, but currently serves as a vision document and planning study that warrants further evaluation of the feasibility and potential environmental effects that could occur if the plan were formally adopted and implemented. As it stands, the NTP does not commit or otherwise limit the discretion of SHRA, the Housing Authority, or the City of Sacramento in the geographic area described in the NTP.

This report recommends approval of an amendment to the 2014 One-Year Action Plan and prior years' action plans as detailed in Exhibit A to further the NTP. An allocation of \$2,000,000 in Community Development Block Grant (CDBG) funding is recommended to provide for costs related to delivery, environmental review/clearance, real property acquisition, environmental remediation, predevelopment costs, and engineering planning and analysis in connection with the Twin Rivers (Dos Rios) Transit-Oriented Development (TOD) and Light Rail Station initiative. Details on the proposed allocation and transfer of funds for the initiative are outlined in Exhibit A.

Policy Considerations: The proposed appropriation of funds for new and existing activities is consistent with the goals and objectives in the adopted Five Year Consolidated Plan (Consolidated Plan) which guides the use of federal community development funds in Sacramento. The Consolidated Plan goals include assisting low- and moderate-income persons and areas with the following: community services, housing, homeless facilities and services, public improvements and facilities, economic development, and planning activities. Further, these activities support the Housing Authority's Asset Repositioning Strategy, the goal of which is to invest in and modernize the public housing stock while reducing the reliance on federal funding.

Economic Impacts: The acquisition of properties and other predevelopment and planning activities will not have any immediate economic impacts. At such time when the site is developed, the economic impacts including jobs and revenue will be projected.

Amendment to 2014 CDBG Action Plan for Twin Rivers Project

Environmental Considerations:

California Environmental Quality Act (CEQA): Activities authorized in this report have been analyzed in accordance with CEQA and are determined to be Exempt per CEQA Guidelines 15262 “Feasibility and Planning Studies” and 15061(b)(3). Acquisition of these properties does not in any way obligate SHRA to pursue any particular type of development, nor does such acquisition obstruct SHRA’s ability to consider alternatives.

Sustainability Considerations: Not applicable

Other: National Environmental Protection Act (NEPA): Activities authorized in this report have been analyzed in accordance with NEPA and are determined to be Exempt per 24 CFR 58.34(a)(1), (a)(3), (a)(5), (a)(8) and Categorically Excluded per 24 CFR 58.35(a)(1), (a)(5), (b)(3) and (b)(6).

Commission Action: On September 17, 2014, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: Funding is needed for the Twin Rivers (Dos Rios) Transit-Oriented Development and Light Rail Station Initiative in order to further the River District-Railyards Neighborhood Transformation Plan developed as a result of a Choice Neighborhoods Initiative Planning Grant awarded to the Housing Authority of the County of Sacramento by HUD in 2012. The acquisition, predevelopment, and planning activities will facilitate the submission of funding applications to HUD and other entities for which site control and readiness to proceed are critical elements.


Financial Considerations: This report recommends amending the 2014 One-Year Action Plan, previous years’ action plans, and the Agency budget to reduce funding to existing CDBG activities and Unallocated Capital Reserve in the amount of \$2,000,000 and allocate funds in the amount of \$2,000,000, to new activities as detailed in Exhibit A.

October 7, 2014

Amendment to 2014 CDBG Action Plan for Twin Rivers Project

M/WBE and Section 3 Considerations: Minority and Women's Business Enterprise will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable.

Respectfully Submitted by:



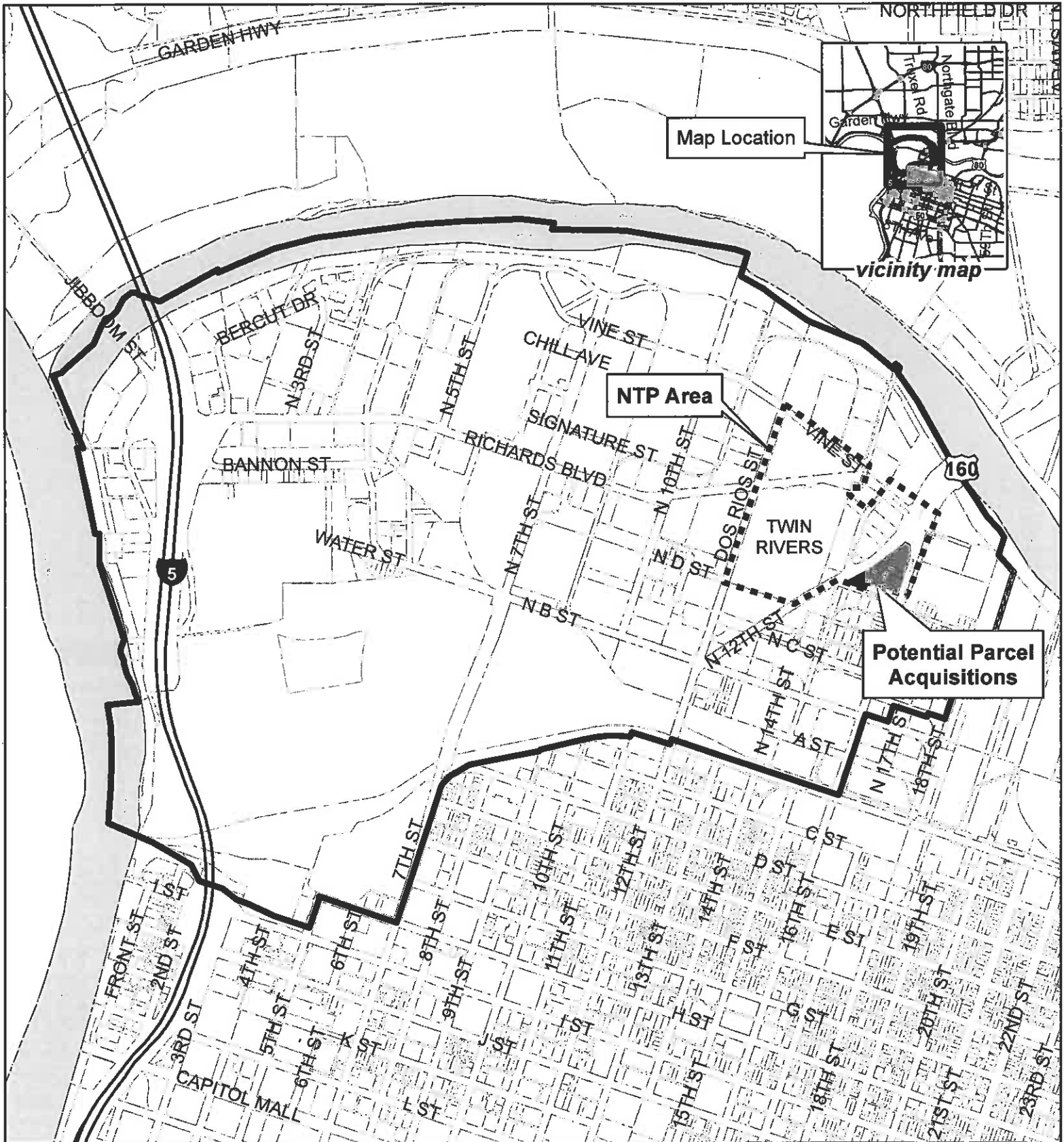
LA SHELLE DOZIER
Executive Director

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River District / Railyards Choice Neighborhoods - Neighborhood Transformation Plan Study Area



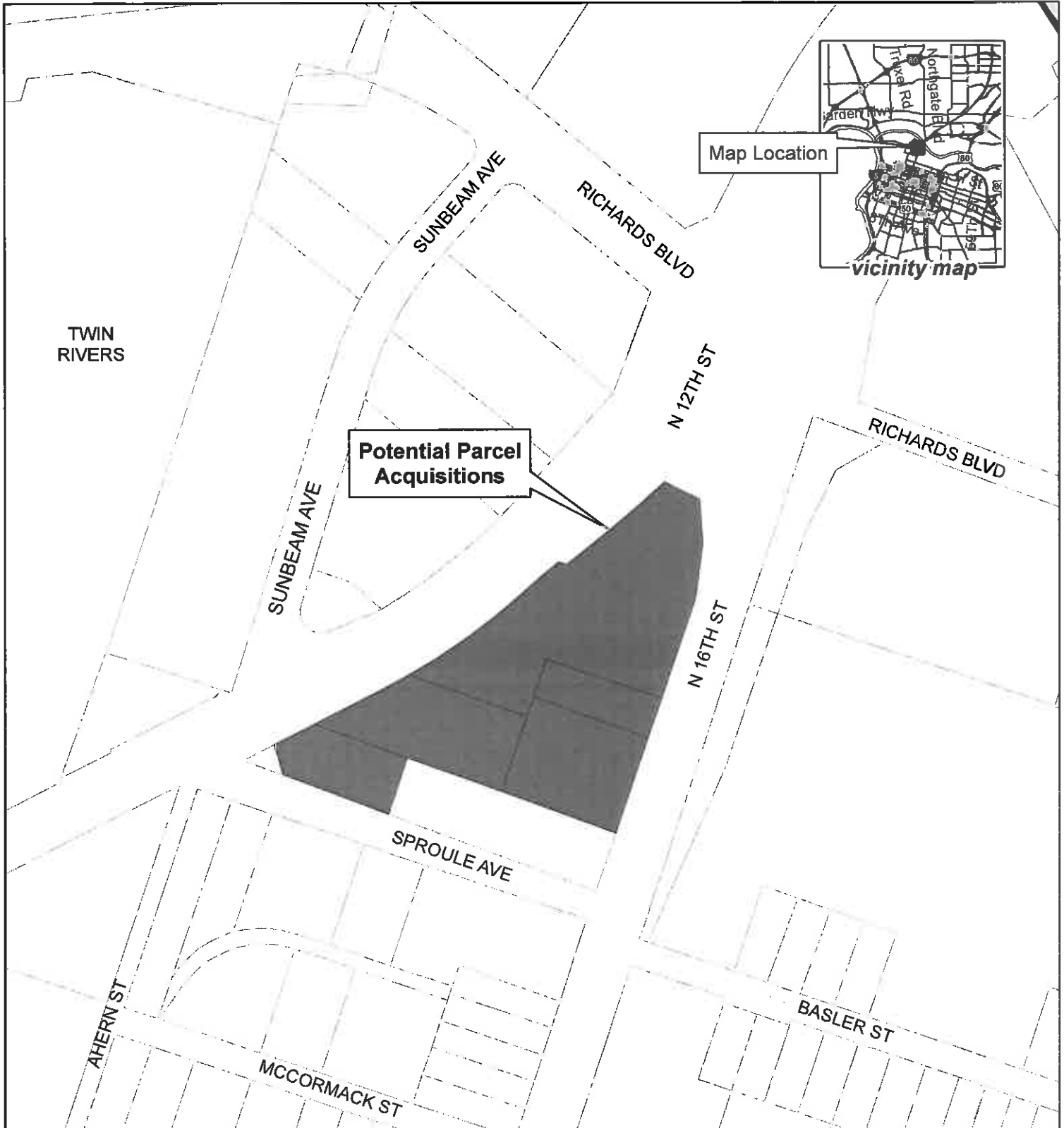
River District/Railyards Planning Area Potential Acquisition NTP Area

0 1,000 2,000 Feet

SHRA GIS
September 5, 2014



Twin Rivers (Dos Rios) Transit - Oriented Development and Light Rail Station Property Acquisition



Potential Acquisition



SHRA GIS
September 5, 2014

RESOLUTION NO. 2014 -

Adopted by the Sacramento City Council

OCTOBER 7, 2014

APPROVAL AND ADOPTION OF AMENDMENTS TO THE 2014 ONE-YEAR ACTION PLAN FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDED PROJECTS AND PROGRAMS; AMENDMENT OF VARIOUS PRIOR YEARS' ACTION PLANS; AMENDMENT TO THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY BUDGET TO APPROPRIATE FUNDS FOR ACQUISITION, PREDEVELOPMENT AND PLANNING ACTIVITIES IN SUPPORT OF THE TWIN RIVERS (DOS RIOS) TRANSIT-ORIENTED DEVELOPMENT AND LIGHT RAIL STATION PROJECT; AND EXECUTE DOCUMENTS FOR THE ADMINISTRATION OF FEDERAL PROGRAMS AND RELATED ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Since 1982, the Sacramento Housing and Redevelopment Agency (SHRA), on behalf of the City of Sacramento, has served as the public entity designated to efficiently administer the CDBG program funding originating from HUD.
- B. HUD requires the annual submittal of a One-Year Action Plan and any amendments describing proposed activities and expenditures for the following year in accordance with the goals and priorities of the Consolidated Plan.
- C. Funding is needed for the Twin Rivers (Dos Rios) Transit-Oriented Development and Light Rail Station Project in order to further evaluate the feasibility of the River District-Railyards Neighborhood Transformation Plan developed as a result of a Choice Neighborhoods Initiative Planning Grant awarded to the Housing Authority of the County of Sacramento by HUD in 2012.
- D. The Twin Rivers (Dos Rios) Transit-Oriented Development and Light Rail Station Project is located in a low-income community, and includes the severely distressed Twin Rivers public housing development.
- E. On October 22, 2013, the City Council approved the 2014 One-Year Action Plan by City Resolution 2013-1002-02. A noticed public hearing soliciting comments on the amendments to the 2014 One-Year Action Plan was held by the Sacramento Housing and Redevelopment Commission on September 17, 2014.
- F. The recommend activities have been analyzed in accordance with California Environmental Quality Act (CEQA) and are found to be Exempt per CEQA Guidelines Sections 15262 "Feasibility and Planning Studies" and 15061(b)(3). Acquisition of these properties does not in any way obligate SHRA to pursue any

particular type of development, nor does such acquisition obstruct the City's or SHRA's ability to consider alternatives.

- G. The recommend activities have also been analyzed in accordance with National Environmental Policy Act (NEPA) and are determined to be Exempt per 24 CFR 58.34(a)(1), (a)(3), (a)(5), (a)(8) and Categorically Excluded per 24 CFR 58.35(a)(1), (a)(5), (b)(3) and (b)(6).

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

- Section 1. All evidence presented being duly considered, the findings, including environmental findings regarding this action are approved.
- Section 2. The 2014 One-Year Action Plan and previous years' action plans are revised and amended as set forth in Exhibit A.
- Section 3. SHRA is authorized to amend its budget to allocate the CDBG funding for programs and projects as set forth in Exhibit A.
- Section 4. SHRA is authorized and delegated authority to act as agent on behalf of the City of Sacramento to submit the amendments to the 2014 One-Year Action Plan to HUD; execute grant agreements with HUD; and to execute agreements with appropriate entities to carry out CDBG projects in accordance with the 2014 One-Year Action Plan, as amended. All such agreements shall be in compliance with federal law and regulations.
- Section 5. SHRA is authorized to establish just compensation for vacant properties located at 520, 540 and 550 North 16th Street, 515 North 12th Street, and 1451 Sproule Avenue, and authorizing other actions related to voluntary, negotiated acquisitions of said properties.
- Section 6. SHRA is authorized to execute any and all related documents, including invoicing, contracts and amendments as necessary to carry out the federal programs and projects as described in the 2014 One-Year Action Plan and amended action plans in compliance with applicable federal law and regulations.
- Section 7. The Executive Director is authorized to take all actions, and enter into any agreements and contacts as may be necessary to carry out the project. These activities shall be carried out in accordance with the procurement policies of SHRA.

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Exhibit A	Amended Action Plan Proposed Funding Transfers and Appropriations
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City of Sacramento
Proposed Funding Transfers and Appropriations

Proposed funding transfers are being recommended due to program suspension, project cancelation and appropriation of Unallocated CDBG Capital Reserve and MSHA funds/reserves to new activities. Newly funded activities are scheduled to be implemented and completed within 18 months to comply with federal regulations governing the timely expenditure of funds.

Proposed Funding Transfers	Amount	From
Multi-Family Rehabilitation RLF: Staff recommends transferring a portion of the existing loan proceeds to the CDBG PI Fund.	\$100,000	CDBG RLF
Single-Family RLF: Staff recommends transferring a portion of the existing loan proceeds to the CDBG PI Fund.	\$100,000	CDBG RLF
First-Time Homebuyer RLF: Staff recommends transferring a portion of the existing loan proceeds to the CDBG PI Fund.	\$100,000	CDBG RLF
Subtotal	\$300,000	
2012 Joint Use Facility: This project is canceled and staff recommends the project be defunded and funds returned to CDBG Unallocated Capital Reserve.	\$400,000	CDBG Activity
Unallocated Capital Reserve: Defund reserve account to fund activity listed below.	\$1,300,000	CDBG Capital Reserve
Subtotal	\$1,700,000	
Total Funding Transfer	\$2,000,000	
Proposed Appropriations	Amount	From
2014 Twin Rivers (Dos Rios) TOD and Light Rail Station Initiative: - Funds to provide for costs related to delivery, environmental review/clearance, real property acquisition, environmental remediation, predevelopment costs, and infrastructure analysis and planning.	\$300,000	CDBG PI Fund
	\$1,700,000	CDBG Capital Reserve
Total Appropriations	\$2,000,000	

RESOLUTION NO. SHRC-_____

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF

SEPTEMBER 17, 2014

ESTABLISHING JUST COMPENSATION FOR PROPERTIES AT 520, 540 AND 550 NORTH 16th STREET, 515 NORTH 12th STREET, AND 1451 SPROULE AVENUE IN SUPPORT OF THE TWIN RIVERS (DOS RIOS) TRANSIT-ORIENTED DEVELOPMENT AND LIGHT RAIL STATION INITIATIVE, AND AUTHORIZING THE EXECUTIVE DIRECTOR TO ACTIONS RELATED TO VOLUNTARY, NEGOTIATED ACQUISITIONS OF SAID PROPERTIES; RELATED ENVIRONMENTAL FINDINGS

WHEREAS Twin Rivers is a severely distressed 218-unit public housing development (Development) constructed primarily between 1942 and 1946 that is owned by the Housing Authority of the County of Sacramento, but located in the City of Sacramento.

WHEREAS, on January 31, 2012, the United States Department of Housing & Urban Development (HUD) awarded the Housing Authority of the County of Sacramento (Authority) a \$300,000 Choice Neighborhoods Initiative (CNI) Planning Grant to develop a Neighborhood Transformation Plan (Plan) for the River District/Railyards neighborhood in the City of Sacramento, with the primary goal of revitalizing the Development.

WHEREAS, the two-year planning process included significant and on-going resident and public involvement through a variety of committees which developed strategies to improve housing, supportive services, and the broader neighborhood.

WHEREAS, the Plan was informed by the City of Sacramento's General Plan, as well as the Specific Plans for the River District and Railyards. The plan envisioned the replacement of the 218-unit Twin Rivers public housing site with a mixed use, mixed income, transit-oriented development, both on the existing Twin Rivers site, and adjacent parcels off-site, consisting of over 800 units to be developed over multiple phases. Further, the Plan includes the potential development of a new light rail transit station (Dos Rios Station) to serve the revitalized site, to be located in the area of Richards Boulevard, Sproule Avenue and 12th Street.

WHEREAS the properties located at 520, 540 and 550 North 16th St, 515 North 12th Street, and 1451 Sproule Avenue are vacant lots, some of which have posted for-sale signs, and have no eligible occupants or tenants.

WHEREAS, site control of the properties is required for the submission of a Choice Neighborhoods Initiative grant application to HUD, which is necessary to complete planning and obtain financing.

WHEREAS, the recommend activities have been analyzed in accordance with California Environmental Quality Act (CEQA) and are found to be Exempt per CEQA Guidelines Sections 15262 “Feasibility and Planning Studies” and 15061(b)(3). Acquisition of these properties does not in any way obligate SHRA to pursue any particular type of development, nor does such acquisition obstruct SHRA’s ability to consider alternatives.

WHEREAS, the recommend activities have also been analyzed in accordance with NEPA and are determined to be Exempt per 24 CFR 58.34(a)(1), (a)(3), (a)(5), (a)(8) and Categorically Excluded per 24 CFR 58.35(a)(1), (a)(5), (b)(3) and (b)(6).

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1. After due consideration of the facts presented at the public hearing held at the Commission on September 17, 2014, in the recitals above and the staff report, the findings, including the environmental findings regarding this action, are found to be true and correct.

Section 2 The Executive Director is authorized to take all actions, and enter into any agreements and contracts as may be reasonably necessary to purchase the properties on a voluntary basis, located at 520, 540 and 550 North 16th Street, 515 North 12th Street, and 1451 Sproule Avenue for not substantially more than just compensation.

Section 3. Just compensation for the foregoing properties, identified in Section 2, is determined to the fair market value determined by independent appraisal(s) prepared by a qualified member of the Appraisal Institute.

Section 4. The Executive Director is authorized to amend the Agency budget to allocate \$2,000,000 in CDBG funds to acquire the properties, obtain appraisals, pay reasonably commercial brokerage fees or commissions, hire consultants conduct feasibility analyses and other predevelopment activities, and infrastructure analysis and planning, perform environmental review, site remediation, and enter into any agreements and contacts as may be necessary to carry out these activities. These activities shall be carried out in accordance with the procurement policies of SHRA.

CHAIR

ATTEST:

CLERK



September 12, 2014

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Amendment to the Section 32 Homeownership plan to use proceeds from the City Public Housing Homeownership Program for the Preservation, Renovation and Sale of Vacant Section 32 Single Family Homeownership Units to SHRA as the Purchase and Resale Entity (PRE) approved by HUD, and authorization to execute a seller Carry Back Loan


SUMMARY

The attached report is submitted to you for review prior to consideration by the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO HOUSING AUTHORITY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
October 7, 2014

Chair and Members of the Housing Authority Board

Title: Amendment to the Section 32 Homeownership plan to use proceeds from the City Public Housing Homeownership Program for the Preservation, Rehabilitation and Sale of Vacant Section 32 Single Family Homes to SHRA as the Purchase and Resale Entity (PRE) approved by HUD, and authorization to execute a seller Carry Back Loan

Location/Council District: Citywide

Recommendation: Adopt a **Housing Authority Resolution** which: 1) approves an amendment to the Section 32 Homeownership Plan to designate the Sacramento Housing and Redevelopment Agency (SHRA) as the Purchase and Resale Entity (PRE) 2) offers to sell up to 54 vacant single family homes to the SHRA as the PRE through a seller carry back loan or loans or similar arrangements for fair market value given their as-is condition, 3) authorizes the Executive Director, or designee, to amend the budget and expend up to \$2,341,106 from the City Public Housing Homeownership Fund to pay the expenses of the PRE attributed to Section 32 homes located in the City, including preservation costs, rehabilitation expenses, and sales fees 4) authorizes the Executive Director, or designee, to execute documents to amend the Section 32 Homeownership Plan, to establish a PRE agreement with SHRA and to execute the seller carry back loan agreement; and 5) determines these properties are not required for the foreseeable needs of the Housing Authority. Adopt a **SHRC Resolution** which: 1) authorizes SHRA to enter into Purchase and Resale Agreements with the Housing Authorities of the City and County of Sacramento; 2) authorizes the purchase and acceptance of 76 vacant Section 32 homes through the Housing Authorities' seller carry back loan or loans or similar financing; 3) amends the agency budget to use, transfer, accept and/or expend funds from the City and County Public Housing Homeownership funds to pay for the preservation, rehabilitation and sale of the homes; 4) authorizes the Executive Director to publicly solicit and pay for the services of various vendors related to the preservation, rehabilitation and sale of the homes.

Contact: Tyrone Roderick Williams, Director of Development, (916) 440-1316
Kyle Flood, Program Manager, (916) 440-1311

Presenters: NA

Amendment to Section 32 Program

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This report recommends that the Housing Authority of the City of Sacramento's Section 32 Homeownership Plan, adopted in 2006, be amended to transfer ownership of vacant Section 32 Homeownership single family homes from the Housing Authority of the City of Sacramento to the Sacramento Housing and Redevelopment Agency as a Purchase and Resale Entity (PRE) using a seller carry back loan for Fair Market Value appraised in their "as is" condition. SHRA as PRE will purchase, rehabilitate, and sell the homes to qualified low-income owner occupant first time home buyers (qualified home buyers). Once the PRE has rehabilitated and sold these Section 32 homes, the sales proceeds will be used to repay the seller carry back loan. In the event that the final sales price is not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the ability to write down the seller carry back loan to balance the transaction. Upon completion of rehabilitation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be returned to the City Public Housing Homeownership fund to fund the rehabilitation of future Section 32 homes.

SHRA is uniquely qualified to act as a PRE since it has procurement expertise, construction experience, property management acumen, and proven homebuyer education programs in place through qualified personnel, organizational capacity, and contractual agreements. This will facilitate the homes being rehabilitated and sold to qualified home buyers ready to take possession.

Policy Considerations: Rehabilitating single family rental homes and selling them to qualified home buyers are activities endorsed by the City in its Housing Element. Rehabilitating and selling the houses to qualified home buyers is also consistent with the Housing Authority's Asset Repositioning Strategy, and will remove the vacant houses from the public housing inventory.

Economic Impacts: The rehabilitation of the vacant structures is estimated to support 54 total jobs consisting of 30 direct jobs and 24 jobs through indirect and induced activities.

Further, the expenditure of funds for the rehabilitation will result in \$7.3 million in total output consisting of \$4.3 million in direct output and \$3 million in indirect and induced activities.

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Amendment to Section 32 Program

Environmental Considerations: The actions proposed are in furtherance of the disposition and rehabilitation of Housing Authority owned properties. The recommended actions are categorically exempt pursuant to the California Environmental Quality Act Guidelines Section 15301, as actions on existing facilities that do not change or expand existing uses.

The proposed actions are categorically excluded under National Environmental Policy Act (NEPA) regulations, pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i).

Sustainability Considerations: The rehabilitation work may involve the replacement of windows, doors, plumbing and air conditioning systems with products with higher energy efficient ratings.

Commission Action: At its meeting of September 17, 2014, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: In 1996, due to high operating costs and declining federal funding, the Housing Authorities of the City and County of Sacramento reclassified 369 single family public housing rental units and obtained approval from the United States Department of Housing and Urban Development (HUD), under HUD's 5h program to remove them from the active public housing rental inventory. The 5h program was later converted into the Section 32 program in February, 2006. The intent of the Section 32 Homeownership Plan was to sell the remaining vacant single family homes to qualified home buyers and provide more flexibility which would allow more residents to purchase the homes. The Housing Authority suspended its efforts to sell Section 32 homes in 2009 due to continued deterioration of the housing market.

By amending the Section 32 Homeownership plan and transferring ownership of the remaining 54 vacant single family homes from the Housing Authority of the City of Sacramento to SHRA as a Purchase and Resale Entity the houses will be removed from the public housing inventory and placed with SHRA as PRE where the houses can be sold to qualified home buyers.

Due to the reduction in federal capital funds and the collapse of the residential real estate market, the 54 vacant Section 32 houses have been vacant pending stabilization of property values.

Because the units are part of the Section 32 program, the Housing Authority can designate a PRE to preserve, rehabilitate, and release homes for sale over a

Amendment to Section 32 Program

five-year period. This makes it less likely for any neighborhood to be burdened by an excessive number of homes being sold at once that may serve to further depress area property values.

SHRA is uniquely qualified to act as a PRE since it has procurement expertise, construction experience, property management acumen, and proven homebuyer education programs in place through qualified personnel, organizational capacity, and contractual agreements. This will facilitate the homes being rehabilitated and sold to qualified home buyers ready to take possession.

Financial Considerations: Initial funding for the PRE will be in the form \$2,341,106 from the City Public Housing Homeownership Fund for rehabilitation and holding costs. The City Public Housing Homeownership Fund originated from sales proceeds of earlier Section 32 and Section 5h houses to low income home buyers.

The funds will be disbursed as costs are incurred by the PRE. Once the \$2,341,106 has been expended, proceeds from the sales of the homes completed with these funds shall be returned to the City Public Housing Homeownership Fund to continue the rehabilitation and sale of the remaining homes. Upon completion of rehabilitation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be reallocated to the program to fund the rehabilitation of future Section 32 homes. However, in the event that the final sales price is not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the ability to write down the seller carry back loan to balance the transaction.

M/WBE Considerations and Section 3 Requirements: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable.

Respectfully Submitted by:



LA SHELLE DOZIER
Executive Director

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RESOLUTION NO. 2014 -

Adopted by the Housing Authority of the City of Sacramento

on date of

AMENDMENT TO THE SECTION 32 HOMEOWNERSHIP PLAN TO USE THE PROCEEDS FROM THE CITY PUBLIC HOUSING HOMEOWNERSHIP PROGRAM FOR THE PRESERVATION, RENOVATION, AND SALE OF VACANT SECTION 32 SINGLE FAMILY HOMEOWNERSHIP UNITS TO SHRA AS A PURCHASE AND RESALE ENTITY (PRE) APPROVED BY HUD AND AUTHORIZATION TO EXECUTE A SELLER CARRY BACK LOAN

BACKGROUND

- A. The Housing Authority of the City of Sacramento currently owns vacant single family homes that are part of a United States Department of Housing and Urban Development (HUD)-approved Section 32 Homeownership Plan that authorizes the sale of single family homes to qualified low-income owner occupant first time home buyers (qualified home buyers).
- B. Vacant Section 32 homes typically require considerable renovation prior to sale to a qualified home buyer.
- C. These houses are not required for the foreseeable needs of the Housing Authority of the City of Sacramento (Cal. Health & Safety Code §34315.7) and, as part of its asset repositioning strategy, the Housing Authority desires to provide affordable homeownership opportunities to qualified home buyer households.
- D. The Housing Authority of the City of Sacramento previously designated the Sacramento Housing and Redevelopment Agency (SHRA) as a PRE pursuant to resolutions 2012-019 dated December 4, 2012 (City). HUD approved the designation of SHRA as a PRE on April 3, 2013. As a designated PRE, SHRA has the authority to transfer ownership of all vacant Section 32 single family homes to SHRA using seller carry back loans for Fair Market Value given their "as is" condition. SHRA as the PRE, is to facilitate the preservation, renovation and sale of the units to qualified home buyers, subject to a five-year time limit as required by HUD.

- F. The recommended actions are categorically excluded under National Environmental Policy Act regulations, pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i).

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 information presented herein and at a duly noticed public hearing held on September 17, 2014 at the Sacramento Housing And Redevelopment Commission, the statements in the Background, including the environmental statements, are found to be true and correct.

Section 2. The Housing Authority of the City of Sacramento hereby amends its Section 32 Homeownership Plan and designates the Sacramento Housing and Redevelopment Agency (SHRA) to act as a Purchase and Resale Entity (PRE) for all vacant single family homes that are part of the Section 32 Homeownership Plan over the next five years.

Section 3. The Executive Director, or designee, is authorized to execute documents, as approved to form by Agency counsel, relating to the Section 32 Homeownership Plan amendment and the PRE Agreement, included as Exhibit B, that establishes SHRA as the PRE. The Housing Authority of the City of Sacramento hereby offers to sell up to 54 of the vacant single family homes to SHRA as PRE through a seller carry back loan or loans or similar arrangements for Fair Market Value given their "as is" condition. This sale and transfer removes the Section 32 Homeownership Plan vacant single family homes from the public housing inventory of the Housing Authority of the City of Sacramento and provides affordable homeownership opportunities for low-income families.

Section 4. The Executive Director, or designee, is authorized to amend the budget and use up to \$2,341,106 of the City Public Housing Homeownership Fund to pay the expenses of the PRE attributed to the Section 32 units located in the City, including preservation costs, renovation expenses and sales fees. Once the \$2,341,106 has been expended, proceeds from the sales of the homes completed with these funds shall be returned to the program to fund the renovation and sale of the remaining homes. Upon completion of renovation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be reallocated to the program to fund the renovation of future Section 32 homes.

In the event that the final sales proceeds are not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the ability to write down the seller carry back loan to balance the transaction.

Section 5. The Executive Director, or designee, shall be authorized to amend the budget, and enter into any loan agreements, contracts or documents as approved as to form by Agency counsel, with the SHRA reasonably necessary to implement the activities authorized by this resolution.

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Exhibit A – Amended Section 32 Homeownership Plan

Exhibit B – PRE Agreement with SHRA

Exhibit C – HUD Approval Letter dated July 17, 2014

**SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY**

**AMENDED
SECTION 32 HOMEOWNERSHIP PLAN
FOR THE HOUSING AUTHORITIES OF THE
CITY AND COUNTY OF SACRAMENTO**

Office of the Executive Director
Public Housing Authorities
801 12th Street
Sacramento, California 95814

Initially approved: February 2005
Amended December, 2012

SECTION 32 HOMEOWNERSHIP PLAN

Amended December 2012

Executive Summary

The Sacramento Housing and Redevelopment Agency (Agency) requests that HUD approve a Section 32 homeownership program for the rehabilitation and sale of the 212 remaining two- and three-bedroom single family homes in the public housing inventory of the Housing Authorities of the City and County of Sacramento (collectively the public housing authorities [PHA]). The homes will be sold to low-income families as prescribed by the Section 32 regulations at 24 CFR Part 906.

The Department of Housing and Urban Development approved a 5(h) Homeownership Program for the Sacramento PHAs on December 29, 1996, which was adopted by the Sacramento Housing and Redevelopment Commission on May 21, 1997. At that time, the Agency included its entire inventory of 389 scattered single family homes in the program since their operation and maintenance were not cost-effective. To date, 60 of those homes have been sold. Although the program has been successful in gaining homeownership for public housing residents and Housing Choice Voucher participants, several obstacles prevented the Agency from meeting its ambitious sales goals in the previously approved plan. Most significant was the number of existing residents in units authorized for sale under the 5(h) homeownership plan who declined to purchase or who were not eligible to purchase their units; consistent with 5(h) regulations, the Agency could not cause those families to relocate.

To more effectively accomplish its homeownership goals, the Agency has recently requested HUD to allow it to reduce the number of homes to be sold under the 5(h) program to 73, all of which are vacant. The Agency's request for a reduction of units in its 5(h) plan was accompanied by the statement that it would submit a Section 32 Homeownership Program for the remaining homes as quickly as possible.

Goals and Objectives of the Homeownership Plan

The goal of the proposed Section 32 program is to provide 212 homeownership opportunities for the public housing residents, Housing Choice Voucher holders, and other low-income households in the City and County of Sacramento. The average resale price for a home in the Sacramento region is now over \$315,000, with very few homes on the market for under \$200,000. The Section 32 program will re-open this opportunity for Sacramento's lower income families.

The Sacramento Housing and Redevelopment Agency will provide direct assistance to the low-income purchasers, including downpayment and closing cost assistance, counseling, relocation, and subordinate financing, as well as manage the procurement, rehabilitation, marketing, and sales of the homes. The Agency will cooperate with local lending institutions and a variety of public and private lenders to arrange financing at the lowest available interest rates, and to secure

other subsidies to attain affordability for families with incomes at or below 80 percent of the area median income (AMI) whose credit and debt allow them to qualify for private mortgages. The Agency's staff is experienced in implementing homeownership and single family rehabilitation programs. The Agency operates a number of first-time homebuyer programs available to Section 32 purchasers, including downpayment and closing cost assistance, deferred second loans, the American Dream Initiative second loan financing and Mortgage Credit Certificates. (Please see Attachment C for a chart of Agency homeownership programs.) In addition, public housing residents in the Family Self Sufficiency (FSS) program build equity through Federal Home Loan Bank-funded Individual Development Accounts which match on a 3-to-1 basis the savings that families accrue for downpayments. Therefore, public and privately funded programs are available to assist candidates for the program who demonstrate their eligibility for homeownership.

In addition to current residents and voucher holders and waiting list candidates, the Consolidated Plan of the City and County of Sacramento identifies 5,000 low-income families in the Agency's jurisdiction with qualifying incomes for homeownership. Given its on-going commitment to homeownership, which has created over 4,384 low-income and very low-income homeowners during the past six years alone, the Agency believes this Section 32 homeownership program is workable with sound potential for long-term success.

Method of Sale: Property Description

See Attachment A for the list of properties.

The Agency will sell the 212 two- and three-bedroom single family homes directly to low-income tenants or eligible families in fee simple conveyance. The list in Attachment A includes the HUD project number, street address, bedroom distribution, vacancy at the time of application, and number of household residents currently in the units.

Amended December 2012

For remaining vacant single family houses in the Section 32 Homeownership program, the Housing Authorities of the City and County of Sacramento desire to use a Purchase and Resale Entity (PRE) to preserve, renovate, and sell the homes. The Sacramento Housing and Redevelopment Agency (SHRA) will act as the PRE by purchasing the houses from the Housing Authorities using seller carry back loans or similar arrangements for current Fair Market Value taking into account their "as is" condition. SHRA as PRE will sell single family houses in the Section 32 program to qualified low income families. The purchase agreement shall include the deed of trust ensuring affordability for qualified low income homebuyers.

SHRA shall preserve, renovate, and sell the houses to qualified low income families. SHRA expenses shall be paid from a line of credit from the City and County Public Housing Homeownership funds. The line of credit and carry back loan shall be repaid by SHRA as each house is sold. Any proceeds remaining shall accrue to the respective funds from which they were originally withdrawn. Any loss on the sale of the house, after documented expenses to the line of credit, shall be deducted from the seller carry back loan. SHRA shall provide reports on the costs involved and sale of each house.

SHRA as PRE will also be responsible for identifying and preparing qualified low income families who are ready for homeownership and want to purchase the houses. Program costs shall be recovered upon sale of each house. SHRA shall have five years to sell renovated houses to low income families. If any house shall not be sold within five years, ownership shall revert to the Housing Authorities of the City and County of Sacramento under the same terms as they were originally acquired by SHRA, depending on the location of the home.

Repair or Rehabilitation

The 212 properties included in the Section 32 program need a range of rehabilitation work to meet or exceed applicable local codes and Housing Quality Standards. The majorities of homes were built in the 1950s and 1960s, and have similar characteristics with the homes sold or being rehabilitated under the current 5(h) program. In addition to housing authority maintenance and unit turnover records for the homes to be included under the Section 32 program, the current rehabilitation work being undertaken on the 5(h) homes provides a reasonable basis for estimating Section 32 rehabilitation costs. Those costs are estimated at an average of \$95,000 for the rehabilitation work, including HUD requirements for lead-based paint and asbestos assessment and remediation. Attachment B provides the Physical Need Assessment form used by the Agency and an example of the condition of a typical single family property in the PHA homeownership program.

Upon rehabilitation completion, the major components will have a remaining useful life that is sufficient to justify a reasonable expectation that homeownership will continue to be affordable by the purchasers over time. Accordingly, the major building systems will have a remaining useful life of 5 – 15 years. The Agency will continue its practice of providing the homeowner a warranty policy through an established company. It will cover the major systems for one year, after which time the homeowner assumes responsibility. The minimal cost of the policy is included in the purchase price.

The after-rehab value of the three-bedroom properties, estimated at \$220,000, is based on current appraisals for the homes sold under 5(h) and a list of 350 comparable single family homes sold in the last quarter of 2004 in the same neighborhoods in which the majority of the Section 32 homes are located. The estimated value for two-bedroom properties (ten percent of the units) is \$190,000. The comparables included the following values: floor space 900 – 1,000 square feet; lot square footage – 6,800 to 8,000 square feet; year built range from 1956 to 1958; and all one-story homes.

The rehabilitation plan for each unit includes the following (shown also on the Implementation Schedule):

- Physical needs inspection of the unit by an Agency construction technician
- Scope of work and specifications prepared, including architectural plans on an as-needed basis
- Bidding package prepared for a group of 5-15 homes, depending on condition and location

- Selection of contractor(s)
- Compliance monitoring established for Davis-Bacon wages, minority and small business enterprises, etc.
- Construction contract administration
- Close-out: final inspection, completion and occupancy notices, etc.

Contract award and administration follow federal procurement standards and California public contract code, when applicable (depending on the source of funds used for rehabilitation). Hazardous materials (asbestos and lead-based paint) will be abated. When a prospective purchaser with disabilities requests accessible features, the features will be added in accordance with 24 CFR parts 8 and 9.

If an HCV homeownership participant chooses to purchase a Section 32 home, the Agency will provide an independent entity to perform the following rehabilitation duties:

- Conduct the initial housing quality standards (HQS) inspection; and
- Review the independent inspection report.

(Additional HCV-related duties by the independent housing entity are described below under “Sale and Financing.”)

See Attachment B for the Physical Need Assessment form and an example of the condition of a typical property

Purchaser Eligibility and Selection

Selection Process

The Agency’s homeownership staff will offer the right of first refusal to the residents occupying the units, all of whom are below the low-income (80 percent of area median income) standard for the program, according to the PHA’s annual income recertifications. The homeownership staff will provide information on the Section 32 program, its application process and eligibility requirements.

The Agency has been operating a 5(h) homeownership program since 1999 and an HCV homeownership program available to public housing residents and HCV participants for the past three years. As a result of communicating about these programs, there are over 80 HCV and resident households who are currently in the counseling and credit-repair process, working toward mortgage eligibility. In addition there are also 155 families participating in the Family Self-Sufficiency (FSS) Program, many of whom are already involved in savings plans under the Agency’s Individual Development Account program. Because of these prior outreach efforts, the Agency will turn its information and marketing efforts toward these households already in

the homeownership counseling process, following the right of refusal process with the current occupants of the units.

Additionally, the Agency in March 2005 will contact current public housing residents and Housing Choice Voucher holders with incomes between 50 percent of median and 80 percent of median in order to maintain a pool of potentially eligible households. As these priority purchasers work their way through homeownership counseling and mortgage eligibility, they will be given priority in home purchase.

If there are not sufficient eligible purchasers from these sources of applicants, the Agency will broadly market the program to other low-income families in the city and county. (Please see Attachment - Affirmative Marketing Plan.) Low-income residents in rental affordable housing developments with homeownership counseling and savings plans in place will be contacted as part of the Affirmative Marketing Plan.

Eligibility is limited to households who are capable of assuming the financial obligations of homeownership, as outlined below. Applicants who have met basic eligibility standards are required to attend homebuyer counseling programs if they have not previously enrolled or completed the required courses or need further attention for credit repair. Upon completing the homebuyer counseling program and obtaining a mortgage commitment, applicants will be given the choice of properties in the program. The rehabilitation schedule for the single family properties will be available to the participants throughout the program.

To summarize, the selection process will start with the public housing resident occupying the unit followed by families enrolled in Agency's FSS program and HCV homeownership candidates that responded to previous outreach and information sessions and are undertaking homeownership counseling and credit repair. For all of those and any further participants from public housing, the voucher program, and the general public, an initial determination of eligibility is made on the basis of the following requirements:

Eligibility Requirements

In order to be selected as a participant in this program, applicants shall meet the following selection criteria:

1. Each applicant must complete a program application, with references.
2. At least one family member must be gainfully employed or have an established source of continuing homeownership-appropriate income for a period of at least two (2) years.
3. Applicants must be current in all rent obligations for at least twelve months and not have any outstanding charges for damages to any apartment nor incurred excessive maintenance charges in the past year;
4. Acceptance as a participant is conditioned upon receipt of an acceptable credit report.
5. Participants shall not have an income greater than 80 percent of area median income for their respective family size.

6. Participants must be able to afford an average monthly estimate for mortgage principal and interest, insurance, real estate taxes, utilities, maintenance and other regularly recurring homeownership cost not to exceed the sum of 35 percent of income and any subsidy that will be available for such payments.
7. Participants must demonstrate the ability to contribute from their own resources a portion of the downpayment that is not less than one percent of the purchase price of the housing.
8. Purchasers shall occupy the home as their principal residence and be a first-time homebuyer. (“First-time homebuyer” means that neither the purchaser nor spouse has owned a home during the last three years, with the following exceptions: a displaced homemaker who worked primarily without remuneration and who owned a home with a previous spouse; and a purchaser with children who is legally separated but who owned a home with a previous spouse.)
9. Participants must complete homebuyer counseling programs (described in more detail under “Counseling”).

Sale and Financing

Method of Sale and Ownership

All properties will be made available for sale after completion of the rehabilitation work. They will be sold as fee simple property.

Below-market Financing

The Sacramento Section 32 homeownership program will provide below market purchase prices to ensure the homes affordability to eligible buyers. The market value of the properties will be established by appraisal, and the affordable price (the discounted market price) will be established based on what a low-income household could afford for two- and three-bedroom homes. The calculation of affordability, which determines the affordable purchase price, includes monthly estimates for mortgage principle and interest, insurance, real estate taxes, utilities, maintenance and other recurring costs such as flood insurance and mortgage insurance. These costs may not exceed 35 percent of income plus any other subsidy used for monthly payments.

The difference between the affordable price and the market value of the home will be captured in a promissory note and deed of trust (non-cash deferred payment second mortgage) as described below under Limitation on Resale Profit (906.29).

One percent of the purchase price of the house must come from the resident’s own funds, as described above under Purchaser Eligibility and Selection.

Homebuyer Subsidies

The Agency's experience in its homeownership programs, including the 5(h) program, shows that first mortgage interest rates are usually at or slightly below the low end of the current market, due in part to FHA-insured loan programs and lenders' Community Reinvestment Act programs. The one exception where interest rates are one to two points below market is the California Housing Finance Agency's Local Government Partnership Program, which unfortunately carries severe restrictions on recapture.

The most prevalent source of subsidies for low-income purchasers is downpayment and closing cost assistance and second mortgage assistance programs, both Agency-sponsored and private lender sponsored. In addition, private lenders offer downpayment grants as part of their Community Reinvestment Act activities. For example, Citibank has continued California Federal's downpayment grant program that ranges from \$5,000 to \$8,000 per low-income household. The Agency also offers second mortgage assistance programs that carry deferred payment terms. Attachment C lists the Agency's homeownership programs and their terms. The homebuyer counseling programs required by the Agency cover all these forms of assistance, both public and private. The housing authorities also carry out a Family Self-Sufficiency Program for public housing residents which matches residents' savings 3 to 1 with grants from the Federal Home Loan Bank of San Francisco's Affordable Housing Program for their approved Individual Development Account (IDA) program.

Recapture and Anti-Speculation Provisions

Because the dwellings will be sold for less than their fair market value, the purchaser will execute a promissory note, payable to the housing authority, along with a mortgage securing the obligation of the note, for the difference between the initial affordable price (the discounted sales price) and the initial market value. This difference will be stated in the note as a dollar amount and will be a deferred payment loan due on resale. Subordinate financing, including mortgage assistance loans and other first-time homebuyer assistance, will be repaid at resale according to the terms of the assistance. (Some downpayment loans are forgiven proportionately over their term.)

For the first five year period, the purchaser who sells will be obligated to repay the housing authority loan and other subordinate homeowner subsidies, according to the individual program's terms. They will then be permitted to retain one-half of any resale profit attributable to appreciation in value over the initial market value, along with any portion of the resale profit that is attributable to documented capital improvements made by the owner after purchase, any personal initial investment (downpayment and closing costs) and the reasonable costs of resale. The balance of the resale profit will return to the housing authorities as sales proceeds, and used according to the Section 32 Homeownership Plan.

After the first five years of residency, the purchaser will be permitted to retain the resale profit attributable to appreciation in value over the initial market value, plus any documented capital improvements, downpayment and closing costs. Subordinate financing will be due on sale, according to the terms of the assistance.

Homeowners will be protected against the loss of their initial investments. If the resale price of the home is below its initial market value, the home purchaser will receive all initial investments (downpayment and closing costs), the reasonable costs of resale, and reduction in principal amounts in the first mortgage by deducting those payments from the housing authority's loan repayment that captured the difference between the initial market value and the initial affordable sales price.

The Agency is not proposing to require resale restrictions for subsequent purchasers.

Recapture Analysis

Following is an example of the proposed resale provisions, somewhat simplified to demonstrate the major provisions of recapture before and after a 5-year owner-occupancy.

<u>Initial sale to low-income purchaser</u>		<u>Upon resale</u>
Fair market value	\$220,000	
Affordable sales price	\$160,000	
Housing authority subordinate loan	60,000	Repaid
First mortgage	\$145,000	Balance repaid
Downpayment (all sources, assume grants)	6,000	Equity to seller
Closing costs (local loan, deferred pmt.)	5,000	See note below
Mortgage assistance deferred pmt. Loan	9,000	Repaid

Upon sale at year 3, with an appraised value at \$230,000, the seller would repay the \$60,000 housing authority loan and \$9,000 mortgage assistance loan for a total of \$69,000. (We assume for sake of simplicity that the initial closing cost loan and the resale closing costs would cancel themselves out.) The seller would receive his/her downpayment equity (plus mortgage principal reduction, which is not shown), and one-half of the appreciation in value over the original fair market value (\$5,000), for a total of \$11,000.

Upon sale at year 7, with an appraised value at \$250,000, the seller would repay the same loans as stated above, receive his/her initial equity, and receive the \$30,000 appreciation between the initial market value and resale market value.

Determinations of market value will be made on the basis of appraisals made by an independent appraiser selected by the Agency.

The sale of Section 32 homes to HCV homeownership participants who use their vouchers for the purchase of the units will follow the procedures found in the Section 8 Homeownership Final Rule of October 12, 2000, namely that the Agency must provide an independent entity to perform the following administrative duties:

- Review the contract of sale;
- Conduct the initial housing quality standards (HQS) inspection;
- Review the independent inspection report; and
- Determine the reasonableness of the sales price and any Agency-provided financing.

Protection against Fraud.

The Agency will place a title restriction conditioning the initial purchaser's right to resell the Section 32 home to compliance with the resale restrictions described above. In addition, all housing authority recordations against the properties and those placed by the Agency for downpayment and/or mortgage assistance include a requirement of owner-occupancy. Upon sale, all Agency documents and recorded liens are placed with the Agency's portfolio management department and the property transaction is sent to the servicing company that tracks and reports payments and title changes for all Agency loans.

Resident Consultation

The housing authority is currently operating a 5(h) "Homes for Sale" program for the sale of its single family inventory to low-income households and has operated a Housing Choice Voucher (HCV) homeownership program until December 31, 2004. As a result, public housing and HCV participants, some of whom are in various stages of homeownership counseling, are aware of the reasons for transitioning from the 5(h) program to Section 32. Specifically, the housing authority's 2005 Annual Plan, presented to the Resident Advisory Board in June 2004, and subsequently to the Sacramento Housing and Redevelopment Commission, City Council, and Board of Supervisors in public meetings, included the intent to apply for the Sec. 32 program.

At its public meeting of November 3, 2004, the Sacramento Housing and Redevelopment Commission received a report on the status of the 5(h) program, including the need to concentrate on selling the vacant houses, submitting a request to HUD for that purpose, and applying to HUD for a Sec. 32 program which would enable the housing authority to sell more units efficiently. Two members of the Resident Advisory Board (RAB) are members of the Commission.

On December 16, 2004, SHRA staff presented to the RAB a review of the 5(h) and Sec. 32 programs and the reasons for their applications to HUD. A list of the resident representatives at the meeting is attached. The RAB representative to the Commission also commented favorably on the applications. SHRA did not receive any written comments, but three residents asked for a list of the single family properties, and they were mailed those lists.

On January 24, 2004, SHRA distributed through its Resident Services staff the same written information on the 5(h) and Sec. 32 programs to the housing authority's 23 resident councils (both city and county).

SHRA staff has held numerous meetings with the Sacramento Neighborhood Housing Services, the primary homeownership counseling agency working with public housing and HCV households on budgeting and credit issues in preparation for future homeownership opportunities. Of the over 400 households who submitted applications through the housing authority since 2002, 48 have purchased homes, 42 have been referred to lenders and are seeking housing, 57 have completed counseling and are working on financing issues, and 245 remain in a variety of counseling activities.

Future consultation with residents will occur at many levels: 1) through the counseling agencies working with future homeowner purchasers in their counseling and credit-repair programs; 2) through information sessions described above under Purchaser Eligibility and Selection; and 3) through the public housing authorities' resident councils.

Counseling

All prospective and actual Section 32 purchasers receive (and are required to attend) home ownership counseling and training provided by local nonprofit organizations experienced in homeownership financing, maintenance, and overall responsibilities. The Agency has in the past contracted with ACORN Housing Corporation (AHC) formed by the Association of Community Organizations for Action Now (ACORN), Sacramento Neighborhood Housing Services (SNHS), and the Sacramento Home Loan Counseling Center (SHLCC). The Agency's cost for this counseling and training is included in the proposed budget.

The homebuyer counseling program is a three-part series. First is an introductory first-time homebuyer educational seminar that orients possible purchasers to the values and risks of homeownership and includes homebuyer readiness assessments. Applicants can attend any homebuyer seminar, which occur frequently. Home buyers receive a home buyer's certificate at the completion of the seminar that is good for affordable housing financing programs, such as Fannie Mae's community home buyer program.

Applicants then attend a credit and budget management seminar that provides financial counseling and budgeting techniques for managing household finances with a mortgage payment. The third counseling program covers home maintenance and good neighbor practices and focuses on the transition from renter to homeowner. This seminar is followed up with a home maintenance information/manual given to the new property owners.

In addition, the counseling organizations work with homeownership applicants over time on credit-repair plans. They track the participants' progress and report on their status to the Agency's resident services staff. When the participants' credit status has improved to the point where they are mortgage-eligible, the counseling agency reviews mortgage loan provisions and the various public and private assistance programs available. The Agency's homeownership staff assists the family in applying for the Agency's assistance.

Nonpurchasing Residents

The Agency will offer residents in units to be offered for sale the right of first refusal to purchase the unit. The resident's application will be evaluated on the eligibility standards described previously, as any other applicant. In the event the resident does not exercise the right of first refusal, the Agency's relocation staff will notify the resident in writing at least 90 days prior to the displacement date that the unit will be vacated and that the resident household will be offered comparable housing within the public housing program. The Agency will provide a choice of

comparable units, counseling, and payment of the actual costs of moving. The property will not undergo rehabilitation until the relocation has taken place.

The Agency has had considerable experience in carrying out relocation assistance, both through public housing modernization activity and other revitalization programs. The cost of relocation will be paid by sales' proceeds and is included in the Section 32 budget. The estimated costs of relocation per unit are as follows:

\$1,200 for the basic moving cost
200 for resident counseling
<u>50</u> reimbursement for re-establishment of utility services
\$1,450 relocation expenses per unit

Assuming that 200 units will be occupied, the total relocation cost is estimated at \$290,000.

Two public housing units will be offered to the resident, consistent with the housing authorities' current policies on relocation contained in its approved Administrative Plan.

Sales Proceeds

The Agency assumes a two-tiered system for receiving proceeds: (1) the initial net proceeds from sale and (2) the resale proceeds over time representing the difference between the initial affordable sale price and the market value of the home. The proceeds will be retained by the Agency and used as follows:

1. Payment of administrative costs that are necessary and reasonable for carrying out the Section 32 Homeownership Plan;
2. Assistance to low-income families under the Agency's homeownership programs (Attachment C) that enable them to purchase dwellings at affordable costs from private or public owners;
3. Assistance to affordable housing developments serving low-income families, financed by other federal, state, or local housing programs, such as gap financing for multifamily housing under the Agency's Multifamily Loan Policies;
4. The development of additional public housing or that owned in whole or in part by Agency-controlled nonprofit corporations with dwelling units affordable to and occupied by very low-income and low-income households (24 CFR 941 Subpart F);
5. Assistance to low- and very low-income tenants in tenant-based assistance programs to ensure the continuation of their tenancy in the event of program reductions; and
6. For any purposes authorized for the use of operating funds under the ACC, including maintenance and modernization, augmentation of operating reserves, protective services, and resident services.

Program Administration and Oversight

Program administration of the Section 32 program includes three major components: (1) rehabilitation; (2) resident services and homeownership assistance, and (3) property sale and loan closing. A project manager will be responsible for the program's implementation, reporting, and maintaining the program's three major components in balance through intensive coordination.

Rehabilitation. Three construction technicians experienced in housing rehabilitation and contract administration will be assigned to the program. They will conduct the physical needs assessments, prepare bidding documents, coordinate the contractor bidding and selection process with the Agency's procurement and compliance division, and administer the construction contracts. Other persons necessary for the housing rehabilitation functions will be the Agency's supervising architect, CAD operator, and support staff.

Homeownership Services. The Agency's Homeownership Program staff will be in charge of the activities necessary to inform and financially assist low-income purchasers for the Section 32 homes. As described above under Purchaser Eligibility and Selection, under the direction of the project manager, they will manage the dissemination of information to public housing residents, HCV participants, and low-income households within the general public. They will determine initial eligibility, manage the contracts with local housing counseling agencies, and make the Agency's resources known and available to potential purchasers.

Property Sale and Closing. The final component, property sale and closing, is overseen by the Agency's Real Estate Division, experienced in property management and disposition. Responsibilities include coordination with the housing rehabilitation staff (e.g., timing of notices of completion), obtaining appraisals, drawing financial and closing documents, requesting title transfer from HUD, and ensuring that the proper documentation is sent to the Agency's finance division, portfolio management, and project manager. In the event of HCV purchasers under the Agency's HCV homeownership program, the independent entity will perform its inspection and review functions prior to loan closing.

Records, Accounts and Reports

The Agency will maintain all records, accounts, reports, and files that relate to the implementation of the revised Section 32 program and will submit all required monitoring and financial reports to HUD, including annual sales reports. All Section 32 financial transactions are maintained in separate fund accounts by the Agency's finance department, which provides the central financial record-keeping services for both capital expenditures and receipts and personnel charges related to the program. The Agency will ensure that the receipt, retention and use of sales proceeds are covered in the regular independent audits of the Agency's public housing operations. Sales reports will be reported through PIC and the Annual Plan.

Individual purchaser records are maintained by the Agency's Portfolio Management Department. These files include income certifications, mortgage eligibility, HQS verification and rehabilitation work, settlement statements, and copies of all loans and title documents. If applicable, relocation notices and expenses will also be maintained in the purchaser files. If a unit is sold, repayment and recapture information is also included in the file.

The program files maintained by the project manager will include relocation notices, financial records, and procurement documents related to moving services.

Budget

Budget and Staffing

The first year budget estimate for the rehabilitation and disposition of an average home is \$104,150 per unit. Of this amount, total construction costs on average (including blueprints, plans and construction management) are estimated at \$99,000, the balance of \$5,150 being total administrative costs per house. The all-inclusive cost estimates for the program for the first year, described above under Administration, are as follows:

Rehabilitation, Construction Management	\$99,000 per house
Homeownership Services:	\$950 per house
Counseling:	\$250 per house over a two-year period
Relocation (moving and services)	\$1,450 per house
Property Sale/Closing:	\$1,000 per house
<u>Project Management:</u>	<u>\$1,500 per house</u>
Total Estimated Cost	\$104,150 per house

Budget notes: The rehabilitation costs assume Davis-Bacon wage rates. Marketing/outreach is carried out by the Agency's homeownership and real estate staff, the former coordinating its work with the nonprofit counseling agencies. The counseling costs represent current contractual agreements for the three-part series of counseling seminars described above under Counseling. These costs average \$250 per participant and assume that one-third will not complete the courses or achieve mortgage eligibility by the time that the vacant homes are sold.



Attachment B: Physical Needs Assessment

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry												
Kitchen												
Dining Room												
Living Room												
Bathroom 1												
Bathroom 2												
Bedroom 1												
Bedroom 2												
Bedroom 4												
Other room												
Garage												
Exterior Bldg.												
Siding on ext. walls												
Stucco on ext. walls												
Roofing and Gutters												
Exterior doors												
Electricity												
Screens												
Chimney												
Landscaping												
Irrigation												
Trees												
Driveway												
Sidewalks/ Patios												
Fireplace												
HVAC												
Other												

Attachment B

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry	4	no	4	4	4	4						
Kitchen	4	no	4	4	4	4	4	4	4	4	4	
Dining Room	4	no	4	4	4	4						
Living Room	4	no	4	4	4	4						
Bathroom 1	4	no	4	4	4	4	4	4	4		4	4-tile
Bathroom 2												
Bedroom 1	4	no	4	4	4	4						
Bedroom 2	4	no	4	4	4	4						
Bedroom 3	4	no	4	4	4	4						
Other room												
Garage		5		4	3							4-opnr
Exterior Bldg.												
	Paint											
Siding on ext. walls												
Stucco on ext. walls	both sides and the rear have stucco along with front and return to house side.										side. Needs paint complete.	
Roofing and Gutters	Replace roofing over garage											
Exterior doors	Replace with new											
Electricity	Electricity in place. Panel sizing may change due to load changes and circuits added											
Screens	New with new windows											
Chimney	Clean and Inspect											
Landscaping	New design											
Irrigation	needs irrigation											
Trees	trimming needed											
Driveway	driveway to remain											
Sidewalks/ Patios	replacement needed											
Fireplace												
	masonry											
HVAC												
	install new central system gas pack.											

Attachment C: Homeownership Programs

Terms	First-Time Homebuyer	Target Area Homebuyer Program	American Dream Downpayment Initiative	Mortgage Assistance Program MAP	CalHome Mortgage Assistance Program	Mortgage Credit Certificate Program MCC	Expanded Home Program	Teacher Purchase Program
FTHB								
Type of Assistance	Down Payment and Closing Cost	Down Payment and Closing Cost	Down Payment / Closing Cost Acquisition/ Rehabilitation	Mortgage Assistance	Down Payment, Closing Cost, and Mortgage Assistance	Income tax Credit	Income tax credit plus down payment assistance	
Max Amount	\$5,000	\$5,000	\$10,000	\$20,000	\$25,000	15% income tax credit	15% income tax credit plus \$7,500	
Interest Rate	0%	5%	3%	3%	3%	N/A	5%	
Payments	Deferred	Deferred	Deferred/ Forgiven	Deferred	Deferred	N/A	3 years forgiven	
Homebuyer Income (Max.)	80% Area Median	110% Area Median	80% Area Median	80% Area Median	80% Area Median	100% 1-2 person 115% 3+ person	100% 1-2 person 115% 3+ person	
First-Time Homebuyer	Yes	No	Yes, displaced homemaker	Yes	Yes, displaced homemaker	Yes, except in certain target areas	Yes, except in certain target areas	
Location	Countywide	Target Areas	Countywide	Countywide	Certain City Areas Unincorporated County	Countywide	Countywide	
Affordability Ratios	N/A	N/A	N/A	28-35%	28-35%	N/A	N/A	
Loan Term	30 years	30 years/45 resale agt	10 years forgiven	30 years	30 years	life of mortgage	3 years forgiven	
First Mortgage Types	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA and Conventional	FHA, CalHFA, and Conventional	FHA and Conventional no CalHFA	FHA, VA, Conventional no CalHFA	
Homebuyer Education	Yes	Yes	Yes	Yes	Yes	No	Yes	

**Agreement for Sacramento Housing and Redevelopment
Agency (SHRA) to Act as
Purchase and Resale Entity (PRE)
For Vacant Section 32 Homeownership
Single Family Homes**

THIS AGREEMENT, dated _____, is by and between the Housing Authority of the City of Sacramento (the Housing Authority) and the Sacramento Housing and Redevelopment Agency (SHRA) for a term of five years. The organizations are distinct and separate legal entities.

Whereas, the Housing Authority has need for the services of a Purchase and Resale Entity (PRE) to purchase, preserve, rehabilitate, and sell vacant single family houses for sale to qualified low income owner occupant first time home buyers (qualified home buyers) and SHRA has agreed to offer its services as a PRE and provide the services required, now, therefore, the parties agree as follows.

1. **SERVICES.** SHRA will perform the obligations set forth in this AGREEMENT, including those identified in Exhibit A, Scope of Services.
2. **WRITTEN NOTICE.** Any notice of termination or other communication having a material effect on the AGREEMENT shall be serviced by U. S. Mail on the signatories listed.
3. **COMPLIANCE.** SHRA shall comply with all applicable federal, state and local laws, rules and regulations, including the Section 32 Homeownership Plan of the Housing Authority of the City of Sacramento.
4. **AGREEMENT.** The Housing Authority of the City of Sacramento will sell 54 currently vacant Section 32 Homeownership houses using seller carry back loans or similar arrangements for Fair Market Value in “as is” condition to SHRA as a Purchase and Resale Entity. After five years, any houses not sold by SHRA as PRE shall return ownership to the Housing Authority from which the property originated. SHRA shall not encumber any of the houses without the advance written permission of the Housing Authority.
5. **JUDICIAL RULING.** If any provision of this AGREEMENT as applied to either party or to any circumstances shall be determined by a court to be void or unenforceable, the same shall in no way affect any other provision of this AGREEMENT or the validity or enforceability of the AGREEMENT.

6. **INDEPENDENT CONTRACTOR.** SHRA, in carrying out the services to be provided under this AGREEMENT, is acting as an “independent contractor” and shall do so without discrimination or bias in accordance with the Fair Housing Act and implementing regulations. Although the Housing Authority reserve the right to determine the delivery schedule for the work to be performed and to evaluate the quality of the completed performance, the Housing Authority will not control the means or manner of the SHRA’s performance. SHRA is responsible for determining the appropriate means and manner of performing the work within the established annual budget, as determined by the Housing Authority.

7. **MUTUAL INDEMNIFICATION.** Neither SHRA nor any of its officers or employees shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by the Housing Authority under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, the Housing Authority shall fully indemnify, defend and hold SHRA harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by the Housing Authority under or in connection with any work, authority or jurisdiction delegated to the Housing Authority under this Agreement.

Neither the Housing Authority nor any of its officers or employees shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by SHRA under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, SHRA shall fully indemnify, defend and hold the Housing Authority harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by SHRA under or in connection with any work, authority or jurisdiction delegated to SHRA.

8. **WARRANTY.** SHRA hereby warrants that as PRE, internal controls are in place to protect against fraud, or issue of funds, or other property by employees and/or agents. SHRA is accountable to the Housing Authority for the recordkeeping, reporting, and audit requirements of Section 24 CFR 906.33.

9. **COMPENSATION.** SHRA as PRE shall limit its administrative and overhead costs, and any compensation or profit that may be realized by the PRE, to amounts that are reasonable in relation to its responsibilities and risks. Accordingly, the initial funding for SHRA as PRE shall be set at \$2,341,106, which shall be structured as a seller carry back loan from the City Public Housing Homeownership funds, In the event the final sales price is insufficient to repay the seller carry back loan the Housing Authority shall reduce a portion of the seller carry back loan to balance the transaction.

10. **TERMINATION OF AGREEMENT.** The AGREEMENT may be terminated under the following conditions.
- a. By written mutual agreement of both parties. Termination of this provision may be immediate.
 - b. The Housing Authority may terminate this AGREEMENT if SHRA fails to provide services, or fails to meet performance standards as specified in this AGREEMENT (or subsequent modifications of this agreement), within the time specified herein or any extension thereof. Termination under this provision may be immediate.
 - c. Failure of SHRA or the Housing Authority to comply with the provisions of this AGREEMENT and all applicable federal, state, and local laws and rules may be cause for termination of this contract.
 - d. Failure to sell all properties to qualified home buyers within five years.
 - e. If this AGREEMENT is terminated pursuant to Section 10 c, above, then SHRA shall calculate its expenses incurred up to the date of termination and submit them for payment. Any funds held by SHRA as PRE shall be returned to the City Public Housing Homeownership Fund.
11. **SUBCONTRACTING.** No portion of this agreement may be contracted or assigned to any other individual, firm or entity without the express and prior written approval by the Housing Authority. Approval shall not be unreasonably withheld.

**HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO**

**SACRAMENTO HOUSING and
REDEVELOPMENT AGENCY**

La Shelle Dozier
Executive Director

James Shields
Director of Administration

Exhibit A

Scope of Services

The Purchase and Resale Entity (PRE) shall perform as follows:

1. The Sacramento Housing and Redevelopment Agency (SHRA), as the designated PRE, shall accept title to vacant Section 32 Homeownership single family houses located within the City of Sacramento through seller carry back loans or similar arrangements. There are currently a total of 54 vacant single family houses from the Section 32 Homeownership Plan that will be transferred to the PRE effective upon execution of this AGREEMENT, or as soon as reasonably possible thereafter.
2. The PRE shall develop a plan to preserve, rehabilitate, and sell the homes to qualified low income owner occupant first time home buyers (qualified home buyers). “Preservation” shall include securing, managing, and caring for the homes to protect their integrity and appearance within the neighborhood in which each house is located. “Rehabilitation” includes developing repair specifications and performing construction to ensure the houses are move-in ready and all major systems have a useful life of at least 15 years. “Qualified home buyers” means identifying low income families with the motivation and means to purchase the houses, and providing them with homeowner education that is generally recognized to help lead to successful homeownership. All vacant houses are to be rehabilitated and sold to qualified home buyers within five years. Any Section 32 houses not sold by the PRE within that time shall have ownership revert to the originating housing authority.
3. The PRE shall secure the expertise of real estate appraiser(s), whom shall act on behalf of the PRE and perform appraisals (or update previous appraisals) of the properties for establishing fair market value of the home after rehabilitation.
4. The PRE shall secure the expertise of a professional realtor(s) to assist in the sale of each home in a timely manner and ensure that each sale is consistent with real estate laws of California. The homes will be sold at Fair Market Value via a Public Sale.
5. The PRE will secure the expertise of qualified personnel, organizational and/or financial institutions to provide homeownership counseling, training, and technical assistance to each qualified purchaser.
6. The PRE will identify a budget for the plan to sell vacant single family homes, including all preservation, rehabilitation or repair costs, professional service expenses, counseling, legal, financial, etc. SHRA will be paid for its actual and documented expenses and may draw needed funds for expenses as a line

of credit from the City and County Public Housing Homeownership fund to be repaid upon the sale of each house.

7. The PRE will keep accurate records and evidence of the sale of each home and the funds provided. Documentation provided to the Housing Authority include final closing statements, deed restrictions, loan agreements, administrative and other expenses incurred in preparing each home for sale and qualifying home buyers.
8. The Housing Authority of the City of Sacramento Public Housing Homeownership fund shall incur any gain or shall bear any loss associated with the sale of the home to a qualified home buyer. SHRA shall not incur any benefit or loss from its activities related to the preservation, renovation, or sale of the vacant Section 32 houses.



September 12, 2014

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Designation of The Sacramento Housing And Redevelopment Agency (SHRA) As A Purchase And Resale Entity (PRE) For The Preservation, Rehabilitation And Sale Of Vacant Section 32 Homeownership Single Family Homes

SUMMARY

The attached report is submitted to you for review prior to consideration by the County of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,



LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
October 14, 2014

To: Housing Authority of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Designation Of The Sacramento Housing And Redevelopment Agency (SHRA)
As A Purchase And Resale Entity (PRE) For The Preservation, Rehabilitation
And Sale Of Vacant Section 32 Homeownership Single Family Homes

Supervisorial Countywide
District:

Contact: Tyrone Roderick Williams, Director of Development, SHRA, (916) 440-1316
Kyle Flood, Program Manager, SHRA, (916) 440-1311

Overview

Staff recommends the designation of SHRA as a Purchase and Resale Entity (PRE) that will allow vacant United States Department of Housing and Urban Development (HUD) Section 32 Homeownership single family homes currently owned by the Housing Authority of the County of Sacramento to be sold to SHRA as PRE. SHRA would take ownership of the vacant houses, remove them from the Housing Authority's inventory, and sell the homes to low income families over a five year period.

Recommendations

1. Approves an amendment to the Section 32 Homeownership Plan to designate the Sacramento Housing and Redevelopment Agency (SHRA) as the Purchase and Resale Entity (PRE).
2. Offers to sell up to 22 vacant single family homes to the SHRA as the PRE through a seller carry back loan or loans or similar arrangements for fair market value given their as-is condition.
3. Authorizes the Executive Director, or designee, to amend the budget and expend up to \$1,206,852 from the County Public Housing Homeownership Fund to pay the expenses of the PRE attributed to vacant units located in the County, including preservation costs, renovation expenses, and sales fees.
4. Authorizes the Executive Director to write down all or a portion of the seller carry back loan in the event that sales proceeds are not sufficient to repay all or a portion of the loan.
5. Authorizes the Executive Director, or designee, to execute documents to amend the Section 32 Homeownership Plan, to establish a PRE agreement with SHRA and to execute the seller carry back loan agreement.

Measures/Evaluation

There are currently twenty-two (22) vacant single family houses in the Section 32 Homeownership program that are located in the County. These houses are to be sold within five years or ownership reverts back to the Housing Authority of the County of Sacramento.

Fiscal Impact

Initial funding for the PRE will be in the form of a grant of \$1,206,852 from the County Public Housing Homeownership Fund to SHRA for the costs of rehabilitation and holding costs. The initial funding will be disbursed as costs are incurred by the PRE and it is anticipated that future sales proceeds will be used to repay the seller carry back loan. Once the PRE has renovated and sold these Section 32 homes, the sales proceeds shall be used to repay the seller carry back loan. In the event that the final sales price is not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the ability to write down the seller carry back loan to balance the transaction. Upon completion of renovation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be reallocated to the program to fund the renovation of future Section 32 homes.

BACKGROUND

In 1996, the Housing Authorities of the City and County of Sacramento reclassified over 300 single family public housing rental units and obtained HUD approval under HUD's 5h program to sell them to qualified low income families. As the 5h program was expiring in 2006, the balance of single family houses was transferred to the new Section 32 Homeownership program. The intent of the Section 32 homeownership program was to sell the remaining single family homes to low-income home buyers and provide more flexibility which would allow more low income residents to purchase the homes. The effort to sell the remaining units was suspended in 2009 due to the continued deterioration of the housing market.

This report recommends amending the Section 32 Homeownership Program to facilitate the sale of the remaining 22 homes. By amending the Section 32 Homeownership plan and transferring ownership of vacant Section 32 single family houses from the Housing Authority of the County of Sacramento to SHRA as a Purchase and Resale Entity (PRE), the houses will be removed from the public housing inventory and placed where they can be sold by the PRE to low income home buyers. By transferring ownership of vacant units to a PRE, using seller carry back loans for Fair Market Value given their "as is" condition, the Housing Authority avoids any financial or other penalty from HUD for having vacant Section 32 houses in the public housing inventory.

SHRA is uniquely qualified to act as a PRE since it has procurement expertise, construction experience, property management acumen, and proven homebuyer education programs in place through qualified personnel, organizational capacity, and contractual agreements. This will facilitate the homes being renovated and sold to qualified low income home buyers ready to take ownership. Rehabilitation and sales are anticipated to take place in three phases over a two to three year period.

Designation Of The Sacramento Housing And Redevelopment Agency (SHRA) As A Purchase And Resale Entity (PRE) For The Preservation, Rehabilitation And Sale Of 22 Vacant Section 32 Homeownership Single Family

Page 3

COMMISSION ACTION

At its meeting of September 17, 2014, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

MEASURES/EVALUATIONS

The homes in the Section 32 program are all currently vacant, and are located in many different communities throughout the County, making them difficult to secure and maintain. Under the Asset Repositioning strategy, the strategic disposition of such properties will allow the Housing Authority to operate and maintain remaining units more efficiently. In addition, the program will be measured by the number of homes rehabilitated and sold in each calendar quarter. Staff will also track projections of rehabilitation costs and sales proceeds with the actual data in order to ensure that the program is operating effectively.

FINANCIAL ANALYSIS

SHRA as PRE will purchase vacant Section 32 homes from the Housing Authority of Sacramento County using seller carry back loans for Fair Market Value given their “as is” condition. Initial funding for PRE activities in preserving and renovating the houses will be in the form of a grant of up to \$1,206,852 from the County Public Housing Homeownership Fund to SHRA. The County Public Homeownership Fund originated from sales proceeds of earlier Section 32 and Section 5h houses to low income home buyers. The grant will be disbursed as costs are incurred by the PRE. Years two and three of the effort may require additional grants from the fund as renovation ramps up but before units are sold. Once the \$1,206,852 has been expended, proceeds from the sales of the homes completed with these funds shall be returned to program to fund the rehabilitation and sale of the remaining homes. Upon completion of renovation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be reallocated to the program to fund the renovation of future Section 32 homes. However, in the event that the final sales price is not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the ability to write down the seller carry back loan to balance the transaction.

POLICY CONSIDERATIONS

Rehabilitating rental single family homes and selling them to low income homeowners are activities endorsed by the County in its Housing Elements. This is a particularly significant activity because most of the homes owned by the housing authorities are located in lower income

neighborhoods, which are striving to increase homeownership. By increasing homeownership rates in these areas, it helps to stabilize neighborhoods. Rehabilitating and selling the houses to low income home buyers is also consistent with the Housing Authority's asset repositioning strategy and will mitigate HUD penalties for maintaining vacant units in the public housing inventory.

ENVIRONMENTAL REVIEW

The actions proposed are in furtherance of the disposition and rehabilitation of Housing Authority owned properties. Therefore, these actions are categorically exempt pursuant to the California Environmental Quality Act Guidelines Section 15301, as actions on existing facilities that do not change or expand existing uses.

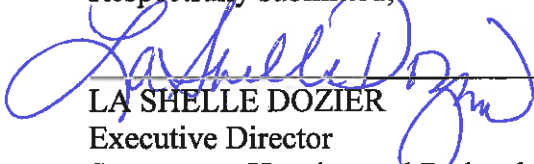
The proposed actions are in furtherance of the disposition and rehabilitation of Housing Authority owned properties, which are categorically excluded under National Environmental Policy Act regulations, pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i), respectively.

M/WBE CONSIDERATIONS/SECTION 3 REQUIREMENTS

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable.

Respectfully submitted,

APPROVED



LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

BRADLEY J. HUDSON
County Executive

- Attachments:
RES – HACOS Resolution
EX A – Amended Section 32 Homeownership Plan
EX B – PRE Agreement with SHRA
ATT I - List of Section 32 vacant homes

RESOLUTION NO. _____

**ADOPTED BY THE HOUSING AUTHORITY OF THE
COUNTY OF SACRAMENTO**

ON DATE OF

**AMENDMENT TO THE SECTION 32 HOMEOWNERSHIP PLAN TO USE
PROCEEDS FROM THE CITY PUBLIC HOUSING HOMEOWNERSHIP PROGRAM
FOR THE PRESERVATION, RENOVATION AND SALE OF VACANT SECTION 32
SINGLE FAMILY HOMEOWNERSHIP UNITS TO SHRA AS THE PURCHASE AND
RESALE ENTITY (PRE) APPROVED BY HUD, AND AUTHORIZATION TO
EXECUTE A SELLER CARRY BACK LOAN**

WHEREAS, the Housing Authority of the County of Sacramento currently owns vacant single family homes in Sacramento County that are part of a HUD-approved Section 32 Homeownership Plan that authorizes the sale of single family homes to qualified low-income owner occupant first time home buyers (qualified home buyers), and

WHEREAS, vacant Section 32 homes usually require considerable renovation prior to sale to a qualified home buyer, and

WHEREAS, These houses are not required for the foreseeable needs of the Housing Authority of the County of Sacramento (Cal. Health & Safety Code §34315.7) and as part of its asset repositioning strategy, the Housing Authority desires to provide affordable homeownership opportunities to qualified home buyer households, and

WHEREAS, the Housing Authority of the County of Sacramento previously designated the Sacramento Housing and Redevelopment Agency (SHRA) as a Purchase and Resale Entity (PRE), with the authority to transfer ownership of all vacant Section 32 houses to SHRA using seller carry back loans for Fair Market Value given their “as is” condition. SHRA as the PRE, is to facilitate the preservation, renovation and sale of the units to qualified home buyers, subject to a five year time limit as required by HUD; and

WHEREAS, The Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento previously designated the Sacramento Housing and Redevelopment Agency (SHRA) as a PRE pursuant to resolutions 2012-019 dated December 4, 2012 (City) and resolution HA-2340 dated December 4, 2012. HUD approved the designation of SHRA as a PRE on April 3, 2013.

WHEREAS, the recommended actions are categorically excluded under National Environmental Policy Act regulations, pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i).

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO

Section 1. After due consideration of the information presented and at a duly noticed public hearing held on September 17, 2014 at the Sacramento Housing And Redevelopment Commission, the statements in this resolution, including the environmental statements, are found to be true and correct.

Section 2. The Housing Authority of the County of Sacramento hereby amends its Section 32 Homeownership Plan and designates the Sacramento Housing and Redevelopment Agency (SHRA) to act as a Purchase and Resale Entity (PRE) for all vacant single family homes that are part of the Section 32 Homeownership Plan over the next five years.

Section 3. The Executive Director or designee is authorized to execute documents, as approved as to form by Agency counsel, relating to the Section 32 Homeownership Plan amendment and the PRE Agreement, included as Exhibit B, establishing SHRA as the PRE. The Housing Authority of the County of Sacramento hereby offers to sell up to 22 of the vacant single family homes to SHRA as PRE through a seller carry back loan or loans or similar arrangements for Fair Market Value given their "as is" condition. This sale and transfer removes the Section 32 Homeownership Plan vacant single family homes from the public housing inventory of the Housing Authority of the County of Sacramento and provides affordable homeownership opportunities for low-income families.

Section 4. The Executive Director, or designee, is authorized to amend the budget and use up to \$1,206,852 of the County Public Housing Homeownership Fund to pay the expenses of the PRE attributed to vacant units located in the County, including preservation costs, renovation expenses and sales fees. Once the \$1,206,852 has been expended, proceeds from the sales of the homes completed with these funds shall be returned to the program to fund the renovation and sale of the remaining homes. Upon completion of renovation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be reallocated to the program to fund the renovation of future Section 32 homes. In the event that the final sales proceeds are not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the ability to write down the seller carry back loan to balance the transaction.

Designation Of The Sacramento Housing And Redevelopment Agency As A Purchase And Resale Entity (PRE) For The Preservation, Renovation And Sale Of 22 Vacant Section 32 Homeownership Single Family Homes
Page 3

Section 5. The Executive Director, or designee, shall be authorized to amend the budget, and enter into any loan agreements, contracts or documents as approved as to form by Agency counsel, with the SHRA necessary to implement the activities authorized by this resolution.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Housing Authority of the County of Sacramento, State of California this 7th day of October, 2014, by the following vote, to wit:

AYES: Members,
NOES: Members,
ABSENT: Members,
ABSTAIN: Members,

Chair of the Housing Authority
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk

**SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY**

**AMENDED
SECTION 32 HOMEOWNERSHIP PLAN
FOR THE HOUSING AUTHORITIES OF THE
CITY AND COUNTY OF SACRAMENTO**

Office of the Executive Director
Public Housing Authorities
801 12th Street
Sacramento, California 95814

Initially approved: February 2005
Amended December, 2012

SECTION 32 HOMEOWNERSHIP PLAN

Amended December 2012

Executive Summary

The Sacramento Housing and Redevelopment Agency (Agency) requests that HUD approve a Section 32 homeownership program for the rehabilitation and sale of the 212 remaining two- and three-bedroom single family homes in the public housing inventory of the Housing Authorities of the City and County of Sacramento (collectively the public housing authorities [PHA]). The homes will be sold to low-income families as prescribed by the Section 32 regulations at 24 CFR Part 906.

The Department of Housing and Urban Development approved a 5(h) Homeownership Program for the Sacramento PHAs on December 29, 1996, which was adopted by the Sacramento Housing and Redevelopment Commission on May 21, 1997. At that time, the Agency included its entire inventory of 389 scattered single family homes in the program since their operation and maintenance were not cost-effective. To date, 60 of those homes have been sold. Although the program has been successful in gaining homeownership for public housing residents and Housing Choice Voucher participants, several obstacles prevented the Agency from meeting its ambitious sales goals in the previously approved plan. Most significant was the number of existing residents in units authorized for sale under the 5(h) homeownership plan who declined to purchase or who were not eligible to purchase their units; consistent with 5(h) regulations, the Agency could not cause those families to relocate.

To more effectively accomplish its homeownership goals, the Agency has recently requested HUD to allow it to reduce the number of homes to be sold under the 5(h) program to 73, all of which are vacant. The Agency's request for a reduction of units in its 5(h) plan was accompanied by the statement that it would submit a Section 32 Homeownership Program for the remaining homes as quickly as possible.

Goals and Objectives of the Homeownership Plan

The goal of the proposed Section 32 program is to provide 212 homeownership opportunities for the public housing residents, Housing Choice Voucher holders, and other low-income households in the City and County of Sacramento. The average resale price for a home in the Sacramento region is now over \$315,000, with very few homes on the market for under \$200,000. The Section 32 program will re-open this opportunity for Sacramento's lower income families.

The Sacramento Housing and Redevelopment Agency will provide direct assistance to the low-income purchasers, including downpayment and closing cost assistance, counseling, relocation, and subordinate financing, as well as manage the procurement, rehabilitation, marketing, and sales of the homes. The Agency will cooperate with local lending institutions and a variety of public and private lenders to arrange financing at the lowest available interest rates, and to secure

other subsidies to attain affordability for families with incomes at or below 80 percent of the area median income (AMI) whose credit and debt allow them to qualify for private mortgages. The Agency's staff is experienced in implementing homeownership and single family rehabilitation programs. The Agency operates a number of first-time homebuyer programs available to Section 32 purchasers, including downpayment and closing cost assistance, deferred second loans, the American Dream Initiative second loan financing and Mortgage Credit Certificates. (Please see Attachment C for a chart of Agency homeownership programs.) In addition, public housing residents in the Family Self Sufficiency (FSS) program build equity through Federal Home Loan Bank-funded Individual Development Accounts which match on a 3-to-1 basis the savings that families accrue for downpayments. Therefore, public and privately funded programs are available to assist candidates for the program who demonstrate their eligibility for homeownership.

In addition to current residents and voucher holders and waiting list candidates, the Consolidated Plan of the City and County of Sacramento identifies 5,000 low-income families in the Agency's jurisdiction with qualifying incomes for homeownership. Given its on-going commitment to homeownership, which has created over 4,384 low-income and very low-income homeowners during the past six years alone, the Agency believes this Section 32 homeownership program is workable with sound potential for long-term success.

Method of Sale: Property Description

See Attachment A for the list of properties.

The Agency will sell the 212 two- and three-bedroom single family homes directly to low-income tenants or eligible families in fee simple conveyance. The list in Attachment A includes the HUD project number, street address, bedroom distribution, vacancy at the time of application, and number of household residents currently in the units.

Amended December 2012

For remaining vacant single family houses in the Section 32 Homeownership program, the Housing Authorities of the City and County of Sacramento desire to use a Purchase and Resale Entity (PRE) to preserve, renovate, and sell the homes. The Sacramento Housing and Redevelopment Agency (SHRA) will act as the PRE by purchasing the houses from the Housing Authorities using seller carry back loans or similar arrangements for current Fair Market Value taking into account their "as is" condition. SHRA as PRE will sell single family houses in the Section 32 program to qualified low income families. The purchase agreement shall include the deed of trust ensuring affordability for qualified low income homebuyers.

SHRA shall preserve, renovate, and sell the houses to qualified low income families. SHRA expenses shall be paid from a line of credit from the City and County Public Housing Homeownership funds. The line of credit and carry back loan shall be repaid by SHRA as each house is sold. Any proceeds remaining shall accrue to the respective funds from which they were originally withdrawn. Any loss on the sale of the house, after documented expenses to the line of credit, shall be deducted from the seller carry back loan. SHRA shall provide reports on the costs involved and sale of each house.

SHRA as PRE will also be responsible for identifying and preparing qualified low income families who are ready for homeownership and want to purchase the houses. Program costs shall be recovered upon sale of each house. SHRA shall have five years to sell renovated houses to low income families. If any house shall not be sold within five years, ownership shall revert to the Housing Authorities of the City and County of Sacramento under the same terms as they were originally acquired by SHRA, depending on the location of the home.

Repair or Rehabilitation

The 212 properties included in the Section 32 program need a range of rehabilitation work to meet or exceed applicable local codes and Housing Quality Standards. The majorities of homes were built in the 1950s and 1960s, and have similar characteristics with the homes sold or being rehabilitated under the current 5(h) program. In addition to housing authority maintenance and unit turnover records for the homes to be included under the Section 32 program, the current rehabilitation work being undertaken on the 5(h) homes provides a reasonable basis for estimating Section 32 rehabilitation costs. Those costs are estimated at an average of \$95,000 for the rehabilitation work, including HUD requirements for lead-based paint and asbestos assessment and remediation. Attachment B provides the Physical Need Assessment form used by the Agency and an example of the condition of a typical single family property in the PHA homeownership program.

Upon rehabilitation completion, the major components will have a remaining useful life that is sufficient to justify a reasonable expectation that homeownership will continue to be affordable by the purchasers over time. Accordingly, the major building systems will have a remaining useful life of 5 – 15 years. The Agency will continue its practice of providing the homeowner a warranty policy through an established company. It will cover the major systems for one year, after which time the homeowner assumes responsibility. The minimal cost of the policy is included in the purchase price.

The after-rehab value of the three-bedroom properties, estimated at \$220,000, is based on current appraisals for the homes sold under 5(h) and a list of 350 comparable single family homes sold in the last quarter of 2004 in the same neighborhoods in which the majority of the Section 32 homes are located. The estimated value for two-bedroom properties (ten percent of the units) is \$190,000. The comparables included the following values: floor space 900 – 1,000 square feet; lot square footage – 6,800 to 8,000 square feet; year built range from 1956 to 1958; and all one-story homes.

The rehabilitation plan for each unit includes the following (shown also on the Implementation Schedule):

- Physical needs inspection of the unit by an Agency construction technician
- Scope of work and specifications prepared, including architectural plans on an as-needed basis
- Bidding package prepared for a group of 5-15 homes, depending on condition and location

- Selection of contractor(s)
- Compliance monitoring established for Davis-Bacon wages, minority and small business enterprises, etc.
- Construction contract administration
- Close-out: final inspection, completion and occupancy notices, etc.

Contract award and administration follow federal procurement standards and California public contract code, when applicable (depending on the source of funds used for rehabilitation). Hazardous materials (asbestos and lead-based paint) will be abated. When a prospective purchaser with disabilities requests accessible features, the features will be added in accordance with 24 CFR parts 8 and 9.

If an HCV homeownership participant chooses to purchase a Section 32 home, the Agency will provide an independent entity to perform the following rehabilitation duties:

- Conduct the initial housing quality standards (HQS) inspection; and
- Review the independent inspection report.

(Additional HCV-related duties by the independent housing entity are described below under “Sale and Financing.”)

See Attachment B for the Physical Need Assessment form and an example of the condition of a typical property

Purchaser Eligibility and Selection

Selection Process

The Agency’s homeownership staff will offer the right of first refusal to the residents occupying the units, all of whom are below the low-income (80 percent of area median income) standard for the program, according to the PHA’s annual income recertifications. The homeownership staff will provide information on the Section 32 program, its application process and eligibility requirements.

The Agency has been operating a 5(h) homeownership program since 1999 and an HCV homeownership program available to public housing residents and HCV participants for the past three years. As a result of communicating about these programs, there are over 80 HCV and resident households who are currently in the counseling and credit-repair process, working toward mortgage eligibility. In addition there are also 155 families participating in the Family Self-Sufficiency (FSS) Program, many of whom are already involved in savings plans under the Agency’s Individual Development Account program. Because of these prior outreach efforts, the Agency will turn its information and marketing efforts toward these households already in

the homeownership counseling process, following the right of refusal process with the current occupants of the units.

Additionally, the Agency in March 2005 will contact current public housing residents and Housing Choice Voucher holders with incomes between 50 percent of median and 80 percent of median in order to maintain a pool of potentially eligible households. As these priority purchasers work their way through homeownership counseling and mortgage eligibility, they will be given priority in home purchase.

If there are not sufficient eligible purchasers from these sources of applicants, the Agency will broadly market the program to other low-income families in the city and county. (Please see Attachment - Affirmative Marketing Plan.) Low-income residents in rental affordable housing developments with homeownership counseling and savings plans in place will be contacted as part of the Affirmative Marketing Plan.

Eligibility is limited to households who are capable of assuming the financial obligations of homeownership, as outlined below. Applicants who have met basic eligibility standards are required to attend homebuyer counseling programs if they have not previously enrolled or completed the required courses or need further attention for credit repair. Upon completing the homebuyer counseling program and obtaining a mortgage commitment, applicants will be given the choice of properties in the program. The rehabilitation schedule for the single family properties will be available to the participants throughout the program.

To summarize, the selection process will start with the public housing resident occupying the unit followed by families enrolled in Agency's FSS program and HCV homeownership candidates that responded to previous outreach and information sessions and are undertaking homeownership counseling and credit repair. For all of those and any further participants from public housing, the voucher program, and the general public, an initial determination of eligibility is made on the basis of the following requirements:

Eligibility Requirements

In order to be selected as a participant in this program, applicants shall meet the following selection criteria:

1. Each applicant must complete a program application, with references.
2. At least one family member must be gainfully employed or have an established source of continuing homeownership-appropriate income for a period of at least two (2) years.
3. Applicants must be current in all rent obligations for at least twelve months and not have any outstanding charges for damages to any apartment nor incurred excessive maintenance charges in the past year;
4. Acceptance as a participant is conditioned upon receipt of an acceptable credit report.
5. Participants shall not have an income greater than 80 percent of area median income for their respective family size.

6. Participants must be able to afford an average monthly estimate for mortgage principal and interest, insurance, real estate taxes, utilities, maintenance and other regularly recurring homeownership cost not to exceed the sum of 35 percent of income and any subsidy that will be available for such payments.
7. Participants must demonstrate the ability to contribute from their own resources a portion of the downpayment that is not less than one percent of the purchase price of the housing.
8. Purchasers shall occupy the home as their principal residence and be a first-time homebuyer. (“First-time homebuyer” means that neither the purchaser nor spouse has owned a home during the last three years, with the following exceptions: a displaced homemaker who worked primarily without remuneration and who owned a home with a previous spouse; and a purchaser with children who is legally separated but who owned a home with a previous spouse.)
9. Participants must complete homebuyer counseling programs (described in more detail under “Counseling”).

Sale and Financing

Method of Sale and Ownership

All properties will be made available for sale after completion of the rehabilitation work. They will be sold as fee simple property.

Below-market Financing

The Sacramento Section 32 homeownership program will provide below market purchase prices to ensure the homes affordability to eligible buyers. The market value of the properties will be established by appraisal, and the affordable price (the discounted market price) will be established based on what a low-income household could afford for two- and three-bedroom homes. The calculation of affordability, which determines the affordable purchase price, includes monthly estimates for mortgage principle and interest, insurance, real estate taxes, utilities, maintenance and other recurring costs such as flood insurance and mortgage insurance. These costs may not exceed 35 percent of income plus any other subsidy used for monthly payments.

The difference between the affordable price and the market value of the home will be captured in a promissory note and deed of trust (non-cash deferred payment second mortgage) as described below under Limitation on Resale Profit (906.29).

One percent of the purchase price of the house must come from the resident’s own funds, as described above under Purchaser Eligibility and Selection.

Homebuyer Subsidies

The Agency's experience in its homeownership programs, including the 5(h) program, shows that first mortgage interest rates are usually at or slightly below the low end of the current market, due in part to FHA-insured loan programs and lenders' Community Reinvestment Act programs. The one exception where interest rates are one to two points below market is the California Housing Finance Agency's Local Government Partnership Program, which unfortunately carries severe restrictions on recapture.

The most prevalent source of subsidies for low-income purchasers is downpayment and closing cost assistance and second mortgage assistance programs, both Agency-sponsored and private lender sponsored. In addition, private lenders offer downpayment grants as part of their Community Reinvestment Act activities. For example, Citibank has continued California Federal's downpayment grant program that ranges from \$5,000 to \$8,000 per low-income household. The Agency also offers second mortgage assistance programs that carry deferred payment terms. Attachment C lists the Agency's homeownership programs and their terms. The homebuyer counseling programs required by the Agency cover all these forms of assistance, both public and private. The housing authorities also carry out a Family Self-Sufficiency Program for public housing residents which matches residents' savings 3 to 1 with grants from the Federal Home Loan Bank of San Francisco's Affordable Housing Program for their approved Individual Development Account (IDA) program.

Recapture and Anti-Speculation Provisions

Because the dwellings will be sold for less than their fair market value, the purchaser will execute a promissory note, payable to the housing authority, along with a mortgage securing the obligation of the note, for the difference between the initial affordable price (the discounted sales price) and the initial market value. This difference will be stated in the note as a dollar amount and will be a deferred payment loan due on resale. Subordinate financing, including mortgage assistance loans and other first-time homebuyer assistance, will be repaid at resale according to the terms of the assistance. (Some downpayment loans are forgiven proportionately over their term.)

For the first five year period, the purchaser who sells will be obligated to repay the housing authority loan and other subordinate homeowner subsidies, according to the individual program's terms. They will then be permitted to retain one-half of any resale profit attributable to appreciation in value over the initial market value, along with any portion of the resale profit that is attributable to documented capital improvements made by the owner after purchase, any personal initial investment (downpayment and closing costs) and the reasonable costs of resale. The balance of the resale profit will return to the housing authorities as sales proceeds, and used according to the Section 32 Homeownership Plan.

After the first five years of residency, the purchaser will be permitted to retain the resale profit attributable to appreciation in value over the initial market value, plus any documented capital improvements, downpayment and closing costs. Subordinate financing will be due on sale, according to the terms of the assistance.

Homeowners will be protected against the loss of their initial investments. If the resale price of the home is below its initial market value, the home purchaser will receive all initial investments (downpayment and closing costs), the reasonable costs of resale, and reduction in principal amounts in the first mortgage by deducting those payments from the housing authority's loan repayment that captured the difference between the initial market value and the initial affordable sales price.

The Agency is not proposing to require resale restrictions for subsequent purchasers.

Recapture Analysis

Following is an example of the proposed resale provisions, somewhat simplified to demonstrate the major provisions of recapture before and after a 5-year owner-occupancy.

<u>Initial sale to low-income purchaser</u>	<u>Upon resale</u>	
Fair market value	\$220,000	
Affordable sales price	\$160,000	
Housing authority subordinate loan	60,000	Repaid
First mortgage	\$145,000	Balance repaid
Downpayment (all sources, assume grants)	6,000	Equity to seller
Closing costs (local loan, deferred pmt.)	5,000	See note below
Mortgage assistance deferred pmt. Loan	9,000	Repaid

Upon sale at year 3, with an appraised value at \$230,000, the seller would repay the \$60,000 housing authority loan and \$9,000 mortgage assistance loan for a total of \$69,000. (We assume for sake of simplicity that the initial closing cost loan and the resale closing costs would cancel themselves out.) The seller would receive his/her downpayment equity (plus mortgage principal reduction, which is not shown), and one-half of the appreciation in value over the original fair market value (\$5,000), for a total of \$11,000.

Upon sale at year 7, with an appraised value at \$250,000, the seller would repay the same loans as stated above, receive his/her initial equity, and receive the \$30,000 appreciation between the initial market value and resale market value.

Determinations of market value will be made on the basis of appraisals made by an independent appraiser selected by the Agency.

The sale of Section 32 homes to HCV homeownership participants who use their vouchers for the purchase of the units will follow the procedures found in the Section 8 Homeownership Final Rule of October 12, 2000, namely that the Agency must provide an independent entity to perform the following administrative duties:

- Review the contract of sale;
- Conduct the initial housing quality standards (HQS inspection);
- Review the independent inspection report; and
- Determine the reasonableness of the sales price and any Agency-provided financing.

Protection against Fraud.

The Agency will place a title restriction conditioning the initial purchaser's right to resell the Section 32 home to compliance with the resale restrictions described above. In addition, all housing authority recordations against the properties and those placed by the Agency for downpayment and/or mortgage assistance include a requirement of owner-occupancy. Upon sale, all Agency documents and recorded liens are placed with the Agency's portfolio management department and the property transaction is sent to the servicing company that tracks and reports payments and title changes for all Agency loans.

Resident Consultation

The housing authority is currently operating a 5(h) "Homes for Sale" program for the sale of its single family inventory to low-income households and has operated a Housing Choice Voucher (HCV) homeownership program until December 31, 2004. As a result, public housing and HCV participants, some of whom are in various stages of homeownership counseling, are aware of the reasons for transitioning from the 5(h) program to Section 32. Specifically, the housing authority's 2005 Annual Plan, presented to the Resident Advisory Board in June 2004, and subsequently to the Sacramento Housing and Redevelopment Commission, City Council, and Board of Supervisors in public meetings, included the intent to apply for the Sec. 32 program.

At its public meeting of November 3, 2004, the Sacramento Housing and Redevelopment Commission received a report on the status of the 5(h) program, including the need to concentrate on selling the vacant houses, submitting a request to HUD for that purpose, and applying to HUD for a Sec. 32 program which would enable the housing authority to sell more units efficiently. Two members of the Resident Advisory Board (RAB) are members of the Commission.

On December 16, 2004, SHRA staff presented to the RAB a review of the 5(h) and Sec. 32 programs and the reasons for their applications to HUD. A list of the resident representatives at the meeting is attached. The RAB representative to the Commission also commented favorably on the applications. SHRA did not receive any written comments, but three residents asked for a list of the single family properties, and they were mailed those lists.

On January 24, 2004, SHRA distributed through its Resident Services staff the same written information on the 5(h) and Sec. 32 programs to the housing authority's 23 resident councils (both city and county).

SHRA staff has held numerous meetings with the Sacramento Neighborhood Housing Services, the primary homeownership counseling agency working with public housing and HCV households on budgeting and credit issues in preparation for future homeownership opportunities. Of the over 400 households who submitted applications through the housing authority since 2002, 48 have purchased homes, 42 have been referred to lenders and are seeking housing, 57 have completed counseling and are working on financing issues, and 245 remain in a variety of counseling activities.

Future consultation with residents will occur at many levels: 1) through the counseling agencies working with future homeowner purchasers in their counseling and credit-repair programs; 2) through information sessions described above under Purchaser Eligibility and Selection; and 3) through the public housing authorities' resident councils.

Counseling

All prospective and actual Section 32 purchasers receive (and are required to attend) home ownership counseling and training provided by local nonprofit organizations experienced in homeownership financing, maintenance, and overall responsibilities. The Agency has in the past contracted with ACORN Housing Corporation (AHC) formed by the Association of Community Organizations for Action Now (ACORN), Sacramento Neighborhood Housing Services (SNHS), and the Sacramento Home Loan Counseling Center (SHLCC). The Agency's cost for this counseling and training is included in the proposed budget.

The homebuyer counseling program is a three-part series. First is an introductory first-time homebuyer educational seminar that orients possible purchasers to the values and risks of homeownership and includes homebuyer readiness assessments. Applicants can attend any homebuyer seminar, which occur frequently. Home buyers receive a home buyer's certificate at the completion of the seminar that is good for affordable housing financing programs, such as Fannie Mae's community home buyer program.

Applicants then attend a credit and budget management seminar that provides financial counseling and budgeting techniques for managing household finances with a mortgage payment. The third counseling program covers home maintenance and good neighbor practices and focuses on the transition from renter to homeowner. This seminar is followed up with a home maintenance information/manual given to the new property owners.

In addition, the counseling organizations work with homeownership applicants over time on credit-repair plans. They track the participants' progress and report on their status to the Agency's resident services staff. When the participants' credit status has improved to the point where they are mortgage-eligible, the counseling agency reviews mortgage loan provisions and the various public and private assistance programs available. The Agency's homeownership staff assists the family in applying for the Agency's assistance.

Nonpurchasing Residents

The Agency will offer residents in units to be offered for sale the right of first refusal to purchase the unit. The resident's application will be evaluated on the eligibility standards described previously, as any other applicant. In the event the resident does not exercise the right of first refusal, the Agency's relocation staff will notify the resident in writing at least 90 days prior to the displacement date that the unit will be vacated and that the resident household will be offered comparable housing within the public housing program. The Agency will provide a choice of

comparable units, counseling, and payment of the actual costs of moving. The property will not undergo rehabilitation until the relocation has taken place.

The Agency has had considerable experience in carrying out relocation assistance, both through public housing modernization activity and other revitalization programs. The cost of relocation will be paid by sales' proceeds and is included in the Section 32 budget. The estimated costs of relocation per unit are as follows:

\$1,200 for the basic moving cost
200 for resident counseling
<u>50</u> reimbursement for re-establishment of utility services
\$1,450 relocation expenses per unit

Assuming that 200 units will be occupied, the total relocation cost is estimated at \$290,000.

Two public housing units will be offered to the resident, consistent with the housing authorities' current policies on relocation contained in its approved Administrative Plan.

Sales Proceeds

The Agency assumes a two-tiered system for receiving proceeds: (1) the initial net proceeds from sale and (2) the resale proceeds over time representing the difference between the initial affordable sale price and the market value of the home. The proceeds will be retained by the Agency and used as follows:

1. Payment of administrative costs that are necessary and reasonable for carrying out the Section 32 Homeownership Plan;
2. Assistance to low-income families under the Agency's homeownership programs (Attachment C) that enable them to purchase dwellings at affordable costs from private or public owners;
3. Assistance to affordable housing developments serving low-income families, financed by other federal, state, or local housing programs, such as gap financing for multifamily housing under the Agency's Multifamily Loan Policies;
4. The development of additional public housing or that owned in whole or in part by Agency-controlled nonprofit corporations with dwelling units affordable to and occupied by very low-income and low-income households (24 CFR 941 Subpart F);
5. Assistance to low- and very low-income tenants in tenant-based assistance programs to ensure the continuation of their tenancy in the event of program reductions; and
6. For any purposes authorized for the use of operating funds under the ACC, including maintenance and modernization, augmentation of operating reserves, protective services, and resident services.

Program Administration and Oversight

Program administration of the Section 32 program includes three major components: (1) rehabilitation; (2) resident services and homeownership assistance, and (3) property sale and loan closing. A project manager will be responsible for the program's implementation, reporting, and maintaining the program's three major components in balance through intensive coordination.

Rehabilitation. Three construction technicians experienced in housing rehabilitation and contract administration will be assigned to the program. They will conduct the physical needs assessments, prepare bidding documents, coordinate the contractor bidding and selection process with the Agency's procurement and compliance division, and administer the construction contracts. Other persons necessary for the housing rehabilitation functions will be the Agency's supervising architect, CAD operator, and support staff.

Homeownership Services. The Agency's Homeownership Program staff will be in charge of the activities necessary to inform and financially assist low-income purchasers for the Section 32 homes. As described above under Purchaser Eligibility and Selection, under the direction of the project manager, they will manage the dissemination of information to public housing residents, HCV participants, and low-income households within the general public. They will determine initial eligibility, manage the contracts with local housing counseling agencies, and make the Agency's resources known and available to potential purchasers.

Property Sale and Closing. The final component, property sale and closing, is overseen by the Agency's Real Estate Division, experienced in property management and disposition. Responsibilities include coordination with the housing rehabilitation staff (e.g., timing of notices of completion), obtaining appraisals, drawing financial and closing documents, requesting title transfer from HUD, and ensuring that the proper documentation is sent to the Agency's finance division, portfolio management, and project manager. In the event of HCV purchasers under the Agency's HCV homeownership program, the independent entity will perform its inspection and review functions prior to loan closing.

Records, Accounts and Reports

The Agency will maintain all records, accounts, reports, and files that relate to the implementation of the revised Section 32 program and will submit all required monitoring and financial reports to HUD, including annual sales reports. All Section 32 financial transactions are maintained in separate fund accounts by the Agency's finance department, which provides the central financial record-keeping services for both capital expenditures and receipts and personnel charges related to the program. The Agency will ensure that the receipt, retention and use of sales proceeds are covered in the regular independent audits of the Agency's public housing operations. Sales reports will be reported through PIC and the Annual Plan.

Individual purchaser records are maintained by the Agency's Portfolio Management Department. These files include income certifications, mortgage eligibility, HQS verification and rehabilitation work, settlement statements, and copies of all loans and title documents. If applicable, relocation notices and expenses will also be maintained in the purchaser files. If a unit is sold, repayment and recapture information is also included in the file.

The program files maintained by the project manager will include relocation notices, financial records, and procurement documents related to moving services.

Budget

Budget and Staffing

The first year budget estimate for the rehabilitation and disposition of an average home is \$104,150 per unit. Of this amount, total construction costs on average (including blueprints, plans and construction management) are estimated at \$99,000, the balance of \$5,150 being total administrative costs per house. The all-inclusive cost estimates for the program for the first year, described above under Administration, are as follows:

Rehabilitation, Construction Management	\$99,000 per house
Homeownership Services:	\$950 per house
Counseling:	\$250 per house over a two-year period
Relocation (moving and services)	\$1,450 per house
Property Sale/Closing:	\$1,000 per house
<u>Project Management:</u>	<u>\$1,500 per house</u>
Total Estimated Cost	\$104,150 per house

Budget notes: The rehabilitation costs assume Davis-Bacon wage rates. Marketing/outreach is carried out by the Agency's homeownership and real estate staff, the former coordinating its work with the nonprofit counseling agencies. The counseling costs represent current contractual agreements for the three-part series of counseling seminars described above under Counseling. These costs average \$250 per participant and assume that one-third will not complete the courses or achieve mortgage eligibility by the time that the vacant homes are sold.

Attachment B: Physical Needs Assessment

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry												
Kitchen												
Dining Room												
Living Room												
Bathroom 1												
Bathroom 2												
Bedroom 1												
Bedroom 2												
Bedroom 4												
Other room												
Garage												
Exterior Bldg.												
Siding on ext. walls												
Stucco on ext. walls												
Roofing and Gutters												
Exterior doors												
Electricity												
Screens												
Chimney												
Landscaping												
Irrigation												
Trees												
Driveway												
Sidewalks/ Patios												
Fireplace												
HVAC												
Other												

Attachment B

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry	4	no	4	4	4	4						
Kitchen	4	no	4	4	4	4	4	4	4	4	4	
Dining Room	4	no	4	4	4	4						
Living Room	4	no	4	4	4	4						
Bathroom 1	4	no	4	4	4	4	4	4	4		4	4-tile
Bathroom 2												
Bedroom 1	4	no	4	4	4	4						
Bedroom 2	4	no	4	4	4	4						
Bedroom 3	4	no	4	4	4	4						
Other room												
Garage		5		4	3							4-opnr
Exterior Bldg.												
Siding on ext. walls	Paint											
Stucco on ext. walls	both sides and the rear have stucco along with front and return to house side.											
Roofing and Gutters	Replace roofing over garage											side. Needs paint complete
Exterior doors	Replace with new											
Electricity	Electricity in place. Panel sizing may change due to load changes and circuits added											
Screens	New with new windows											
Chimney	Clean and Inspect											
Landscaping	New design											
Irrigation	needs irrigation											
Trees	trimming needed											
Driveway	driveway to remain											
Sidewalks/ Patios	replacement needed											
Fireplace												
Fireplace	masonry											
HVAC												
HVAC	install new central system gas pack.											

Attachment C: Homeownership Programs

Terms	First-Time Homebuyer	Target Area Homebuyer Program	American Dream Downpayment Initiative	Mortgage Assistance Program MAP	CalHome Mortgage Assistance Program	Mortgage Credit Certificate Program MCC	Expanded Home Program	Teacher Purchase Program
Type of Assistance	FTHB							
Max Amount	Down Payment and Closing Cost \$5,000	Down Payment and Closing Cost \$5,000	Down Payment/ Closing Cost Acquisition/ Rehabilitation \$10,000	Mortgage Assistance \$20,000	Down Payment, Closing Cost, and Mortgage Assistance \$25,000	Income tax Credit 15% income tax credit	Income tax credit plus down payment assistance 15% income tax credit plus \$7,500	
Interest Rate	0%	5%	3%	3%	3%	N/A	5%	
Payments	Deferred	Deferred	Deferred/ Forgiven	Deferred	Deferred	N/A	3 years forgiven	
Homebuyer Income (Max.)	80% Area Median	110% Area Median	80% Area Median	80% Area Median	80% Area Median	100% 1-2 person 115% 3+ person	100% 1-2 person 115% 3+ person	
First-Time Homebuyer	Yes	No	Yes, displaced homemaker	Yes	Yes, displaced homemaker	Yes, except in certain target areas	Yes, except in certain target areas	
Location	Countywide	Target Areas	Countywide	Countywide	Certain City Areas Unincorporated County	Countywide	Countywide	
Affordability Ratios	N/A	N/A	N/A	28-35%	28-35%	N/A	N/A	
Loan Term	30 years	30 years/45 resale agt	10 years forgiven	30 years	30 years	life of mortgage	3 years forgiven	
First Mortgage Types	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA and Conventional	FHA, CalHFA, and Conventional	FHA and Conventional no CalHFA	FHA, VA, Conventional no CalHFA	
Homebuyer Education	Yes	Yes	Yes	Yes	Yes	No	Yes	

**Agreement for Sacramento Housing and Redevelopment
Agency (SHRA) to Act as
Purchase and Resale Entity (PRE)
For Vacant Section 32 Homeownership
Single Family Homes**

THIS AGREEMENT, dated _____, is by and between the Housing Authority of the County of Sacramento (the Housing Authority) and the Sacramento Housing and Redevelopment Agency for a term of five years. The organizations are distinct and separate legal entities.

Whereas, the Housing Authority has need for the services of a Purchase and Resale Entity (PRE) to purchase, preserve, renovate, and sell vacant single family houses for sale to qualified low income families and SHRA has agreed to offer its services as a PRE and provide the services required, now, therefore, the parties agree as follows.

1. **SERVICES.** SHRA will perform the obligations set forth in this AGREEMENT, including those identified in Exhibit A, Scope of Services.
2. **WRITTEN NOTICE.** Any notice of termination or other communication having a material effect on the AGREEMENT shall be serviced by U. S. Mail on the signatories listed.
3. **COMPLIANCE.** SHRA shall comply with all applicable federal, state and local laws, rules and regulations, including the Section 32 Homeownership Plan of the Housing Authority of the County of Sacramento.
4. **AGREEMENT.** The Housing Authority of the County of Sacramento will sell 54 currently vacant Section 32 Homeownership houses using seller carry back loans or similar arrangements for Fair Market Value in “as is” condition to SHRA as a Purchase and Resale Entity. After five years, any houses not sold by SHRA as PRE shall return ownership to the Housing Authority from which the property originated. SHRA shall not encumber any of the houses without the advance written permission of the Housing Authority.
5. **JUDICIAL RULING.** If any provision of this AGREEMENT as applied to either party or to any circumstances shall be determined by a court to be void or unenforceable, the same shall in no way affect any other provision of this AGREEMENT or the validity or enforceability of the AGREEMENT.
6. **INDEPENDENT CONTRACTOR.** SHRA, in carrying out the services to be provided under this AGREEMENT, is acting as an “independent

contractor” and shall do so without discrimination or bias in accordance with the Fair Housing Act and implementing regulations. Although the Housing Authority reserve the right to determine the delivery schedule for the work to be performed and to evaluate the quality of the completed performance, the Housing Authority will not control the means or manner of the SHRA’s performance. SHRA is responsible for determining the appropriate means and manner of performing the work within the established annual budget, as determined by the Housing Authority.

7. **MUTUAL INDEMNIFICATION.** Neither SHRA nor any of its officers or employees shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by the Housing Authority under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, the Housing Authority shall fully indemnify, defend and hold SHRA harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by the Housing Authority under or in connection with any work, authority or jurisdiction delegated to the Housing Authority under this Agreement.

Neither the Housing Authority nor any of its officers or employees shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by SHRA under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, SHRA shall fully indemnify, defend and hold the Housing Authority harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by SHRA under or in connection with any work, authority or jurisdiction delegated to SHRA.

8. **WARRANTY.** SHRA hereby warrants that as PRE, internal controls are in place to protect against fraud, or issue of funds, or other property by employees and/or agents. SHRA is accountable to the Housing Authority for the recordkeeping, reporting, and audit requirements of Section 24 CFR 906.33.
9. **COMPENSATION.** SHRA as PRE shall limit its administrative and overhead costs, and any compensation or profit that may be realized by the PRE, to amounts that are reasonable in relation to its responsibilities and risks. Accordingly, the initial funding for SHRA as PRE shall be set at \$2,341,106, which shall be structured as a grant from the County Public Housing Homeownership funds, In the event the final sales price is insufficient to repay the seller carry back loan the Housing Authority shall reduce a portion of the seller carry back loan to balance the transaction.
10. **TERMINATION OF AGREEMENT.** The AGREEMENT may be terminated under the following conditions.

- a. By written mutual agreement of both parties. Termination of this provision may be immediate.

- b. The Housing Authority may terminate this AGREEMENT if SHRA fails to provide services, or fails to meet performance standards as specified in this AGREEMENT (or subsequent modifications of this agreement), within the time specified herein or any extension thereof. Termination under this provision may be immediate.

- c. Failure of SHRA or the Housing Authority to comply with the provisions of this AGREEMENT and all applicable federal, state, and local laws and rules may be cause for termination of this contract.

- d. Failure to sell all properties to low income home buyers within five years.

- e. If this AGREEMENT is terminated pursuant to Section 10 c, above, then SHRA shall calculate its expenses incurred up to the date of termination and submit them for payment. Any funds held by SHRA as PRE shall be returned to the County Public Housing Homeownership Fund.

11. **SUBCONTRACTING.** No portion of this agreement may be contracted or assigned to any other individual, firm or entity without the express and prior written approval by the Housing Authority. Approval shall not be unreasonably withheld.

**HOUSING AUTHORITY OF THE
COUNTY OF SACRAMENTO**

**SACRAMENTO HOUSING and
REDEVELOPMENT AGENCY**

La Shelle Dozier
Executive Director

James Shields
Director of Administration

Exhibit A

Scope of Services

The Purchase and Resale Entity (PRE) shall perform as follows:

1. The Sacramento Housing and Redevelopment Agency (SHRA), as the designated PRE, shall accept title to vacant Section 32 Homeownership single family houses located within the City and County of Sacramento through seller carry back loans or similar arrangements. There are currently a total of 54 vacant single family houses from the Section 32 Homeownership Plan that will be transferred to the PRE effective upon execution of this AGREEMENT, or as soon as reasonably possible thereafter.
2. The PRE shall develop a plan to preserve, renovate, and sell the homes to qualified low income home buyers. "Preservation" shall include securing, managing, and caring for the homes to protect their integrity and appearance within the neighborhood in which each house is located. "Renovation" includes developing repair specifications and performing construction to ensure the houses are move-in ready and all major systems have a useful life of at least 15 years. "Qualified low income home buyers" means identifying low income families with the motivation and means to purchase the houses, and providing them with homeowner education that is generally recognized to help lead to successful homeownership. All vacant houses are to be renovated and sold to qualified low income home buyers within five years. Any Section 32 houses not sold by the PRE within that time shall have ownership revert to the originating housing authority.
3. The PRE shall secure the expertise of a professional realtor including a certified appraiser to assist the sale of each home in a timely manner and ensure that each sale is consistent with real estate laws of California. The homes will be sold at Fair Market Value via a Public Sale.
4. The PRE will secure the expertise of qualified personnel, organizational and/or financial institutions to provide homeownership, counseling, training, and technical assistance to each qualified purchaser.
5. The PRE will identify a budget for the plan to sell vacant single family houses, including all preservation, renovation or repair costs, professional service expenses, counseling, legal, financial, etc. SHRA will be paid for its actual and documented expenses and may draw needed funds for expenses as a line of credit from the County Public Housing Homeownership fund to be repaid upon the sale of each house.
6. The PRE will keep accurate records and evidence of each house sale and the funds provided. Documentation provided to the Housing Authority include final closing statements, deed restrictions, loan agreements, administrative and

other expenses incurred in preparing each house for sale and qualifying low income home buyers.

7. The Housing Authority of the County of Sacramento Public Housing Homeownership fund shall incur any gain or shall bear any loss associated with the sale of the house to a qualified low income family. SHRA shall not incur any benefit or loss from its activities related to the preservation, renovation, or sale of the vacant Section 32 houses.

Section 32 Property List

Count	Address	Street	Type	City	Zip
1	3837	A	ST	N. HIGHLD	95660
2	6428	CRAIGHURST	DR	N. HIGHLD	95660
3	3821	FLORAL	DR	N. HIGHLD	95660
4	6505	LA CIENEGA	DR	N. HIGHLD	95660
5	6426	Larchmont	DR	N. HIGHLD	95660
6	6589	Melrose	DR	N. HIGHLD	95660
7	4255	SLOAN	WY	N. HIGHLD	95660
8	7672	THRIFTY	WY	N. HIGHLD	95660
9	7679	THRIFTY	WY	N. HIGHLD	95660
10	2264	EL MANTO	DR	RNCH CRDVA	95670
11	3112	PORTSMOUTH	DR	RNCH CRDVA	95670
12	2336	ROSADO	WY	RNCH CRDVA	95670
13	255	ARCANO	WY	RIO LINDA	95673
14	6434	BOLIN	WY	RIO LINDA	95673
15	6461	LINN	WY	RIO LINDA	95673
16	100	Monticello	AV	RIO LINDA	95673
17	9960	Lincoln Village	DR	SACRAMENTO	95827
18	9925	REDSTONE	WY	SACRAMENTO	95827
19	3836	DRY CREEK	RD	SACRAMENTO	95838
20	3917	Dry Creek	RD	SACRAMENTO	95838
21	3917	HAYWOOD	ST	SACRAMENTO	95838
22	3125	SCOTLAND	DR	ANTELOPE	95843

RESOLUTION NO. SHRC-_____

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF
SEPTEMBER 17, 2014

AUTHORIZATION TO ENTER INTO PURCHASE AND RESALE AGREEMENTS WITH THE HOUSING AUTHORITIES OF THE CITY AND COUNTY OF SACRAMENTO; TO PURCHASE AND ACCEPT TITLE TO 76 VACANT SECTION 32 SINGLE FAMILY HOMES USING SELLER CARRY BACK LOANS OR SIMILAR FINANCING; TO AMEND THE AGENCY BUDGET TO USE, TRANSFER, ACCEPT AND/OR EXPEND FUNDS FROM THE CITY AND COUNTY PUBLIC HOUSING HOMEOWNERSHIP PROGRAM FOR THE PRESERVATION, REHABILITATION AND SALE; AND TO PUBLICLY SOLICIT AND PAY FOR THE SERVICES OF VARIOUS VENDORS RELATED TO THE PRESERVATION, REHABILITATION AND SALE OF THE HOMES

WHEREAS, the Housing Authority of the City of Sacramento currently owns 54 vacant single family homes in the City of Sacramento, and

WHEREAS, the Housing Authority of the County of Sacramento owns 22 vacant single family homes in Sacramento County, and

WHEREAS, these 76 vacant single family homes are part of a United States Department of Housing and Urban Development (HUD)-approved Section 32 Homeownership Plan that authorizes the sale of single family homes to qualified low-income owner occupant first time home buyers (qualified home buyers), and

WHEREAS, vacant Section 32 houses require considerable renovation prior to sale to a qualified home buyer, and

WHEREAS, the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento, as part of their asset repositioning strategy, desire to remove vacant units from the public housing inventory and to provide affordable homeownership opportunities to qualified

home buyers, desire to transfer ownership of vacant single family Section 32 homes to the Purchase and Resale Entity (PRE) through a seller carry back loan or similar arrangement for Fair Market Value given their "as is" condition. The PRE will oversee the preservation, renovation, and sale of homes to qualified home buyers subject to a five year time limit as required by HUD. Each Housing Authority may write down all or a portion of the amount of the seller carry back loan if the final sales proceeds do not fully cover the full amount of the seller carry back loan.

WHEREAS, the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento previously designated the Sacramento Housing and Redevelopment Agency (SHRA) as a PRE pursuant to resolutions 2012-019 dated December 4, 2012 (City) and resolution HA-2340 dated December 4, 2012. HUD approved the designation of SHRA as a PRE on April 3, 2013.

WHEREAS, the proposed Project is categorically exempt under the California Environmental Quality Act (CEQA) Guidelines Section 15301, and categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i),

NOW, THEREFORE, BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1: After due consideration of the information presented herein and at a duly noticed public hearing held at this Commission, the statements in the above recitals, including the environmental statements, are found to be true and correct.

Section 2: The Executive Director or her designee is authorized to enter into PRE Agreements with the Housing Authorities of the County and the City of Sacramento.

Section 3. The Executive Director or her designee is authorized to purchase and accept title for the 76 vacant Section 32 single family homes through the Housing Authorities' seller carry back loan or loans or similar financing arrangements for Fair Market Value as appraised given their "as is" condition.

Section 4. The Executive Director, or designee, is authorized to amend the Agency budget to use, transfer, accept and/or expend funds from City and County Public Housing Homeownership funds to pay for the preservation, plans, renovation, and sales costs of preparing homes for qualified home buyers shall be from City and County Public Housing Homeownership funds. The initial budget for 54 vacant units in the City of Sacramento shall be \$2.34 million. The

initial budget for 22 vacant units in Sacramento County shall be \$1.2 million. After the initial budgets have been expended, proceeds from the sales of the homes shall be used to fund costs related to the preservation, rehabilitation, and sale of the remaining homes.

Section 5. The Executive Director, or designee, is authorized to publicly solicit and establish a list of qualified general contractors to perform renovations to the homes. The Executive Director, or designee, shall have the authority to solicit bids and enter into contracts with these qualified general contractors to perform these renovations on a per-house basis, or is authorized to group these homes into larger projects (one or more homes).

Section 6. The Executive Director, or designee, is authorized to publicly solicit and pay for the services of real estate appraiser(s), whom shall act on behalf of the seller (PRE) and perform appraisals (or update previous appraisals) of the properties for establishing fair market value of the homes prior to renovation, and for appraising the properties after renovation.

Section 7. The Executive Director, or designee, is authorized to publicly solicit and pay for the services of real estate brokers, whom shall act on behalf of the seller (PRE) and list the renovated homes for sale. The brokers shall work with potential qualified home buyers and their agents through the purchase process and shall assist as needed in preparation of all documents required for transfer of ownership to the new buyer.

Section 8. The Executive Director, or designee, is authorized to publicly solicit and pay for the services of HUD-approved homebuyer education and counseling organizations, whom shall prepare prospective home buyers for the steps of purchasing a home, as well as provide post-purchase counseling.

Section 9. The Executive Director, or designee, is authorized to market the program and pay for the services through various paid and earned media sources to ensure program participation.

Section 10. The Executive Director, or designee, is authorized to purchase the vacant homes using seller carry back loans for Fair Market Value given their "as is" condition, and sell the renovated Section 32 homes to qualified home buyers. Sale proceeds, after all expenses, including the repayment of seller carry back loan or similar arrangement, shall accrue solely to the appropriate City or County Public Housing Homeownership fund.

CHAIR

ATTEST:

CLERK