



**Sacramento
Housing &
Redevelopment
Agency**

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

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Staff Report
June 16, 2009

Honorable Mayor and Members of the City Council

Title: Neighborhood Stabilization Program Status Report; Approval of modifications to the existing guidelines for activities to be undertaken as part of the Neighborhood Stabilization Program

Location/Council District: Target Areas throughout the City

Recommendation: Adopt 1) a **City Council Resolution:** a) authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to modify the Neighborhood Stabilization Program's (NSP) Property Recycling Program Guidelines; b) authorizing the City Manager and SHRA to execute agreements and contracts with the appropriate entities to carry out the proposed modifications to the NSP; c) authorizing SHRA to establish and implement the proposed modifications to the Property Recycling Program Guidelines to undertake NSP activities; d) authorizing SHRA to purchase foreclosed properties from lenders and to take actions necessary to hold and maintain the properties in preparation for resale and/or rehabilitation in accordance with the NSP and proposed modifications to the Property Recycling Program; e) authorizing SHRA to release a Request for Qualifications for the rehabilitation and resale of foreclosed properties purchased through the Property Recycling Program; and f) authorizing SHRA to convene a selection committee to review the qualifications and proposals and provide a recommendation on the selection of qualified builders to participate in the rehabilitation and resale of foreclosed properties.

Contact: Lisa Bates, Deputy Executive Director, 440-1319; Chris Pahule, Assistant Director, 440-1350

Presenters: Chris Pahule, Assistant Director, SHRA

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: On February 24, 2009, the City Council (Council) approved resolutions to implement the federally funded Neighborhood Stabilization Program (NSP) which addresses foreclosures in impacted neighborhoods through three specific activities: the Vacant Properties Program, the Block Acquisition/ Rehabilitation Program, and the Property Recycling Program (PRP). Attachment 2 includes a summary of the programs. The purpose of this report is threefold: 1) to provide status of existing activities, 2) to describe newly acquired partnerships, and 3) to

Neighborhood Stabilization Program Status Report, Program Modifications

recommend an acquisition and disposition strategy for properties purchased under the PRP.

Status of Activities

In February of 2009, the Council approved the NSP which was submitted to HUD. SHRA launched two programs after receiving approval and funding in March of 2009. Given the need to obligate funding by September 2010, staff is closely monitoring the progress and success of all programs. The target areas are illustrated in Attachment 1 and a summary table of the three programs and status is as follows:

	Vacant Properties	Block Acquisition/ Rehabilitation	Property Recycling
Description	<ul style="list-style-type: none"> • Rehab/sale SF homes • Driven by developers • Moderate income 	<ul style="list-style-type: none"> • Tightly targeted • Blighted 2/4 plexes • Rehab and rent at 50% AMI 	<ul style="list-style-type: none"> • “Backstop” activities • Flexible to meet RDA & other objectives
Expectations	71 units	40 units– Morrison Creek Estates	24 units
Status	16 developers qualified 2 homes underway	0 units – Morrison Creek	1 unit purchased on Young Street

Currently, the VPP and PRP are making progress and are on-track to meet defined expectations. To date, SHRA has made offers on available properties in the Morrison Creek Estates neighborhood, but has not acquired any properties. SHRA will pay close attention to the progress and recommend needed adjustments to ensure success.

Additionally, the Council’s February report included a pilot Pre-Foreclosure Initiative. SHRA released a Request for Qualifications to solicit interest in the initiative. One response was received and staff is working with the respondent to structure a program for Council consideration by late summer 2009.

Expanding Our Partner Network

To maximize our effectiveness with best possible outcomes and to position ourselves to receive additional NSP funding through the State and Federal competitive processes, we have partnered with two national housing entities: National Community Stabilization Trust (NCST) and Enterprise Community Partners. The NCST is a national nonprofit organization created to connect banks and loan servicers holding foreclosed properties with local governments and organizations working to stem the decline of communities with high concentrations of vacant and abandoned foreclosed properties. Partnership with NCST will provide SHRA with a priority “first look” at foreclosed and abandoned properties within the NSP target areas. It will also allow for the targeted and expedited purchase of foreclosed and abandoned properties from various financial institutions working with NCST by SHRA. With this partnership, SHRA will be able to deliver properties to our development community to bring them quickly to the market.

Neighborhood Stabilization Program Status Report, Program Modifications

Enterprise Community Partners is a national nonprofit with 25 years of experience in the community development and affordable housing field. They are the leading provider of capital and expertise for affordable housing and community development activities. Enterprise has committed to provide technical assistance to SHRA for our NSP competitive funding applications. The partnership will include an analysis of our NSP programs, best practice review of other programs across nation, access to a network of other programs providers, recommendations or modifications to the City's NSP, and possibly leverage of additional resources to Sacramento.

Disposition Strategy

Based on Council direction, SHRA staff has developed the disposition component of the existing Property Recycling Program (PRP). The PRP is designed to stabilize neighborhoods through the strategic public acquisition of foreclosed properties within a larger community development approach. The modifications further the Council goals by more strategically targeting impacted neighborhoods, moving funds and property quickly, creating opportunities for small and mission based organizations to participate, and helping meet the NSP requirements including the 25 percent very low income obligation.

The revised program guidelines will allow SHRA to purchase vacant and foreclosed residential properties within the NSP target areas for the immediate and subsequent re-sale to a pre-approved development partner(s) to rehabilitate and sell single family homes to owner-occupants. The partners may also hold the properties as rentals for two or more units. SHRA will select development partners through a competitive Request for Qualifications (RFQ) process. A selection committee comprised of representatives from the City, County, Sacramento Housing and Redevelopment Commission, development community, housing related non-profit organizations, various Redevelopment Advisory Committees (RACs), and others will review the qualifications of responding community partners and will provide a recommendation on the selection of one or more Mission-Driven Partner(s) and/or one or more Volume Builder(s) to participate in the program. The selection committee's recommendation will be forwarded to the Council for final selection at a noticed public hearing.

Policy Considerations: The recommended actions in this staff report are consistent with the 2008-2013 Housing Element of the General Plan, adopted November 18, 2008, which indicates that "The City shall support efforts to alleviate the individual and community problems associated with mortgage default and foreclosure." To implement this policy, the Housing Element includes program 19, committing the City to enacting a comprehensive plan for addressing the foreclosure crisis, including "neighborhood reinvestment strategies." The recommended actions are also consistent with the City of Sacramento's 2008-2012 Consolidated Plan adopted October 23, 2007; as well as the Substantially Amended 2009 Action Plan adopted October 21, 2008; and further amended February 24, 2009.

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Environmental Considerations:

California Environmental Quality Act (CEQA)/National Environmental Policy Act (NEPA): The proposed program modifications are exempt from CEQA pursuant to CEQA Guidelines Section 15301(d), which exempts the rehabilitation of deteriorated structures to meet current standards of health and safety CEQA Guidelines Section 15310, which exempts loans for the acquisition of existing structures. The proposed program modifications are categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(3)(i), which excludes rehabilitation of buildings and improvements; 24 CFR 58.35(a)(4)(ii), which excludes individual actions on up to five or more houses developed on scattered sites, and 24 CFR 58.35(a)(5), which excludes acquisition of existing structures. NEPA review will be performed for each subsequent action prior to funding commitment.

Sustainability Considerations: The NSP has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will assist in energy independence by improving energy efficiency and replacing or renovating obsolete energy or resource inefficient infrastructure (buildings, facilities, systems, etc.).

Committee/Commission Action: SHRA has provided NSP updates and information on the proposed PRP modifications to various non-profit and community organizations, chambers of commerce, property and business improvement districts, and neighborhood groups including the Oak Park, Del Paso Heights, Stockton Boulevard, Army Depot, and North Sacramento Redevelopment Advisory Committees, and the Oak Park Neighborhood Associations.

On June 3, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Fowler, Gore, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Dean

Rationale for Recommendation: As described in this report, SHRA is closely monitoring the progress of all NSP programs in an effort to ensure an effective and timely approach for investing the resources. As such, this report recommends modifications to the PRP program guidelines that SHRA staff believes will make the program more robust. These modifications are based on Council direction to narrow the strategic neighborhood focus, move funds and properties quickly, and create opportunities for small and mission based organizations to participate.

June 16, 2009

Neighborhood Stabilization Program Status Report, Program Modifications

In summary, these modifications clarify properties eligible for acquisition, identify the process for selecting community partners, and define the disposition process for properties acquired through the PRP.

Financial Considerations: There are no budget changes requested within this report. Proposed modifications to the Property Recycling Program will operate within the program's existing budget authority.

M/WBE Considerations: Minority and Woman's Business Enterprise requirements will be applied to all activities to the extent required by federal funding. To the extent possible, SHRA shall encourage all participants to hire locally and to partner with emerging small businesses.

Respectfully Submitted by:



LA SHELLE DOZIER
Executive Director

Recommendation Approved:



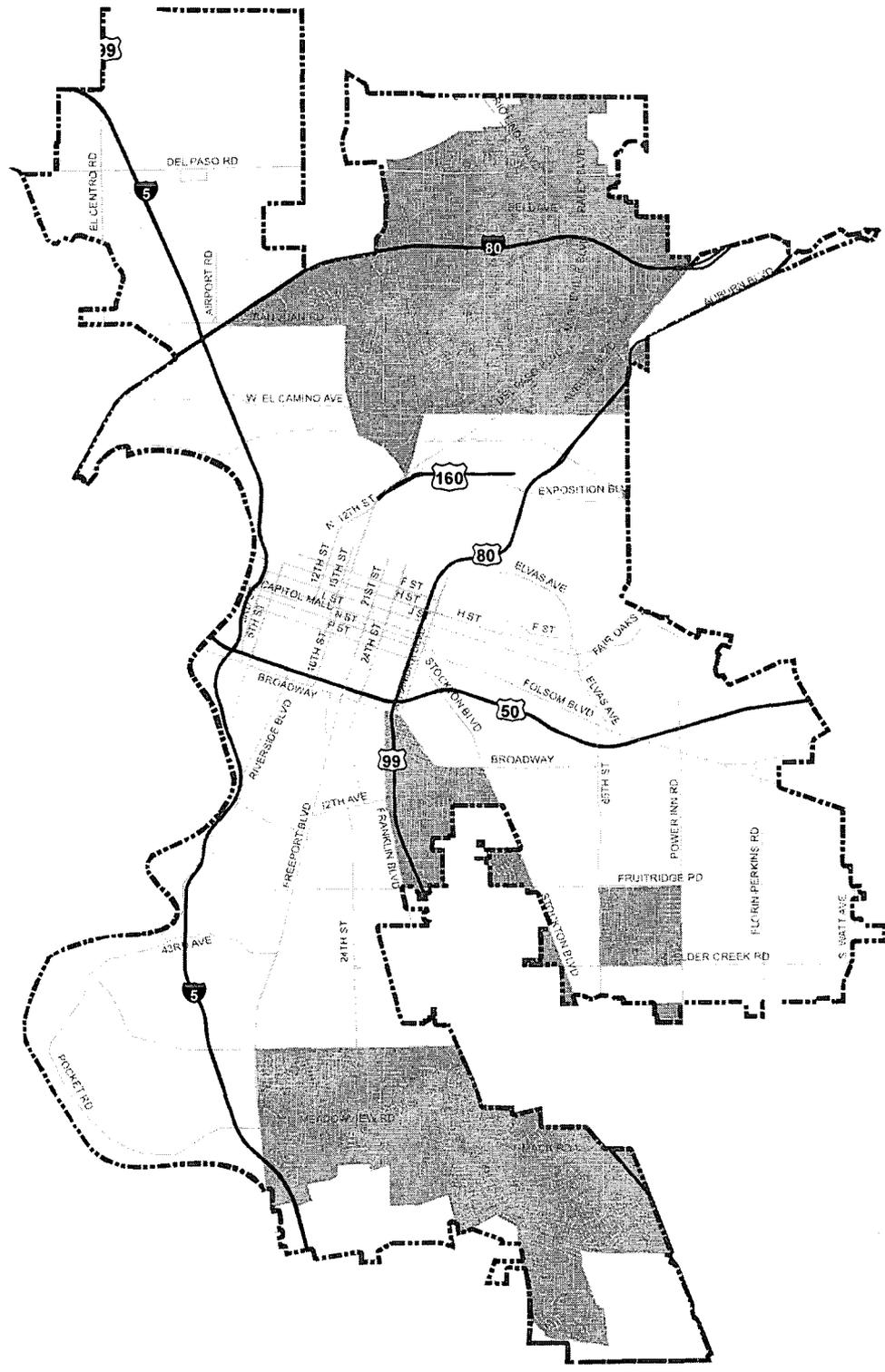
RAY KERRIDGE
City Manager

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Neighborhood Stabilization Program Target Areas



NSP Target Areas

 NSP Target Area
  City of Sacramento



SHRA GIS
January 29, 2009

Background Neighborhood Stabilization Program

In July 2008, Congress passed the \$3.9 billion Housing and Economic Recovery Act of 2008 (HERA) and required the Housing and Urban Development (HUD) Department to release the formula allocation and program guidelines pertaining to the one-time CDBG allocation intended to address foreclosures. The regulations and allocations were released September 29, 2008, and recipients had until December 1, 2008, to submit a substantial amendment to their One-Year Action Plan in order to receive their allocation.

On October 21, 2008, the Sacramento Housing and Redevelopment Agency ("Agency") presented the substantial amendment (Neighborhood Stabilization Program, or NSP) to the One-Year Action Plan and outlined the local response to address foreclosures in the most impacted neighborhoods within the City as determined by the census tracts in the top quartile of each of the following indicators: 1) rate of foreclosure; 2) number of high cost loans; and 3) a propensity for foreclosures to continue. On February 24, 2009, the Agency presented the implementation package approving the guidelines and investments for the NSP framework, amending the 2009 One-Year Action Plan and Agency budget accordingly, and authorizing their submission to HUD. As a condition of use, all NSP funds must be committed within 18 months of the One-Year Action Plan being approved and the line-of-credit being established. HUD entered into an agreement with the City of Sacramento for the NSP on March 16, 2009; as such all funds must be committed by August 2010.

The following summarizes the guidelines and program implementation status for the Vacant Property Program, Block Acquisition and Rehabilitation Project and the Property Recycling Program. Additionally, this report recommends minor modifications to the program guidelines for the Property Recycling Program and includes partnership with the National Community Stabilization Trust (NSCT).

Vacant Property Program

The Vacant Property Program (VPP) is designed to return vacant and blighted homes to owner occupancy by partnering with local developers and non-profits within the approved NSP target areas. The program provides a developer incentive fee upon rehabilitation and sale of foreclosed single family homes to owner-occupants. As the VPP will be geographically targeted in lower-income neighborhoods, it is anticipated that prices will be affordable to families at 80 percent of median income. However, HERA regulations allow maximum sales prices up to 120 percent of median income.

Neighborhood Stabilization Program Status Report, Program Modifications

In early March, the Agency held three informational workshops in the City to encourage participation in the program and to address specific questions from potential participating developers; each workshop averaged approximately 100 attendees. To date, the Agency has received 24 program applications from developers interested in participating in the program. Of those received, fifteen developers have been approved to participate in the program and six applications are currently under review for qualifications and eligibility. The Agency has approved one Owner Participation Agreements (OPA) for the rehabilitation of a single family home within the NSP target area and anticipates entering into four additional OPAs for rehabilitation by the end of May.

The program leverages external funding sources by requiring participating builders to purchase properties using their own resources, then allows the builder to access NSP rehabilitation funding, and provides a \$30,000 developer fee upon sale to an eligible homebuyer. Currently, \$4 million (\$4,000,000) in NSP funds is allocated to the VPP. Staff anticipates that at least 80 homes can be assisted through the VPP with the current allocation.

Pilot Pre-Foreclosure Initiative

The Agency has set aside \$1.5 million (\$1,500,000) in NSP funds within the VPP to establish a pilot initiative in both the City and County to partner with a private equity investment firm to purchase and modify distressed mortgages in the Target Areas. The pilot initiative funds will be used exclusively for properties within the portfolio that have been foreclosed. Funds will be highly leveraged and add a creative foreclosure prevention component to NSP activities. Some distressed mortgages purchased by the private equity investor will not be successfully refinanced. Therefore, VPP funds will be available for those properties that must be foreclosed to expedite their rehabilitation and occupancy. With this initiative, the Vacant Property Program will tackle current foreclosed properties as well as reduce the number of properties potentially facing foreclosure.

On March 9, 2009, the Agency released a Request for Qualifications (RFQ) to solicit investor interest in the pilot initiative. On April 10th, the Agency received one response, which is currently under review by a selection committee. The Agency anticipates a recommendation to Council in late summer on whether to proceed with the proposed initiative based on the current proposal.

Block Acquisition and Rehabilitation Program

Based on current and anticipated foreclosure activity, the Agency identified Morrison Creek Estates to invest \$4 million in NSP funds to consolidate ownership and create unified property management through block acquisition and rehabilitation as outlined in

Neighborhood Stabilization Program Status Report, Program Modifications

the NSP. This strategy will be used to address the very low income housing requirements under NSP, which require 25 percent of NSP funds be used to assist households at or below 50 percent area median income (AMI). The Housing Authority will undertake all planning, acquisition and rehabilitation activities in the 236 unit fourplex community. An opportunity exists to acquire and/or rehabilitate up to 34 foreclosed units to leverage the Housing Authority's investment and management of 57 existing units.

The Agency has moved aggressively to acquire foreclosed properties in the Morrison Creek Estates neighborhood. Despite best efforts to stay ahead of investor activity and anticipate acquisition opportunities, the Agency has faced considerable challenges competing with the private market given strict NSP requirements to acquire properties at a market discount. To date, the Agency has made one offer on a foreclosed unit within Morrison Creek Estates, but was unsuccessful in negotiations. The Agency will continue to pursue foreclosed properties within the fourplex community. Partnership with NCST, as described below, will provide the best opportunity to acquire properties in this area, while meeting the NSP guidelines as established by HUD.

Property Recycling Program

The Property Recycling Program consists of a highly targeted acquisition strategy focusing on properties in the NSP target areas that meet the following criteria:

- 1) Acquisition price not to exceed \$500,000;
- 2) Price meets the required NSP discount of 5% below assessed value; and,
- 3) Meets targeting requirements by --
 - Supporting larger site assembly efforts for the City or Redevelopment Agency;
 - Property can be absorbed into the Housing Authority's property management portfolio; or
 - Property is significantly deteriorated such that the property is unmarketable or rehabilitation is not reasonable. Properties meeting this targeting requirement would likely be blighted and pose a health and safety issue to the neighborhood, thus likely necessitating demolition and land banking for a period of time to alleviate the negative impacts of foreclosure in the neighborhood.

Properties in this program may require an intermediate hold strategy in accordance with a long-term plan that can be fully implemented once the market can support the additional investment. As such, demolition and land banking activities are viable intermediate actions that can bring an immediate impact with the potential for an even larger benefit in the future. Furthermore, the eventual disposition of properties acquired under the Property Recycling Program will be aligned with a community process and may allow for additional opportunities to partner with for-profit and nonprofit entities. These activities will allow for additional public participation and present significant leveraging opportunities beyond the next year or two.

Neighborhood Stabilization Program Status Report, Program Modifications

As with the Block Acquisition and Rehabilitation Program, the Agency has hit similar road blocks in the process of acquiring targeted foreclosed properties. Private investors have a significant competitive advantage in acquiring devalued and deeply discounted properties within the City's most challenged neighborhoods. Properties available for less than \$20,000 are selling within hours of listing in areas such as Del Paso Heights and Oak Park. Despite these challenges, the Agency was successful in acquiring one residential duplex at 5270 Young Street. The Agency will demolish the existing structure at this location and maintain the property until such time the market can reasonably support redevelopment of the site. The property compliments efforts underway to stabilize and revitalize the area surrounding the former San Juan motel.

National Community Stabilization Trust (NCST)

To address the challenges associated with the acquisition of foreclosed properties in a timely manner consistent with the discount requirements of the NSP, the Agency is partnering with NCST, which is designed to facilitate the transfer of foreclosed and abandoned properties from financial institutions nationwide to local governments to promote productive property reuse and neighborhood stability. NCST is sponsored by five of the leading community development nonprofits including NeighborWorks America, Enterprise Foundation, Local Initiatives Support Corporation (LISC), the Housing Partnership Network, and the National Urban League.

NCST offers two main types of acquisition programs that are designed to help buyers acquire significant numbers of foreclosed and vacant properties from sellers:

1. **"First Look" Program.** The First Look program gives buyers the opportunity to inspect and acquire foreclosed and vacant properties before they are listed for sale through traditional means. The First Look program results in an adjusted purchase price that reflects savings passed on to the buyers from avoided expenses associated with prolonged holding periods.
2. **Targeted Bulk Purchase Program.** Targeted Bulk Purchase program gives buyers the opportunity to purchase portfolios of distressed property in bulk, usually up to dozens of properties in a single transaction. These portfolios are comprised of aged inventory from the sellers and are offered at pricing similar to the First Look program.

Working through NCST will provide the Agency a competitive advantage in acquiring foreclosed properties by saving time and effort, simplifying the process and offering exclusive access and pricing. By acting as a single point of contact with the leading financial institutions holding and managing these properties, NCST saves buyers considerable time and effort negotiating with hard to reach financial institutions. NSCT provides a standardized process for identifying, inspecting and evaluating property offers from sellers, and allows buyers the opportunity to acquire a property before it goes to market, resulting in better property conditions and lower acquisition and development costs.

Neighborhood Stabilization Program Status Report, Program Modifications

Modifications to the Property Recycling Program

Partnership with NCST will better position the Agency for acquisition of foreclosed properties within the Morrison Creek Estates community, and the acquisition of properties supporting larger redevelopment activities within the City. To take full advantage of the unique opportunity presented through NCST's First Look program, the Agency recommends modifications to the existing Property Recycling Program to allow for the acquisition of foreclosed residential properties in areas of the City challenged by a significant number of vacant and abandoned properties as well as ongoing social and physical blighting issues.

In addition to its current authorities, the proposed modifications to the Property Recycling Program, as defined in detail in the Program Guidelines (Exhibit A), will allow for the purchase of vacant and foreclosed residential properties and other demolished or vacant properties within the NSP target areas by the Agency for the immediate and subsequent disposition/re-sale of the property to a pre-approved "Community Partner" to rehabilitate and sell to a homeowner-occupant. Community Partners, as defined in the Program Guidelines, will include: 1) Mission-Driven Organizations; 2) Volume Builders; 3) Vacant Property Program Participants; and 4) Multi-Family Housing Developers.

The Agency will issue a Request for Qualifications (RFQ) for qualified Mission-Driven and Volume Builder Community Partners. The RFQ will require information on past performance, construction and rehabilitation projects, community purposes, financial capacity, projected volume capacity and type(s) of properties desired. (Draft copies of the RFQs are included as Attachments 4 and 5.) A selection committee comprised of representatives from the City, County, Sacramento Housing and Redevelopment Commission, development community, housing related non-profit organizations, Oak Park and Del Paso Heights Redevelopment Advisory Committees (RACs), and others will review the qualifications of responding community partners and will provide a recommendation on the selection of one or more Mission-Driven Partner(s) and one Volume Builder to participate in the program. The selection committee's recommendation will be forwarded to the City Council for final selection at a noticed public hearing.

The Vacant Property Program participants will be deemed "approved" for participation in the program through the existing Vacant Property Program application and eligibility process. The Multi-Family Housing Developers include non-profit, for-profit or governmental developers of rental properties, with experience in constructing, rehabilitating, operating and/or maintaining affordable rental housing. As multi-family properties become available under the PRP, the Agency will release property specific Request for Proposals (RFP) to select the best developer and project for the particular site.

Neighborhood Stabilization Program Status Report, Program Modifications

Properties acquired for immediate disposition and rehabilitation will primarily be made available through the NCST, and, as such, will require expedient inspection, appraisal and purchase negotiations. Pre-approved Community Partners will be required to comply with all requirements of the NSP Vacant Properties Program, including rehabilitation standards, payment of Davis Bacon Prevailing Wages, and lead based paint requirements. Financial assistance may be provided to the Community Partners consistent with the NSP Vacant Properties Program based on Agency evaluation of financial need and operating proformas. All residential units resulting from the acquisition, rehabilitation or construction through Property Recycling Program activities must house families at or below 120% of area median income (AMI).

With the potential to purchase a large number of foreclosed properties, the Agency will continue to focus its efforts within the approved NSP target areas. However, special attention will be paid to areas experiencing ongoing challenges including high rates of criminal activity and code enforcement violations; challenges worsened by the number of vacant and/or abandoned properties in these neighborhoods and communities.

**SACRAMENTO HOUSING
AND
REDEVELOPMENT AGENCY**

**Neighborhood Stabilization
Property Recycling Program**

Mission-Driven Development Partner

REQUEST FOR QUALIFICATIONS

Project Number: 20090XX-EB

DRAFT



**Sacramento
Housing &
Redevelopment
Agency**

**Issue Date: TBD
Due Date: TBD**

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
630 I STREET
SACRAMENTO, CALIFORNIA 95814

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ATTACHMENT I: Neighborhood Stabilization Program Target Areas Map

ATTACHMENT II: Property Recycling Program Guidelines

ATTACHMENT III: SHRA Existing Home Checklist

ATTACHMENT IV: Prevailing Wage Requirements

ATTACHMENT V: Minority and Women's Business Enterprises (M/WBE) Requirements

ATTACHMENT VI: Section 3 / New Hire Requirements

ATTACHMENT VII: Agency Insurance Requirements

June 16, 2009

Neighborhood Stabilization Program Status Report, Program Modifications
Neighborhood Stabilization Property Recycling Program
Request for Qualifications

I. Proposal Submittal and Contact Information

A written response to the Request for Qualifications (RFQ) is being solicited for the acquisition, rehabilitation and resale of foreclosed single family housing (1-4 units) by experienced Mission-Based, Non-Profit Developers as part of the Sacramento Housing and Redevelopment Agency's ("Agency's") Neighborhood Stabilization, Property Recycling Program (PRP). The PRP aims to revitalize neighborhoods, streets and properties within the City and County of Sacramento that have been the most severely impacted by the foreclosure crisis. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures through redevelopment activities, acquisition and rental of affordable housing, and acquisition and rehabilitation of single family homes for sale throughout Sacramento.

Developers selected through this RFQ process will have the opportunity to access single family housing units from the Agency for the rehabilitation and subsequent resale to qualified, moderate-income, owner-occupant homebuyers. Developers may also have access to financial assistance for the rehabilitation of properties based upon evaluation of the respondent's financial model and the estimated funding gap based on anticipated rehabilitation costs and revenue. Properties made available through the Property Recycling Program will be located throughout the Neighborhood Stabilization Target Areas in both the City and County of Sacramento (Attachment I).

A solicitation package is available upon request by e-mailing Sadaea Lax at ps@shra.org or calling (916) 566-1200; reference Project # 20090XX-EB.

Submit seven (7) double-sided copies of the Proposal to:

Sacramento Housing and Redevelopment Agency
Procurement Services
320 Commerce Circle
Sacramento, CA 95815
Attention: Sadaea Lax
(916) 566-1200
Project Number: **20090XX-EB**

Submittal Deadline: TBD @ 3:00 PM

For information on content contact:

Erika Bumgardner
Sr. Redevelopment Planner
Phone: 916.440.1399 x1410
EBumgardner@shra.org

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Neighborhood Stabilization Program Status Report, Program Modifications
Neighborhood Stabilization Property Recycling Program
Request for Qualifications

All submittals must be marked:

**Neighborhood Stabilization Property Recycling Program – Mission Driven
Development Partner 20090XX-EB**

Pre-proposal Conference

A Pre-Proposal Conference for all interested parties will be held on [TBD], at 600 I Street, 1st Floor Commission Room, Sacramento, CA to answer questions about the RFQ. Participation is optional but strongly encouraged.

II. Introduction

The Sacramento Housing and Redevelopment Agency is pleased to issue a Request for Qualifications (RFQ) for the acquisition, rehabilitation and resale of single family residential properties (1-4 units) as part of the Agency's Neighborhood Stabilization, Property Recycling Program. The purpose of this document is to solicit developer/builder qualifications from local mission-driven, non-profit developers. A qualified developer or builder must have an existing program and track record of rehabilitating or constructing at least five single family homes, with a larger, established community purpose or goal. Such missions may include job training, youth empowerment, affordable housing, community reinvestment, etc. Partnerships among existing non-profit organizations are encouraged if needed to amass the appropriate experience. Additionally, a qualified developer/builder must have the capability to commit specific resources to:

- Assemble a development team including an experienced, licensed general contractor, cost estimator, lender, and a real estate agent, broker or sales partner to aggressively market and sell property to qualified, moderate income, owner-occupant homebuyers;
- Prepare a detailed scope of work, cost estimate and timeline for the rehabilitation of individual properties;
- Meet the Agency's minimum construction standards as identified in Attachment III, lead based paint and prevailing wage requirements apply;
- Meet all Section 3, Prevailing Wage and Minority and Women's Business Enterprises (M/WBE) requirements (see Attachments IV, V and VI); and
- Provide financial resources or funding commitments sufficient to meet rehabilitation and holding costs.

A selection committee comprised of representatives from the City, County, Sacramento Housing and Redevelopment Commission, development community, housing related non-profit organizations, various Redevelopment

Neighborhood Stabilization Program Status Report, Program Modifications
Neighborhood Stabilization Property Recycling Program
Request for Qualifications

Advisory Committees (RACs), and others will review the qualifications of responding developers and will provide a recommendation on the selection of one or more preferred developers to participate in the program. The selection committee's recommendation will be forwarded to the City Council and Board of Supervisors for final selection at a noticed public hearing.

III. Neighborhood Stabilization Program Background

In 2008, Congress passed and the President signed into law House Resolution 3221, the Housing and Economic Recovery Act of 2008 (HERA). HERA provided \$3.9 billion in one-time Community Development Block Grant (CDBG) funding for the creation of a Neighborhood Stabilization Program (NSP) to be administered by the US Department of Housing and Urban Development (HUD).

In Sacramento County, the unincorporated County, the City of Sacramento, and the City of Elk Grove all received NSP grants from HUD. The County's grant, totaling approximately \$18 million, is the fourth largest allocation statewide behind Riverside, Los Angeles, and San Bernardino Counties. The City of Sacramento, which received approximately \$13 million, is the second largest grant for a city in the State behind Los Angeles. Allocation of funding was based on state and local need measured by the number and proportion of homes in foreclosure, subprime loans, and homes in default or delinquency. The Sacramento Housing and Redevelopment Agency administers various HUD community development programs on behalf of the City and County including the NSP.

NSP funding presents an opportunity to return stability to some of the City and County's hardest hit neighborhoods. On February 24, 2009, the City Council and Board of Supervisors approved the specific guidelines and investments for the NSP framework, identifying three distinct programs which strive to achieve the following goals:

- 1) Return vacant foreclosed or abandoned residential properties to occupancy as quickly as possible;
- 2) Revitalize neighborhoods through strategic redevelopment, rehabilitation and reuse of vacant properties;
- 3) Provide affordable homeownership and improved affordable rental opportunities to local families; and
- 4) Optimize economic activity and create/retain jobs or provide other long-term economic benefits.

The three programs under the NSP framework include the 1) Vacant Properties Program, 2) Block Acquisition/Rehabilitation Program, and 3) Property Recycling Program. More detailed information on the Vacant Properties Program and the Block Acquisition/Rehabilitation Program can be found online at: <http://www.shra.org/Content/Housing/Foreclosure/NSP.htm>

Neighborhood Stabilization Program Status Report, Program Modifications
Neighborhood Stabilization Property Recycling Program
Request for Qualifications

IV. Property Recycling Program

The Property Recycling Program (PRP), the focus of this RFQ, centers on stabilizing neighborhoods through strategic investments and partnerships. (See Attachment II for a detailed description of the PRP Guidelines). The PRP aims to transform the most impacted neighborhoods, streets and properties; those areas where the market alone cannot ensure change. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures through redevelopment activities, acquisition and rental of affordable housing, and acquisition and rehabilitation of single family homes throughout Sacramento.

As a subcomponent of the PRP, the Agency will be acquiring existing single family (1-4 units) properties that are foreclosed upon and vacant for disposition to Community Development Partners to rehabilitate and sell. There are three types of Community Partners that the Agency will work with to ensure broad access to and nimble recycling of these properties including: 1) Mission-Driven Organizations; 2) Volume Builders; and 3) Vacant Property Program Participants (a detailed description of community partners is included in the PRP Guidelines).

This RFQ seeks to solicit qualifications from Mission-Driven Organizations only.

A separate RFQ will solicit qualifications from Volume Builders. Vacant Property Program participants will be deemed eligible for participation in the program based upon the existing Vacant Property Program eligibility guidelines and application process available online at:
<http://www.shra.org/Content/Housing/Foreclosure/NSP/NSPDesc.htm#VPP>.

V. Program Requirements, Agency Participation and Assistance

Through the PRP, the Agency will be acquiring foreclosed, single-family residential properties (1-4 units) for immediate resale to a mission-driven, non-profit organization selected through this RFQ process. Selected development partners may have access to rehabilitation assistance based upon Agency evaluation of the respondent's financial model and estimated funding gap based on anticipated rehabilitation costs and revenue.

Based on Agency review of the partner's financial capacity, individual properties may be offered at a discount from the Agency purchase price or as a donation if needed to support a reduced sales price based on the partner's mission or to support the cost of training or other community components of the partner's mission. Sales prices reduction will be evaluated on a case-by-case basis.

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Neighborhood Stabilization Program Status Report, Program Modifications
Neighborhood Stabilization Property Recycling Program
Request for Qualifications

Property Access. Approved Mission-Driven Community Partners will be provided access to homes that meet their needs, capacity, and that match with the particular needs of the community.

Properties will be transferred through a Disposition and Development Agreement (DDA) which will include the terms of rehabilitation and re-sale of the property.

Eligible Areas. All properties purchased as part of the Property Recycling Program will be located within the approved NSP Target Areas (Attachment I).

Rehabilitation Requirements. At a minimum, all developers shall ensure Housing Quality Standards (HQS) are met and shall complete the SHRA Existing Home Checklist (Attachment III). Green building standards are also required and included in the Checklist. **Lead based paint clearance and prevailing wage requirements apply.** All property scopes of work and budgets will be approved by the Agency and inspected to meet construction requirements prior to sale.

Loan Provisions. A rehabilitation loan may be made available to selected development partners based upon Agency evaluation of financial need. All properties must be aggressively marketed; upon the request of the development partner, the Agency 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 the Agency's initial acquisition costs, plus rehabilitation and disposition costs. Disposition costs may include real estate commissions and closing costs but shall not exceed 10 percent of the sales price.

Eligible Sales. All residential units resulting from the acquisition, rehabilitation or construction through PRP activities must house families at or below 120% of area median income (AMI). 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.

Properties purchased through the PRP are presumed to be "naturally affordable" based on the location and market conditions of the targeted areas. However, units must be sold to a family whose income does not exceed 120% of AMI (adjusted for family size) and will contain an equity restriction for five years, but will not require a long term affordability covenant.

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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 eight hours of 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 the Agency.

VI. Submittal Requirements

Interested developers must submit information about their qualifications and experience in completing development projects including the rehabilitation of single family homes, community purposes, financial capacity and type(s) of properties desired.

The first-step submittal should include seven (7) double-sided copies of the information outlined below. Proposals are not limited in length, however conciseness is encouraged. Proposals shall be:

- 8 ½" x 11" format;
- Enclosed in one or more sealed envelopes (large format images may be submitted in a sealed tube or a drawing package, but will not be returned);
- Clearly labeled with the title of the RFQ "**NEIGHBORHOOD STABILIZATION PROPERTY RECYCLING PROGRAM – MISSION DRIVEN DEVELOPMENT PARTNER 20090XX-EB**" and the name of the proposing developer.

To facilitate review by the Agency, please submit information in accordance with the following format, identifying each item by the appropriate number or letter.

1. Cover Letter

A cover letter addressed to LaShelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency, should be signed by the authorized signatory of the proposing development team.

2. Statement of Qualifications

- a. Describe the management and organization approach, including the development team structure clearly showing lines of responsibility upon which the Agency can rely for effective and responsive action. Include the name, address, phone number, and role of key individuals who would be involved in project implementation, including a description of each person's qualifications.

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- b. Identify the legal entity with whom the Agency would contract.
- c. Explain the mission of the organization and how it furthers the goals of the Neighborhood Stabilization Program.
- d. Define the types of properties desired for acquisition and rehabilitation (i.e. size, location, rehabilitation restrictions/requirements, limitations, etc.).
- e. Describe the development team's relevant project experience in planning, financing, and development projects, emphasizing projects similar to the proposed development project (acquisition, rehabilitation and re-sale of existing single family homes to moderate income homebuyers). Development team must have experience in rehabilitating or constructing and selling at least five single-family homes. Provide a statement substantiating the team's ability to manage a team of specialists including an architect/designer, builders/contractors, financial consultants, and marketing and real estate agents or brokers.
- f. Address the following items:
 - Development team must include a California licensed general contractor in good standing with the State of California Contractor Licensing Board.
 - Contractor must provide proof of being able to meet Agency insurance requirements (Attachment VII).
 - If any member of the development team is a real property owner, he/she may not have any pending or prior code enforcement violations from the local jurisdictions.
 - Contractor must provide at least two client, two supplier, and two subcontractor references.
 - Contractor must demonstrate experience with development of housing that meets the Housing and Urban Development (HUD) Housing Quality Standards (HQS) and meets the requirements of the SHRA Existing Home Checklist (Attachment III).

3. Statement of Financial Capability

The Agency is looking for evidence of the financial capability and financial strength of the developer, and development team in terms of ability to provide substantial equity and to raise necessary project capital for pre-development, rehabilitation/construction and holding costs.

- a. Include a copy of audited financial statements of the developer prepared by an independent licensed certified public accountant in accordance with

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generally accepted accounting principles. If the date of the audited financial statements precedes the date of the submission by more than six (6) months, also attach un-audited financial statements no more than sixty (60) days old. Submit copies of the latest annual report, financial rating reports, or other documents indicating the developer's financial condition.

- b. Disclosure is required of significant control or influence with regard to the financial institution by any member of the development team (e.g. size of portfolio with institution, whether assets or liabilities, ownership interest, directorships, or direct employment).
- c. Identify sources of equity and financing to carry project costs, such as a bank account statement, a letter of credit or a letter of intent from a financial institution. This letter must have an amount of money identified. Although a letter of intent is not required for Step One, it will be required for Step Two, in the event your team is selected to proceed.

The Agency will, to the extent of its ability under the law, endeavor to keep all financial data in strict confidence and return it to the developer upon completion of the RFQ process.

NOTE: Financial statements will be confidentially reviewed by staff only, and will not be shared with the Selection Committee or any third parties. Please submit two (2) copies in a clearly marked envelope separately from the bound submittals.

VII. Selection Process

The selection of a development team and proposal involves the following process:

- A selection committee comprised of representatives from the City, County, Sacramento Housing and Redevelopment Commission, development community, housing related non-profit organizations, various Redevelopment Advisory Committees (RACs), and others will review the qualifications of responding developers and will provide a recommendation on the selection of one or more preferred developers to participate in the program.
- The selection committee's recommendation will be forwarded to the City Council and Board of Supervisors for final selection at a noticed public hearing.

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- Selected Mission-Driven Community Partners will be provided first access to homes that meet their needs and that match with the particular community needs.
- Individual properties will be transferred to the selected partner through a Disposition and Development Agreement (DDA) which will include the terms of rehabilitation and re-sale of the property.

Development teams are encouraged to submit comments and questions orally or in writing to the Agency and to attend a pre-proposal conference to discuss project details, submission requirements, selection criteria, and potential challenges to the rehabilitation and re-sale of properties.

VIII. Selection Criteria

The selection of the winning development team will be based upon the merits of the response to this request and the needs of the Agency. Based upon information provided in the submitted proposal, a selection committee will provide a recommendation to the Agency, City Council and Board of Supervisors on the selection of one or more preferred developers to participate in the program. Evaluation of the proposals will be based on the following criteria:

- Qualifications of the Project Manager and Development Team;
 - Experience in development, generally;
 - Experience with similar projects;
 - Experience with development with regard to:
 - Economic success;
 - Overall development quality;
 - Timeliness of performance;
 - Experience with joint public/private projects;
 - Overall strength of development team;
- Defined Mission/Purpose of the Organization and how the Mission/Purpose furthers the goals of the NSP; and
- Financial Capability and Strength.

Reference checks may be made on past projects. The selection committee reserves the right to incorporate references, past performance, and previous work experiences into its evaluation.

In the interest of fair and equitable competition, the Agency retains the sole right to determine the timing, arrangement, and method of public presentations throughout the selection process. Development teams are cautioned not to undertake any actions to promote or advertise their interests except in the course of Agency sponsored presentations.

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IX. Reservations and Conditions

The Agency reserves the right to reject any and all submissions and to waive any error or immaterial inconsistencies in the submissions, request additional information, amend the project schedule, or provide additional requirements to any and all developers submitting proposals. The Agency shall be the sole judge of the immaterial inconsistencies, and its decision shall be final. By submitting a response to this RFQ, respondents agree to accept and be bound by the selection process described herein.

Attachment I: Neighborhood Stabilization Program Target Areas Map

Attachment II: Property Recycling Program Guidelines

Attachment III: SHRA Existing Homes Checklist

Attachment IV: Prevailing Wage Requirements

Attachment V: Minority and Women's Business Enterprises (M/WBE) requirements

Attachment VI: Section 3 / New Hire Requirements

Attachment VII: Agency Insurance Requirements

DRAFT

**SACRAMENTO HOUSING
AND
REDEVELOPMENT AGENCY**

**Neighborhood Stabilization
Property Recycling Program**

Volume Builder Development Partner

REQUEST FOR QUALIFICATIONS

Project Number: 20090XX-EB

DRAFT



**Sacramento
Housing &
Redevelopment
Agency**

**Issue Date: TBD
Due Date: TBD**

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
630 I STREET
SACRAMENTO, CALIFORNIA 95814

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I. Proposal Submittal and Contact Information

A written response to the Request for Qualifications (RFQ) is being solicited for the acquisition, rehabilitation and resale of foreclosed single family housing (1-4 units) by experienced "Volume Builders"—builders with the capacity to acquire, rehabilitate, and sell a minimum of 10 residential units at a time—as part of the Sacramento Housing and Redevelopment Agency's ("Agency's") Neighborhood Stabilization, Property Recycling Program (PRP). The PRP aims to revitalize neighborhoods, streets and properties within the City and County of Sacramento that have been the most severely impacted by the foreclosure crisis. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures through redevelopment activities, acquisition and rental of affordable housing, and acquisition and rehabilitation of single family homes for sale throughout Sacramento.

The developer selected through this RFQ process will have the opportunity to access single family housing units from the Agency for the rehabilitation and subsequent resale to qualified, moderate-income, owner-occupant homebuyers. The developer will also have access to financial assistance for the rehabilitation of properties and will be awarded a \$30,000 developer fee for each home successfully completed and sold to an income-qualified homebuyer. Properties made available through the Property Recycling Program will be located throughout the Neighborhood Stabilization Target Areas in both the City and County of Sacramento (Attachment I).

A solicitation package is available upon request by e-mailing Sadaea Lax at ps@shra.org or calling (916) 566-1200; reference Project # 20090XX-EB.

Submit seven (7) double-sided copies of the Proposal to:

Sacramento Housing and Redevelopment Agency
Procurement Services
320 Commerce Circle
Sacramento, CA 95815
Attention: Sadaea Lax
(916) 566-1200
Project Number: **20090XX-EB**

Submittal Deadline: TBD @ 3:00 PM

For information on content contact:

Erika Bumgardner
Sr. Redevelopment Planner
Phone: 916.440.1399 x1410
EBumgardner@shra.org

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All submittals must be marked:

**Neighborhood Stabilization Property Recycling Program – Volume Builder
Development Partner 20090XX-EB**

Pre-proposal Conference

A Pre-Proposal Conference for all interested parties will be held on [TBD], at 600 I Street, 1st Floor Commission Room, Sacramento, CA to answer questions about the RFQ. Participation is optional but strongly encouraged.

II. Introduction

The Sacramento Housing and Redevelopment Agency is pleased to issue a Request for Qualifications (RFQ) for the acquisition, rehabilitation and resale of single family residential properties (1-4 units) as part of the Agency's Neighborhood Stabilization, Property Recycling Program. The purpose of this document is to solicit developer/builder qualifications from builders who have the financial capacity to rehabilitate at least 10 scattered site homes at a time, including the ability to provide capital for purchase, the ability to support carrying costs on the homes and the ability to provide sufficient labor. A qualified developer or builder must have an existing program and track record of rehabilitating or constructing single family homes. Additionally, a qualified developer/builder must have the capability to commit specific resources to:

- Assemble a development team including an experienced, licensed general contractor, cost estimator, lender, and a real estate agent, broker or sales partner to aggressively market and sell property to qualified, moderate-income, owner-occupant homebuyers;
- Prepare a detailed scope of work, cost estimate and timeline for the rehabilitation of individual properties;
- Meet the Agency's minimum construction standards as identified in Attachment III, lead based paint and prevailing wage requirements apply;
- Meet all Section 3, Prevailing Wage and Minority and Women's Business Enterprises (M/WBE) requirements (see Attachments IV, V and VI); and
- Provide financial resources or funding commitments sufficient to meet rehabilitation and holding costs.

A selection committee comprised of representatives from the City, County, Sacramento Housing and Redevelopment Commission, development community, housing related non-profit organizations, various Redevelopment Advisory Committees (RACs), and others will review the qualifications of responding developers and will provide a recommendation on the selection of

Neighborhood Stabilization Program Status Report, Program Modifications
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one preferred Volume Builder to participate in the program. The selection committee's recommendation will be forwarded to the City Council and Board of Supervisors for final selection at a noticed public hearing.

III. Neighborhood Stabilization Program Background

In 2008, Congress passed and the President signed into law House Resolution 3221, the Housing and Economic Recovery Act of 2008 (HERA). HERA provided \$3.9 billion in one-time Community Development Block Grant (CDBG) funding for the creation of a Neighborhood Stabilization Program (NSP) to be administered by the US Department of Housing and Urban Development (HUD).

In Sacramento County, the unincorporated County, the City of Sacramento, and the City of Elk Grove all received NSP grants from HUD. The County's grant, totaling approximately \$18 million, is the fourth largest allocation statewide behind Riverside, Los Angeles, and San Bernardino Counties. The City of Sacramento, which received approximately \$13 million, is the second largest grant for a city in the State behind Los Angeles. Allocation of funding was based on state and local need measured by the number and proportion of homes in foreclosure, subprime loans, and homes in default or delinquency. The Sacramento Housing and Redevelopment Agency administers various HUD community development programs on behalf of the City and County including the NSP.

NSP funding presents an opportunity to return stability to some of the City and County's hardest hit neighborhoods. On February 24, 2009, the City Council and Board of Supervisors approved the specific guidelines and investments for the NSP framework, identifying three distinct programs which strive to achieve the following goals:

- 1) Return vacant foreclosed or abandoned residential properties to occupancy as quickly as possible;
- 2) Revitalize neighborhoods through strategic redevelopment, rehabilitation and reuse of vacant properties;
- 3) Provide affordable homeownership and improved affordable rental opportunities to local families; and
- 4) Optimize economic activity and create/retain jobs or provide other long-term economic benefits.

The three programs under the NSP framework include the 1) Vacant Properties Program, 2) Block Acquisition/Rehabilitation Program, and 3) Property Recycling Program. More detailed information on the Vacant Properties Program and the Block Acquisition/Rehabilitation Program can be found online at: <http://www.shra.org/Content/Housing/Foreclosure/NSP.htm>

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IV. Property Recycling Program

The Property Recycling Program (PRP), the focus of this RFQ, centers on stabilizing neighborhoods through strategic investments and partnerships. (See Attachment II for a detailed description of the PRP Guidelines). The PRP aims to transform the most impacted neighborhoods, streets and properties; those areas where the market alone cannot ensure change. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures through redevelopment activities, acquisition and rental of affordable housing, and acquisition and rehabilitation of single family homes throughout Sacramento.

As a subcomponent of the PRP, the Agency will be acquiring existing single family (1-4 units) properties that are foreclosed upon and vacant for disposition to Community Development Partners to rehabilitate and sell. There are three types of Community Partners that the Agency will work with to ensure broad access to and nimble recycling of these properties including: 1) Mission-Driven Organizations; 2) Volume Builders; and 3) Vacant Property Program Participants (a detailed description of community partners is included in the PRP Guidelines).

This RFQ seeks to solicit qualifications from Volume Builders only.

A separate RFQ will solicit qualifications from Mission-Driven Organizations. Vacant Property Program participants will be deemed eligible for participation in the program based upon the existing Vacant Property Program eligibility guidelines and application process available online at:
<http://www.shra.org/Content/Housing/Foreclosure/NSP/NSPDesc.htm#VPP>.

V. Program Requirements, Agency Participation and Assistance

Through the PRP, the Agency will be acquiring foreclosed, single-family residential properties (1-4 units) for immediate resale to a Volume Builder selected through this RFQ process. The selected development partner will have access to a zero-interest rehabilitation loan as well as a \$30,000 developer fee upon successful completion and sale of the property to an income-qualified homebuyer.

Property Access. The selected Volume Builder will be provided access to homes that are not desired by the Mission-Driven Community Partners.

Properties will be transferred through a Disposition and Development Agreement (DDA) which will include the terms of rehabilitation and re-sale of the property.

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Eligible Areas. All properties purchased as part of the Property Recycling Program will be located within the approved NSP Target Areas (Attachment I).

Rehabilitation Requirements. At a minimum, all developers shall ensure Housing Quality Standards (HQS) are met and shall complete the SHRA Existing Home Checklist (Attachment III). Green building standards are also required and included in the Checklist. **Lead based paint clearance and prevailing wage requirements apply.** All property scopes of work and budgets will be approved by the Agency and inspected to meet construction requirements prior to sale.

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. 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 the Agency's initial acquisition costs, plus rehabilitation and disposition costs. Disposition costs may include real estate commissions and closing costs but shall not exceed 10 percent of the sales price.

Eligible Sales. All residential units resulting from the acquisition, rehabilitation or construction through PRP activities must house families at or below 120% of area median income (AMI). 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.

Properties purchased through the PRP are presumed to be "naturally affordable" based on the location and market conditions of the targeted areas. However, units must be sold to a family whose income does not exceed 120% of AMI (adjusted for family size) and will contain an equity restriction for five years, but will not require a long term affordability covenant.

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 eight hours of 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 the Agency.

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VI. Submittal Requirements

Interested developers must submit information about their qualifications and experience in completing development projects including the rehabilitation of single family homes and financial capacity.

The first-step submittal should include seven (7) double-sided copies of the information outlined below. Proposals are not limited in length, however conciseness is encouraged. Proposals shall be:

- 8 ½" x 11" format;
- Enclosed in one or more sealed envelopes (large format images may be submitted in a sealed tube or a drawing package, but will not be returned);
- Clearly labeled with the title of the RFQ **"NEIGHBORHOOD STABILIZATION PROPERTY RECYCLING PROGRAM – VOLUME BUILDER DEVELOPMENT PARTNER 2009XX-EB"** and the name of the proposing developer.

To facilitate review by the Agency, please submit information in accordance with the following format, identifying each item by the appropriate number or letter.

1. Cover Letter

A cover letter addressed to LaShelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency, should be signed by the authorized signatory of the proposing development team.

2. Statement of Qualifications

- a. Describe the management and organization approach, including the development team structure clearly showing lines of responsibility upon which the Agency can rely for effective and responsive action. Include the name, address, phone number, and role of key individuals who would be involved in project implementation, including a description of each person's qualifications.
- b. Identify the legal entity with whom the Agency would contract.
- c. Describe the development team's relevant project experience in planning, financing, and development projects, emphasizing projects similar to the proposed development project (acquisition, rehabilitation and re-sale of existing single family homes to moderate income homebuyers). Provide a statement substantiating the team's ability to manage a team of specialists

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including an architect/designer, builders/contractors, financial consultants, and marketing and real estate agents or brokers.

- d. Address the following items:
- Development team must include a California licensed general contractor in good standing with the State of California Contractor Licensing Board.
 - Contractor must provide proof of being able to meet Agency insurance requirements (Attachment VII).
 - If any member of the development team is a real property owner, he/she may not have any pending or prior code enforcement violations from the local jurisdictions.
 - Contractor must provide at least two client, two supplier, and two subcontractor references.
 - Contractor must demonstrate experience with development of housing that meets the Housing and Urban Development (HUD) Housing Quality Standards (HQS) and meets the requirements of the SHRA Existing Home Checklist (Attachment III).

3. Statement of Financial Capability

The Agency is looking for evidence of the financial capability and financial strength of the developer, and development team in terms of ability to provide substantial equity and to raise necessary project capital for acquisition, pre-development, rehabilitation/construction and holding costs.

- a. Include a copy of audited financial statements of the developer prepared by an independent licensed certified public accountant in accordance with generally accepted accounting principles. If the date of the audited financial statements precedes the date of the submission by more than six (6) months, also attach un-audited financial statements no more than sixty (60) days old. Submit copies of the latest annual report, financial rating reports, or other documents indicating the developer's financial condition.
- b. Disclosure is required of significant control or influence with regard to the financial institution by any member of the development team (e.g. size of portfolio with institution, whether assets or liabilities, ownership interest, directorships, or direct employment).
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NOTE: *Financial statements will be confidentially reviewed by staff only, and will not be shared with the Selection Committee or any third parties. Please submit two (2) copies in a clearly marked envelope separately from the bound submittals.*

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The selection of a development team and proposal involves the following process:

- A selection committee comprised of representatives from the City, County, Sacramento Housing and Redevelopment Commission, development community, housing related non-profit organizations, various Redevelopment Advisory Committees (RACs), and others will review the qualifications of responding developers and will provide a recommendation on the selection of one Volume Builder to participate in the program.
- The selection committee's recommendation will be forwarded to the City Council and Board of Supervisors for final selection at a noticed public hearing.
- The selected Volume Builder Community Partner will be provided access to homes not desired by the Mission-Driven Development Partners for rehabilitation and sale.
- Individual properties will be transferred to the selected partner through a Disposition and Development Agreement (DDA) which will include the terms of rehabilitation and re-sale of the property.

Development teams are encouraged to submit comments and questions orally or in writing to the Agency and to attend a pre-proposal conference to discuss project details, submission requirements, selection criteria, and potential challenges to the rehabilitation and re-sale of properties.

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VIII. Selection Criteria

The selection of the winning development team will be based upon the merits of the response to this request and the needs of the Agency. Based upon information provided in the submitted proposal, a selection committee will provide a recommendation to the Agency, City Council and Board of Supervisors on the selection of one Volume Builder to participate in the program. Evaluation of the proposals will be based on the following criteria:

- Qualifications of the Project Manager and Development Team;
 - Experience in development, generally;
 - Experience with similar projects;
 - Experience with development with regard to:
 - Economic success;
 - Overall development quality;
 - Timeliness of performance;
 - Experience with joint public/private projects;
 - Overall strength of development team; and
- Financial Capability and Strength.

Reference checks may be made on past projects. The selection committee reserves the right to incorporate references, past performance, and previous work experiences into its evaluation.

In the interest of fair and equitable competition, the Agency retains the sole right to determine the timing, arrangement, and method of public presentations throughout the selection process. Development teams are cautioned not to undertake any actions to promote or advertise their interests except in the course of Agency sponsored presentations.

IX. Reservations and Conditions

The Agency reserves the right to reject any and all submissions and to waive any error or immaterial inconsistencies in the submissions, request additional information, amend the project schedule, or provide additional requirements to any and all developers submitting proposals. The Agency shall be the sole judge of the immaterial inconsistencies, and its decision shall be final. By submitting a response to this RFQ, respondents agree to accept and be bound by the selection process described herein.

Attachment I: Neighborhood Stabilization Program Target Areas Map

Attachment II: Property Recycling Program Guidelines

Attachment III: SHRA Existing Homes Checklist

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Attachment IV: Prevailing Wage Requirements

Attachment V: Minority and Women's Business Enterprises (M/WBE) requirements

Attachment VI: Section 3 / New Hire Requirements

Attachment VII: Agency Insurance Requirements

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RESOLUTION NO. 2009 -

Adopted by the Sacramento City Council

on date of

APPROVAL OF GUIDELINE MODIFICATIONS FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM

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 that 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.

Neighborhood Stabilization Program Status Report, Program Modifications

- G. On February 24, 2009, the City Council authorized SHRA to amend and submit changes to the Neighborhood Stabilization Program (NSP) in the 2009 One-Year Action Plan to the U.S. Department of Housing and Urban Development (HUD), authorized the City Manager and SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the NSP; and authorized SHRA to establish and implement the Vacant Property Program, Morrison Creek Estates Project, and the Property Recycling Program to undertake NSP activities.
- H. In February, SHRA made a commitment to Council to provide frequent and ongoing updates on the status of NSP activities. It was anticipated that program modifications would be brought forward over time to better refine existing operations and to ensure funds are allocated in a timely manner, consistent with funding requirements.
- I. At this time, the Agency is recommending minor modifications to the existing NSP framework, specifically the Property Recycling Program, and additions to the program including partnership with the National Community Stabilization Trust (NCST).

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 Sacramento Housing and Redevelopment Agency (SHRA) is authorized to modify the Neighborhood Stabilization Program (NSP), Property Recycling Program Guidelines.
- Section 3. The City Manager and SHRA are authorized to execute agreements and contracts with the appropriate entities to carry out the proposed modifications to the NSP.
- Section 4. SHRA is authorized to establish and implement the proposed modifications to the Property Recycling Program Guidelines (Exhibit A) to undertake NSP activities.
- Section 5. SHRA is authorized to purchase foreclosed properties from lenders and take the actions necessary to hold and maintain the properties in preparation for resale in accordance with the NSP and proposed modifications to the Property Recycling Program.

Neighborhood Stabilization Program Status Report, Program Modifications

Section 6. SHRA is authorized to release a Request for Qualifications for the rehabilitation and resale of foreclosed properties purchased through the Property Recycling Program.

Section 7. SHRA is authorized to convene a selection committee to review the qualifications and proposals and provide a recommendation on the selection of one or more qualified developers/builders to participate in the rehabilitation and resale of foreclosed properties or leasing of affordable rental property.

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Exhibit A – Property Recycling Program Guidelines



EXHIBIT A

Sacramento Neighborhood Stabilization Program Property Recycling Program

Property Recycling Program

The Sacramento Property Recycling Program (PRP) focuses on stabilizing neighborhoods through strategic investments and partnerships. The PRP aims to transform the most impacted neighborhoods, streets and properties; those areas where the market alone cannot ensure change. Working with governmental, non-profit and for-profit partners, the PRP provides access to properties and funding to remove the blight of foreclosures through redevelopment activities, acquisition and rental of affordable housing, and acquisition and rehabilitation of single family homes for sale throughout Sacramento. The PRP is complimentary to the other programs funded under the Neighborhood Stabilization Program (NSP), all of which seek to reduce the impacts of foreclosures.

- 1.0 Administration.** The Property Recycling Program is administered by the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a joint powers authority of the City and County of Sacramento, and the recipient and administrator of the NSP funding. SHRA's primary role in the PRP is acquisition of properties and disposition to the appropriate Community Partner (see Section 7.0). SHRA's affiliated entities, the Redevelopment Agencies of the City and County of Sacramento and the Housing Authorities of the City and County may also serve as the purchaser of properties.
- 2.0 Eligible Areas.** All activities under the PRP will be for properties located in the NSP target areas, with a priority on areas that are characterized by significant code violations/actions, disproportionate foreclosure activity and/or other blighting conditions. See the attached map of the NSP target areas.
- 3.0 Eligible Properties.** Through the PRP, SHRA and its affiliated entities are authorized to purchase foreclosed residential and vacant properties within the NSP target areas. NSP regulations regarding acquisition of properties at a discount from market appraised value will be applicable both on a property level and on a portfolio level. 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.
- 4.0 Affordability.** All residential units resulting from the acquisition, rehabilitation or construction through PRP activities must house families at or below 120% of area median income (AMI). 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.

Properties purchased through the PRP are presumed to be "naturally affordable" based on the location and market conditions of the targeted areas (24 CFR 92.254(a)(5)(i)(B)). Units that will be sold (either initially or through a lease to own program) as a result of PRP activities must be sold to a family whose income does not exceed 120% of AMI (adjusted for family size) and will contain an equity restriction for five years, but will not require a long term affordability covenant. Rental units resulting from PRP activities will include long term affordability covenants that restrict income and occupancy to families at or below 50% AMI, consistent with HOME rent standards (24 CFR 92.252) and will be subject to additional affordability requirements of the SHRA Multi-family Lending and Mortgage Revenue Bond Policies or Investment Property Program. In the instance of a multi-unit property, these affordability requirements will apply to the number of units proportionally assisted with NSP funding.

- 5.0 Property Acquisition.** Under the PRP, SHRA can acquire residential and vacant properties that are located in a target area for one of three eligible activities, described in Section 6.0. In addition to purchases through local brokers, realtors and other publicly accessible routes, SHRA has established a relationship with the National Community Stabilization Trust (NCST). NCST allows partner governmental entities to view and acquire foreclosed properties within the NSP target areas at a significant market discount, prior to the properties being actively listed. All property acquired under the PRP is subject to the federal Uniform Relocation Act (49 CFR Part 24), as applicable.

6.0 Eligible Activities. The PRP includes three distinct activities, each of which is described in detail below.

6.1 Redevelopment. Properties that support a larger site assemblage effort of the City or County Redevelopment Agency or Housing Authority or that are severely dilapidated to the point necessitating demolition, will be acquired through the PRP. Properties under this activity may require an intermediate hold strategy in accordance with a long-term plan that can be fully implemented once the market can support the additional investment. As such, demolition and land banking activities are viable intermediate actions that can bring an immediate impact with the potential for an even larger benefit in the future.

6.1.1 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 the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA).

6.1.2 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 can be held by SHRA for more than ten years, as outlined under NSP.

6.2 Rehabilitation and Resale of Single Family Housing. Existing single family (1-4 units) properties that are foreclosed upon and vacant may be acquired by SHRA for disposition to a Community Partner (see Section 7.0 below) to rehabilitate and sell. These properties will primarily come through the NCST, and, as such, will require expedient inspection, appraisal and purchase negotiations. Pre-approved Community Partners will be required to comply with all requirements of the NSP Vacant Properties Program, including rehabilitation standards, payment of Davis Bacon Prevailing Wages, and lead based paint requirements.

6.3 Rehabilitation of Rental Housing. Existing properties that are foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). A rental rehabilitation project must comply with all requirements of the SHRA Multi-Family Lending and Mortgage Revenue Bond Policies or Investment Property Program, including rehabilitation standards, management standards and resident service requirements. NSP restrictions will be placed on the proportionate number of units funded with NSP money (e.g. if half of the project cost is funded with NSP, half of the units will be restricted by NSP). NSP units in rental properties must be affordable to families at or below 50% AMI.

7.0 Community Partners. For multi-family and single-family properties acquired for rehabilitation and rent or resale, SHRA will work with a variety of pre-approved community partners. There are four types of Community Partners, described below, that SHRA will work with, subject to successful qualification, to ensure broad access to properties and nimble recycling of properties.

7.1 Mission-Driven Organizations. These are non-profit organizations that have an existing program and track record of rehabilitating or constructing single family homes, with a larger community purpose or goal. Such missions may include job training, youth empowerment, affordable housing, community reinvestment, etc. Partnerships among existing non-profit organizations are encouraged if needed to amass the appropriate experience.

7.1.1 Selection. SHRA will issue a Request for Qualifications (RFQ) for qualified Mission-Driven Community Partners. The RFQ will require information on past performance, community purposes, financial capacity and type(s) of properties desired. Approval under the RFQ is a pre-requisite for participation as a Mission-Driven Community Partner.

7.1.2 Property Access. Approved Mission-Driven Community Partners will be provided first access to homes that meet their needs and that match with the particular community needs. Should more than one Mission-Driven Community Partner request the same property, SHRA will offer it first to the partner who has not received a property and second to the partner needing the least financial assistance. Should the Mission-Driven Community Partner not want the properties offered, they will be offered to the volume builder(s) or VPP participants, in that order.

7.1.3 Financial Assistance. Mission-Driven Community Partners will be offered the rehabilitation loan and developer fee assistance under the Vacant Properties Program. In addition, based on SHRA staff review of the partner's financial capacity, the property

may be offered at a discount from the SHRA purchase price or as a donation, if needed to support a reduced sales price based on the partner's mission or to support the cost of training or other community components of the partner's mission.

7.2 Volume Builders. These are non-profit or for-profit single family builders who have the financial capacity to rehabilitate at least 10 scattered site homes at a time, including the ability to provide capital for purchase, the ability to support carrying costs on the homes and the ability to provide sufficient labor.

7.2.1 Selection. SHRA will issue a Request for Qualifications (RFQ) for qualified Volume Builder Community Partners. The RFQ will require information on past construction and rehabilitation projects, financial capacity and projected volume capacity. SHRA anticipates selecting one Volume Builder Community Partner who can efficiently and expeditiously acquire, rehabilitate and sell the majority of units purchased under the NCST. Approval under the RFQ is a pre-requisite for participation as a Mission-Driven Community Partner.

7.2.2 Property Access. All properties not appropriate for or not desired by the Mission-Based Community Partner(s) will be offered to the Volume Builder Community Partner(s).

7.2.3 Financial Assistance. Homes will be sold to the Volume Builder Community Partner(s) at the same price when purchased by SHRA, potentially through a "double escrow" at the time of purchase by SHRA. The partner(s) will be offered the same rehabilitation loan and developer fee assistance under the Vacant Properties Program.

7.3 Vacant Property Program Participants. These are the single family developers/builders approved through the Vacant Property Program RFQ process.

7.3.1 Selection. The Vacant Property Program has a separate application process to become a "Preferred Builder." Approval under this application process will be deemed approval under the PRP.

7.3.2 Property Access. Any property not acquired by the Mission-Driven or Volume Builder Community Partners will be offered to the VPP participants on a first-come, first-serve basis.

7.3.3 Financial Assistance. Homes will be sold to the VPP Community Partner(s) at the same price when purchased by SHRA. The partner(s) will be offered the same rehabilitation loan and developer fee assistance under the Vacant Properties Program.

7.4 Rental Housing Developers. These are non-profit, for-profit or governmental developers of rental properties, with experience in constructing, rehabilitating, operating and/or maintaining affordable rental housing. As multi-family properties become available under the PRP, SHRA will release property specific Request for Proposals (RFP) to select the best developer and project for the particular site. Financial assistance will be considered consistent with SHRA Multi-family Lending and Mortgage Revenue Bond Policies or Investment Property Program.

8.0 Disposition Process. Properties purchased for redevelopment or rental housing objectives will be disposed of through a site specific public process, including a Disposition and Development Agreement (DDA) for redevelopment sites and a RFP and DDA for rental housing sites.

Properties purchased for rehabilitation and re-sale to owner occupants will be disposed of to pre-selected Mission Driven or Volume Builder Community Partners, described in Section 7.1 – 7.2, above. Concurrent with the acquisition from NCST, SHRA will "triage" the property to determine the best end use, and work with the identified Community Partners on their interest and capacity in the property. It is expected that at the time of SHRA's close of escrow on the property, they will be positioned to immediately transfer the property to the identified Community Partner through a Disposition and Development Agreement (DDA). If a Mission Driven or Volume Builder Community Partner does not acquire the property, SHRA will offer the properties to the Vacant Property Program Participants through a bid process, with disposition through a property specific DDA.

After rehabilitation of single family for sale homes, Community Partners will be responsible for the sale of the homes to income eligible buyers, consistent with standards of the Vacant Properties Program. Maximum sales prices may not exceed the total of acquisition, rehabilitation, and disposition costs. Disposition costs may include real estate commissions and closing costs but these costs shall not exceed 10 percent of the sales price. Homes must be sold to homeowner occupants making no more than 120% of area median income, adjusted for family size who have completed 8 hours of HUD approved homebuyer education counseling and who have attained a fixed rate, 30 year first mortgage.

