

## **RESOLUTION NO. 2009-114**

Adopted by the Sacramento City Council

February 24, 2009

### **APPROVAL OF GUIDELINES FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM; AMENDMENTS TO THE 2009 ACTION PLAN AND THE SHRA BUDGET**

#### **BACKGROUND**

- A. On October 23, 2007, the Sacramento City Council approved the 2008-2012 Consolidated Plan. The Consolidated Plan identifies the City's housing and community development needs and describes the long-term strategy for meeting those needs. In addition, it specifically addresses federally funded housing and community development programs to include the Community Development Block Grant (CDBG).
- B. The Department of Housing and Urban Development (HUD) requires the annual submittal of a One-Year Action Plan describing proposed activities and expenditures for the following year using the goals and priorities of the Consolidated Plan.
- C. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as the designee for the City of Sacramento to administer community development grants originating from HUD.
- D. On July 30, 2008, Congress passed and the President signed into law House Resolution 3221, the Housing and Economic Recovery Act of 2008 (HERA), which authorized a one-time \$3.9 billion allocation to be distributed to the states and local governments to mitigate community impacts resulting from foreclosure.
- E. HUD released the formula and regulations for the new allocation of CDBG under the Neighborhood Stabilization Program (NSP) as prescribed by HERA on September 29, 2008, and a substantial amendment to the Consolidated Plan for NSP funding was to be submitted to HUD no later than December 1, 2008 and approved no later than February 13, 2009.
- F. On October 21, 2008, a noticed public hearing soliciting comments and approving the 2009 One-Year Action Plan containing the Substantial Amendment for NSP and its submission was held by the Sacramento City Council.
- G. A noticed public hearing soliciting comments on the guidelines for activities to be undertaken as part of the NSP and necessary amendment to implement was held by the Sacramento Housing and Redevelopment Commission on February 18, 2009 and the Sacramento City Council on February 24, 2009.

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

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, are approved.
- Section 2. The Amendment to the 2009 Action Plan, which allocates \$5.5 million (\$5,500,000) in anticipated NSP funding to the Vacant Property Program is approved.
- Section 3. The Sacramento Housing and Redevelopment Agency (SHRA) is authorized to establish an over-the-counter submission process to accept qualifications and select participants for the Vacant Property Program.
- Section 4. SHRA is authorized to establish qualification and selection criteria pursuant to the guidelines included in Exhibit A the Vacant Property Program.
- Section 5. SHRA is authorized to establish a Rehabilitation Loan for participants based upon an accepted scope of work and corresponding budget pursuant to the Vacant Property Program.
- Section 6. SHRA is authorized under the Vacant Property Program to create a pilot program to fund a rehabilitation loan/line-of-credit to support properties that cannot be prevented from going into foreclosure in order to rapidly reoccupy them as part of a larger private equity foreclosure prevention activity.
- Section 7. SHRA is authorized to select and implement the participant(s) in the pilot program as set out in the guidelines in Exhibit A for the Vacant Property Program.
- Section 8. SHRA is authorized to establish a Developer Fee of \$30,000 payable to participating builders in the Vacant Property Program upon the close of escrow with a qualified homebuyer pursuant to the guidelines included in Exhibit A for the Vacant Property Program.
- Section 9. The Amendment to the 2009 Action Plan, which allocates \$4 million (\$4,000,000) in anticipated NSP funding to the Morrison Creek Estates project is approved.
- Section 10. SHRA is authorized to utilize the Housing Authority to undertake planning, acquisition, and rehabilitation activities to leverage preexisting infrastructure to initiate the Block Acquisition and Rehabilitation strategy in the Morrison Creek Estates community.
- Section 11. The Amendment to the 2009 Action Plan, which allocates \$2,464,829 in anticipated NSP funding to the Project Recycling Program is approved.
- Section 12. SHRA is authorized, under the Property Recycling Program, to purchase and/or land bank vacant or foreclosed properties in the targeted areas that are

\$500,000 or less, meet the NSP discount requirements and either support larger site assembly efforts; can be absorbed into the Housing Authority or private partner's property management portfolio; or will alleviate the negative impacts of foreclosure in a neighborhood due to the deteriorated condition of the property.

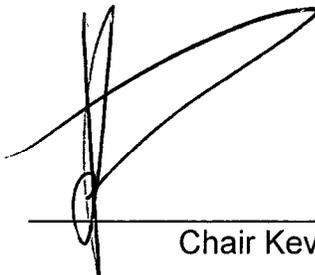
- Section 13. The Amendment to the 2009 Action Plan which allocates \$1,300,000 in anticipated NSP funding to program administration to carry out activities for the life of the program is approved.
- Section 14. SHRA is authorized to apply for and/or accept additional NSP funding.
- Section 15. SHRA and its constituent entities are authorized to purchase, accept and/or transfer ownership of properties to further the goals of NSP pursuant to the guidelines as set out in the various activities referenced above.
- Section 16. SHRA is authorized to execute agreements and such additional documents, as approved by SHRA Counsel, and to take such additional actions as necessary to implement the authorized contracts and this resolution.
- Section 17. The City Manager is authorized to execute agreements and such additional documents and to take such additional actions as necessary to implement the authorized contracts and this resolution.

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- Exhibit A: Vacant Property Program  
Exhibit B: Property Recycling Program

Adopted by the Redevelopment Agency of the City of Sacramento on February 24, 2009 by the following vote:

- Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Mayor Johnson.
- Noes: None.
- Abstain: None.
- Absent: None.



Chair Kevin Johnson

Attest:

  
Shirley Concolino, Secretary



630 I Street, Sacramento, CA 95814 (916) 444-9210

**Neighborhood Stabilization Program**  
**Sacramento Vacant Properties Program**  
 (PROGRAM GUIDELINES)

### Vacant Properties Program

The Vacant Properties Program will promote the acquisition and rehabilitation of foreclosed, single-family vacant homes in targeted areas of the City and County of Sacramento for sale to owner-occupants. Vacant properties are unoccupied homes that have proceeded through Trustee Sale or ownership has transferred to a bank, lending institution, or private equity lender qualifying the property as Real Estate Owned (REO). Participating developers receive a rehabilitation loan and developer fee for resale of qualified homes. The program may be modified or changed based on funding requirements and regulations.

**Participation.** Submit “over-the-counter” application for designation as “Preferred Builder” to Sacramento Housing and Redevelopment Agency (SHRA), 630 I Street, 2<sup>nd</sup> Floor, Sacramento, CA 95814. Once designated a Preferred Builder, participants are eligible to apply for funding under the program.

**Developer Fee.** The developer fee is to be \$30,000 for each home successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

**Eligible Properties.** Need at minimum \$15,000 worth of rehabilitation (but not more than \$60,000 without prior SHRA approval). Approval is contingent upon SHRA inspection and construction/rehabilitation standards.

**Eligible Areas.** Eligible areas have been targeted according to the Neighborhood Stabilization Program and specific address ranges correspond to specific census blocks.

**Construction Requirements.** Applicants shall follow Housing Quality Standards (HQS) and shall complete the SHRA Existing Home Checklist. Green building standards are also required and included in the Checklist. Lead based paint clearance and prevailing wage requirements apply.

**Loan Provisions.** There shall be no interest accrued on the loan. The loan may be partially forgivable if the total acquisition, rehabilitation, and disposition costs exceed the sale price. Initial home sales must start at the after rehabilitation appraisal. All properties must be aggressively marketed; upon the request of the Preferred Builder, SHRA may consider a price reduction to the home after 30 days of the unit being on the market.

**Sales Price.** Maximum sales prices will not exceed the total of acquisition, rehabilitation, and disposition costs. Acquisition of the property out of foreclosure must be at no more than the current market appraised value at the time of purchase. The current market appraised value is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103. Disposition costs may include real estate commissions and closing costs but shall not exceed 10 percent of the sales price. The loan shall include a provision to forgive the difference in acquisition, rehabilitation, and disposition costs and actual sales price. All property scopes of work will be approved by SHRA and inspected to meet construction requirements prior to sale.

**Eligible Sales.** Homes must be sold to homeowner occupants making no more than 120% of area median income, adjusted for family size, and who have completed 8 hours of HUD approved homebuyer education counseling.

**Eligible Applicants.** Developers interested in the Vacant Properties Program must:

- have experience in rehabilitating or constructing and selling at least Five single-family homes;
- can demonstrate to the satisfaction of SHRA financial resources or funding commitments sufficient to meet acquisition and holding costs;
- be a licensed general contractor or work with a licensed general contractor, either as an employee or through agreement, be in good standing with the Contractor State Licensing Board and not listed on the federally debarred contractor list;

## Implementation of the Neighborhood Stabilization Program

- have SHRA required insurance coverage;
- have no code enforcement violations on property owned within the last three years;
- demonstrate that work meets or exceeds SHRA construction standards;
- provide at least two client/sub-contractor references; and
- SHRA has the right to remove participants based on noncompliance with provision of program.

**Eligible Home Purchasers.** Purchasers of the rehabilitated homes must:

- have a household income not to exceed 120% of the area median income adjusted for family size;
- have completed HUD approved homebuyer counseling courses; and
- Enter into a fixed rate 30 year loan. Adjustable rate loans are discouraged but maybe eligible subject to review by SHRA.

## Implementation of the Neighborhood Stabilization Program

630 I Street, Sacramento, CA 95814 (916) 444-9210



## Neighborhood Stabilization Program

# Sacramento Vacant Properties Program

(PILOT PRE-FORECLOSURE INITIATIVE)

### Pilot Program Initiative

Designed to help prevent foreclosure by supporting a private equity investor purchase distressed mortgages at a significant discount and attempt to refinance mortgages for existing borrowers at an affordable rate. A percentage of mortgages purchased likely cannot be refinanced at an affordable rate and some units will have been vacated and abandoned. These mortgages thus will proceed through the foreclosure process. NSP funds will be made available to assist in the rehabilitation of those properties that must be foreclosed to expedite the process of returning them to occupancy. NSP funds will provide a backstop to mitigate risk to attract private equity into the market to purchase distressed mortgages.

**Participation.** Under the Pilot Program SHRA will release a Request For Proposals (RFP) and will select participants and implement the program. Interested parties must have a private equity partner at time of proposal submission and must either have a constituent entity that qualifies under the “Preferred Builder” criteria of the Vacant Property Program or must agree to work with “Preferred Builders” in order for rehabilitation funds to be made available.

**Eligible Properties.** Only foreclosed properties in the target areas are eligible.

**Determination.** Determination of vacancy must follow Notice of Default requirements under California State Law, California Civil Code Section 2923.5 wherein the participant after attempting to contact the borrower must either directly or through an agent or servicing company physically inspect the property. Upon confirmation that the unit has been vacated the property must be secured according to City or County of Sacramento Vacant Property Ordinance specifications.

**Holding Period.** The Private Equity Partner may choose to sell foreclosed properties immediately or rehabilitate then sell. SHRA must approve the overall disposition strategy and the corresponding property management plan.

**Acquisition.** All properties to be rehabilitated in the Pilot Program must be acquired from the Private Equity Partner portfolio by a “Preferred Builder” as determined by the guidelines governing the Vacant Property Program for no more than the current market appraised value. The current market appraised value is established through an appraisal consistent with the URA at 49 CFR 24.103.

**Rehabilitation Fund.** A Master Owner Participation Agreement (OPA) will guarantee an amount to be available to the private equity portfolio for “Preferred Builders” to access; the actual amount drawn will be based upon per unit costs determined by an approved scope of work.

NSP funds will be made available by the execution of a (loan agreement or line-of-credit agreement). The Private Equity Partner has six months from the initial purchase of the mortgages to identify the properties that will proceed with the foreclosure process, at which time any mortgages that are to fall into default will not be covered by the agreement.

**Loan Provisions.** The loan provisions for this program shall be identical to those established under the Vacant Property Program.

**Rehabilitation.** The rehabilitation standards and inspection process for this program shall be identical to the standards established under the Vacant Property Program. Properties are subject to SHRA inspection and rehabilitation standards for approval of rehab loan.

**Sales Price.** Per the Vacant Property Program guidelines, the initial sales price is to be determined by an after rehabilitation appraisal of the home. Maximum sales prices will be limited to the total of acquisition, rehabilitation, and disposition costs. The loan shall include a provision to forgive the difference in acquisition, rehabilitation, and disposition costs and actual sales price. All property scopes of work will be approved by SHRA and inspected to meet construction requirements prior to sale.

## Implementation of the Neighborhood Stabilization Program

**Eligible Sales.** Sales of properties under the Vacant Property Program must be to homeowner occupants making no more than 120% of area median income, adjusted for family size, and who have completed 8 hours of HUD approved homebuyer education counseling.

**Developer Fee.** As per the guidelines governing the Vacant Property Program the developer fee is to be \$30,000 for each unit successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

**Homebuyers.** Purchasers of the rehabilitated homes must:

- have a household income not to exceed 120% of the area median income adjusted for family size;
- have completed HUD approved homebuyer counseling courses; and
- Enter into a fixed rate 30 year loan. Adjustable rate loans are discouraged but maybe eligible subject to review by SHRA.



## Neighborhood Stabilization Program

# Sacramento Property Recycling Program

### PROGRAM GUIDELINES

#### Property Recycling Entity Program

The Sacramento Property Recycling Program (PRP) is designed to facilitate community and neighborhood revitalization through investment in deteriorated vacant and/or foreclosed properties with the ability to strategically acquire individual properties and facilitate bulk acquisitions. The PRP is a multifaceted approach to neighborhood stabilization wherein properties can be land banked, transferred, financed, and/or facilitate a change in use in addition to standard rehabilitation and new construction activities.

**Participation.** The PRP will be administered by the Housing and Community Development Department, 630 I Street, Second Floor, Sacramento, CA 95814. The PRE will utilize a Strategic Acquisition Fund structure that will deploy a property acquisition strategy within the target areas focusing on foreclosed properties that meet the NSP requirements and support: 1) larger site assembly projects; 2) activities that will provide significant leveraging opportunities; or 3) will alleviate the negative impacts of foreclosure in neighborhoods where a property has deteriorated to the point that it has created a health and safety issue and rehabilitation is not reasonable, thus likely necessitating demolition and land banking. Ability to participate will relate to standards identified in Request for Qualification (RFQ), Request for Proposals (RFP), and Notice of Funding Availability (NOFA) released by the Agency related to corresponding disposition activities.

**Eligible Properties.** Targeting vacant and foreclosed properties within the target areas that directly support City, County, and affiliated agency projects and/or can be acquired in bulk as a method to maximize leverage. All acquisitions utilizing NSP funds must meet the required discount. NSP acquisitions must realize an overall 15 percent portfolio discount from current market appraised value. The current market appraised value is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60-days prior to an offer made for the property. The proportion of NSP contribution for any combination of acquisition and/or rehabilitation compared to total project cost will determine the number of units required to be made available to households at or below 120 percent Area Median Income (AMI).

**Rehabilitation.** A single family rehabilitation project must meet the rehabilitation requirements established under the Vacant Properties Program. A multi-family rehabilitation project must meet the rehabilitation requirements established under the multi-family housing guidelines.

A multi-family rehabilitation project must provide for a minimum rehabilitation of \$15,000 per unit or 15% of the value of the improvements, whichever is greater. The project must also meet the Agency's minimum property rehabilitation standards in which major systems have an expected life of at least 15 years upon completion of the rehabilitation. "Major systems" generally include heating and air conditioning, plumbing, electrical, mechanical, siding, windows, and roofing systems. A complete list of standards is included in our Multifamily Lending and Mortgage Revenue Bond Policies.

**Property Management.** For all multiple property (bulk) acquisition activities a comprehensive management plan must be established. The plan must address rental procedures (if applicable), maintenance schedule and standards, eviction procedures (if applicable), and overall day to day operations including safety and security.

**Rent Restrictions.** Affordability definitions are based on the area median income (AMI) for the Sacramento Metropolitan Statistical Area (MSA) as established by the US Department of Housing and Urban Development (HUD). The median income is subject to change annually. Maximum rent to be charged for an assisted unit may not exceed 30 percent of the targeted income adjusted for household size appropriate for the unit, less an allowance for utilities. Proportional share of NSP funding to total project cost will define number of units that must be made available to households at or below 120% AMI.

## Implementation of the Neighborhood Stabilization Program

**Demolition.** Activities requiring demolition will be in conjunction with one of the following three strategies: land banking, change of use, or new construction. Demolition and new construction activities will require additional environmental determinations under NEPA and CEQA. Program Income resulting from demolition activities will revert to the CDBG Program and will be treated as additional CDBG funds in accordance to Section 2301 of the NSP Notice published in the Federal Register on October 6, 2008.

**Land Banking.** Land banking activities will be in support of efforts where Agency intervention was necessary to prevent further deterioration of a neighborhood or in coordination with larger projects. No property placed in the land bank will exceed the ten year regulatory limitations outlined under NSP. Program Income resulting from land banking activities will revert to the CDBG Program and will be treated as additional CDBG funds in accordance to Section 2301 of the NSP Notice published in the Federal Register on October 6, 2008.