



**Sacramento
Housing &
Redevelopment
Agency**

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

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Public Hearing
July 14, 2009

Honorable Mayor and Members of the City Council

Title: Application for Neighborhood Stabilization Program Funding

Location/Council District: Citywide

Recommendation: Conduct a public hearing and, upon conclusion, adopt a City Council Resolution: 1) authorizing the City to enter into a consortium agreement with the County of Sacramento and the cities of Citrus Heights and Rancho Cordova for application for and implementation of Neighborhood Stabilization Funds under the American Recovery and Reinvestment Act of 2009 (ARRA); 2) authorizing the submission on behalf of the Consortium, the ARRA Neighborhood Stabilization Program (NSP-2) application for up to \$36,811,500 to the U.S. Department of Housing and Urban Development (HUD) in substantial conformance with the attached Implementing Guidelines; 3) accepting the environmental findings; and 4) authorizing the City Manager and the SHRA Executive Director to execute agreements and contracts with the appropriate entities including the Consortium, for the purposes of preparing and submitting the NSP-2 funding application to HUD.

Contact: Chris Pahule, Assistant Director, Housing and Community Development, 440-1350; Emily Halcon, Management Analyst, Housing and Community Development, 440-1399, ext. 1420

Presenters: Emily Halcon, Management Analyst, Housing and Community Development

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The American Recovery and Reinvestment Act of 2009 (ARRA) includes a one-time allocation of \$2 billion to augment the Neighborhood Stabilization Program which was created through the Housing and Economic Recovery Act of 2008 (HERA). The Neighborhood Stabilization Program, administered by the United States Department of Housing and Urban Development (HUD), aims to stabilize neighborhoods impacted by foreclosure by removing significant blight from neighborhoods and providing housing for low- to moderate-income households. Of the \$2 billion allocated for the second round of the Neighborhood Stabilization Program (NSP-2), \$1.5 billion is available to governments, non-profits and consortiums for program activities.

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NSP-2 eligible activities are essentially the same as those allowed under the existing program: acquisition, land banking, demolition, rehabilitation and mortgage assistance for vacant and/or foreclosed properties are all permitted. The income and affordability requirements also match NSP-1, with all funds used for moderate income households (up to 120% of area median income) and at least 25% of the funds used for very low income households (50% of area median income). Unlike the initial program funded through the HERA (NSP-1), NSP-2 funds are being awarded solely through a competitive application. In addition to the allocation process, there are other significant differences between NSP-1 and NSP-2:

Eligible Applicants NSP-2 specifically prohibits any one entity from being the applicant on more than one funding proposal. For traditional HUD programs, the Sacramento Housing and Redevelopment Agency (SHRA), in its role as administrator of housing funds for both the City and County of Sacramento, receives and administers a separate allocation for both jurisdictions. Because of the prohibition in NSP-2 for SHRA to be the lead applicant for both jurisdictions, the City will need to enter into a consortium agreement (Exhibit A to the Resolution) for the application and administration of the NSP-2 funding.

SHRA has also reached out to all the other cities in the County about their interest in joining the consortium, as the minimum grant amount (\$5 million and 100 units) is too large for any of them to administer alone. The cities of Rancho Cordova and Citrus Heights both have projects which fit into the NSP-2 parameters and which can be incorporated into SHRA's existing Block Acquisition Program, and are recommended for inclusion in the consortium. Corresponding modifications to the Block Acquisition Program will allow the flexibility to incorporate the projects identified by Rancho Cordova and Citrus Heights, both of which are detailed in Exhibit B to the Resolution. Sacramento County will be the representative member of the Consortium, and will delegate its administrative responsibilities to SHRA. Following the funding award, the consortium members will execute funding agreements with SHRA that detail the specific funding programs and amounts particular to each jurisdiction.

Geographic Need NSP-1 was directly awarded to those jurisdictions that had the most need as measured by number of homes in foreclosure, subprime loans, and homes in default or delinquency. In NSP-2, HUD has "ranked" each census tract based on percentages of foreclosure and vacancy rates. In Sacramento, the resulting eligible geographic areas for NSP-2 overlap closely with the local measures used in NSP-1. Staff has confirmed that the areas targeted in NSP-1 remain the areas of greatest need based on numbers of foreclosures, decline in property values and other weak market conditions. The project census tracts in Rancho Cordova and Citrus Heights also meet the conditions used in NSP-1. Staff recommends following the same NSP-1 geographic indicators, focusing NSP-2 funds in the identified target areas which overlap with NSP-1

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areas, adding a few contiguous census tracts and two census tracts in the other cities, as shown on a map included as Attachment 1.

Expenditure Timing Consistent with ARRA regulations, half of the NSP-2 funding must be expended within two years and all of the NSP-2 funding must be expended within three years of receipt. This is a much tighter timeframe than NSP-1, which required that all funds be committed within 18 months of receipt and expended within five years. The tighter timeframes for NSP-2 funding requires strategic planning for programs that can ensure impactful changes and expeditious implementation.

With the new opportunities and requirements of NSP-2 and based on anticipated needs and current project cost estimates, staff recommends an application for up to \$36,811,500 million for the consortium (\$14,311,000 associated with the City, \$19,090,050 associated with the unincorporated County, and \$3,410,000 million associated with Rancho Cordova and Citrus Heights). In the City, NSP-2 funds will be used to augment the existing Property Recycling Program. In addition to expanding the opportunities under this existing program, staff recommends the addition of three new programs under NSP-2: (1) creation of a homeowner purchase assistance and repair program; (2) creation of a homeowner purchase assistance program; and (3) rehabilitation of vacant single family public housing units in the target areas.

The following details the NSP-2 Activities in the City with requested funding and associated unit outcome expectations:

NSP-2 Activity	Description	Estimated NSP-2 Funding ¹	Estimated Units
Property Recycling Program	Acquisition of properties through SHRA for disposition to a variety of community partners to meet redevelopment, housing and community needs.	\$9,900,000	125
Purchase & Repair Program	Down payment & closing cost assistance to homeowner for purchase of foreclosed homes with grant for minor repairs.	\$445,500	27
Purchase Assistance Program ²	Down payment & closing cost assistance and/or mortgage assistance for homebuyers purchasing a home through the VPP or PRP	\$495,000	23 (split between NSP-1 and NSP-2 units)
Public Housing Rehabilitation	Substantial rehabilitation of vacant single family public housing units in target areas.	\$3,470,500	32
TOTAL		\$14,311,000	207

¹ Funding amounts include 10% administration expenses.

² Purchase assistance will be offered for units acquired and rehabilitated through the Vacant Property Program and the Property Recycling Program, and so all units are not net new units under NSP-2.

Additional features on the NSP-2 regulations, the Sacramento approach, the consortium structure and the three new programs are detailed in Exhibit B to the resolution.

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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 2008-12 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.

Environmental Considerations:

California Environmental Quality Act (CEQA)/National Environmental Policy Act (NEPA): The grant application is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 (b)(5), which excludes the creation of government funding mechanisms that do not involve any commitment to a specific project which may result in a potentially significant impact on the environment.

The application is exempt from the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.34(a)(2), which exempts administrative activities. In the event that grant funds are awarded, NEPA review will be performed for each subsequent action prior to funding commitment.

Sustainability Considerations: The activities included in this report have been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will advance the following goals, policies and targets: rehabilitating units following green building standards aligns with goal number one – Energy Independence, item 3 – Improve energy efficiency and the overall NSP-2 activities support goal number five – Public Health and Nutrition, item 3 – Create Healthy Urban Environments through Restorative Redevelopment.

Committee/Commission Action: SHRA has reviewed the proposed NSP-2 Program with 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 Association.

On July 1, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

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AYE: Burruss, Chan, Fowler, Gore, Morton, Otto, Rosa, Shah, Stivers

NOES: None

ABSENT: Dean, Morgan

Rationale for Recommendation: In 2007, Sacramento ranked fifth in the nation for rate of foreclosure activities. Despite the collaborative efforts of the City, County, SHRA and numerous non-profit organizations, the impacts of this crisis are still seen in neighborhoods throughout Sacramento. The Neighborhood Stabilization Program provides a unique opportunity with a dedicated one time funding source to help stabilize impacted neighborhoods. As shared at the June 16, 2009 Council meeting, in its first few months of operation the NSP-1 program has already brought investment into some of the most impacted neighborhoods in Sacramento. NSP-2 provides additional funding for the expansion of this important work.

Financial Considerations: This report recommends requesting a federal allocation of up to \$36,811,500 for the NSP-2 and authorizes SHRA to administer the funds and program on behalf of the City of Sacramento, through a consortium agreement with the County of Sacramento and the Cities of Rancho Cordova and Citrus Heights.

M/WBE Considerations: Minority and Women's Business enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Recommendation Approved:


RAY KERRIDGE
City Manager

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RESOLUTION NO. 2009 -

Adopted by the Sacramento City Council

on date of

AUTHORITY TO APPLY FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDING UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT

BACKGROUND

- A. On February 13, 2009, Congress passed and the President signed into law House Resolution 1, the American Recovery and Reinvestment Act of 2009 (ARRA), which authorized a one-time \$2.0 billion allocation to be awarded competitively to local governments, non-profits and consortia to mitigate community impacts resulting from foreclosure through the Neighborhood Stabilization Program (NSP-2).
- B. On May 4, 2009, the United States Department of Housing and Urban Development (HUD) released the Notice of Funding Availability (NOFA) for the NSP-2 funding, with applications to be submitted to HUD no later than July 17, 2009.
- C. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as the designee for the City of Sacramento and for the County of Sacramento to administer community development grants originating from HUD.
- D. The grant application is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 (b)(5), which excludes the creation of government funding mechanisms that do not involve any commitment to a specific project which may result in a potentially significant impact on the environment. The application is exempt from the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.34(a)(2), which exempts administrative activities. In the event that grant funds are awarded, NEPA review will be performed for each subsequent action prior to funding commitment.
- E. The NOFA for NSP-2 funds specifically prohibits one entity from being the applicant for more than one funding proposal.
- F. In 2007, Sacramento experienced the fifth highest rate of foreclosure among the nation's 100 largest jurisdictions, and Sacramento continues to feel the effects of this crisis. In 2008, the City and County of Sacramento received almost \$32 million in Neighborhood Stabilization Program funds through the Housing and Economic Recovery Act of 2008, which SHRA administers on their behalf. Additional funding through the ARRA will provide SHRA the opportunity to

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augment and expand the important neighborhood recovery investments initiated under the 2008 stimulus funding.

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 set forth above, are approved.
- Section 2. The City Manager and SHRA are authorized to execute the Neighborhood Stabilization Program 2 Consortium Agreement (Exhibit A) with the County of Sacramento and the Cities of Citrus Heights and Rancho Cordova.
- Section 3. SHRA is authorized to submit a funding application to HUD for NSP-2 funding on behalf of the Consortium that reflects the programs and funding amounts described in the Neighborhood Stabilization Program 2 Implementing Guidelines (Exhibit B).
- Section 4. The City Manager and SHRA are authorized to execute agreements and contracts with the appropriate entities for the purposes of preparing and submitting the NSP-2 funding application to HUD.

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- Exhibit A – Neighborhood Stabilization Program 2 Consortium Agreement
- Exhibit B – Neighborhood Stabilization Program 2 Implementing Guidelines

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Exhibit A

NEIGHBORHOOD STABILIZATION PROGRAM 2 CONSORTIUM AGREEMENT for the
COUNTY of SACRAMENTO, the CITY of SACRAMENTO,
the CITY of CITRUS HEIGHTS, and the CITY of RANCHO CORDOVA

This Agreement is made and entered into this ____ day of _____ 2009, by and among the COUNTY OF SACRAMENTO, hereinafter called "COUNTY", the CITY OF SACRAMENTO, hereinafter called "SACRAMENTO", the CITY OF CITRUS HEIGHTS, hereinafter called "CITRUS HEIGHTS," the CITY of RANCHO CORDOVA, hereinafter called "RANCHO CORDOVA," and the SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, hereinafter called "AGENCY".

WHEREAS, the Congress of the United States has enacted the American Reinvestment and Recovery Act of 2009 (ARRA), which includes a one-time allocation of \$2 billion to augment the Neighborhood Stabilization Program (NSP-2), which was created through the Housing and Economic Recovery Act of 2008; and

WHEREAS, NSP-2, administered by the US Department of Housing and Urban Development (HUD), aims to stabilize neighborhoods impacted by foreclosure by removing significant blight from neighborhoods and providing housing for low- to moderate-income households through acquisition, land banking, demolition, rehabilitation and mortgage assistance for vacant and/or foreclosed properties; and

WHEREAS, the NSP-2 funds are being awarded through a competitive process and the Notice of Funding Availability for NSP-2 funds (NOFA) specifically prohibits any one entity from being the applicant for more than one funding proposal; and

WHEREAS, the NOFA allows local governments to form consortia for the purpose of receiving and administering NSP-2 funds and carrying out purposes of the Act; and

WHEREAS, COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA desire to form a consortium for the purposes of submitting a joint application for NSP-2 funds and undertaking or assisting in undertaking NSP-2 eligible activities, hereinafter called the "Sacramento NSP-2 Consortium" or "CONSORTIUM", and

WHEREAS, COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA desire to designate COUNTY authority to act in a representative capacity for the purposes of the CONSORTIUM; and

WHEREAS, COUNTY, SACRAMENTO, CITRUS HEIGHTS, and RANCHO CORDOVA desire to grant AGENCY, which serves as a joint staffing agency for administration of public social services programs in both SACRAMENTO and COUNTY, authority to act on behalf of COUNTY, SACRAMENTO, CITRUS HEIGHTS, and RANCHO CORDOVA as the lead applicant for the CONSORTIUM for purposes of the NSP-2 application.

THEREFORE, it is agreed that:

1. Purpose: COUNTY, SACRAMENTO, CITRUS HEIGHTS, RANCHO CORDOVA, and AGENCY will cooperate in the operation of the CONSORTIUM for the purposes of applying for NSP-2 funds and undertaking or assisting in undertaking NSP-2 eligible activities identified in the attached application for CONSORTIUM funds, attached hereto as Exhibit A and incorporated herein by reference, including but not limited to acquisition, land banking, demolition, rehabilitation, redevelopment and mortgage assistance for vacant and/or foreclosed properties.
2. CONSORTIUM Representative: COUNTY shall be the lead member of the CONSORTIUM for purposes of the NSP-2 funds. COUNTY shall delegate its administrative responsibilities under the CONSORTIUM to AGENCY, which shall act as the lead applicant.

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3. AGENCY'S Administration Responsibility: AGENCY, as lead applicant for the CONSORTIUM, shall have the overall responsibility under the NSP-2 and in the view of the U.S. Department of Housing and Urban Development (hereinafter "HUD") and the right under this Agreement: 1) to ensure that the CONSORTIUM's NSP-2 Program is carried out in compliance with all the requirements of NSP-2 and in substantial compliance with the CONSORTIUM's NSP-2 application; 2) to determine the adequacy of performance under project agreements and procurement contracts; 3) to assume all responsibility for environmental review, decision-making, and action for proposed projects within SACRAMENTO and COUNTY's jurisdictions in accordance with the requirements of 24 CFR Part 58; and 4) to submit documents to HUD as required for participation in the NSP-2 Program.
4. CONSORTIUM Funding Agreements: COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA each agree to execute CONSORTIUM Funding Agreements with AGENCY for the purpose of describing each party's specific activities under NSP-2, including timetables for completion, distribution of funding between each party's activities, and applicable requirements listed in Appendix 1 of the NOFA. Each CONSORTIUM Funding Agreement shall be executed by both parties no later than December 1, 2009.
5. Approval Authority and Responsibility for SACRAMENTO and COUNTY Activities:
- a) AGENCY shall develop recommendations for the COUNTY Board of Supervisors' consideration and approval concerning the composition of COUNTY's funding request for the NSP-2 application. AGENCY shall develop recommendations for the SACRAMENTO City Council's consideration and approval concerning the composition of SACRAMENTO's funding request for the NSP-2 application.
 - b) As the lead applicant for the CONSORTIUM, AGENCY shall allocate SACRAMENTO's AND COUNTY's share of the NSP-2 funds among approved program activities consistent with the NSP-2 grant application, the CONSORTIUM Funding Agreement and recommendations of COUNTY and SACRAMENTO. If necessary to meet NSP-2 requirements (i.e. timeliness of commitments and disbursements) funds may be re-allocated among programs. In preparation for any re-allocation that affects programs in SACRAMENTO or COUNTY, AGENCY shall seek the advice and consent of SACRAMENTO or COUNTY as applicable. Allocation of NSP-2 funds to activities in SACRAMENTO AND COUNTY shall be subject to the AGENCY'S determination that the proposed activities meet all NSP-2 funding requirements, including the expenditure of at least twenty-five percent of the funding on activities that will be affordable to very-low-income households, and can be performed within deadlines imposed by NSP-2 funding.
6. Approval Authority and Responsibility for CITRUS HEIGHTS and RANCHO CORDOVA Activities:
- a) AGENCY and CITRUS HEIGHTS representatives shall jointly develop recommendations for the CITRUS HEIGHTS City Council concerning the composition of CITRUS HEIGHTS' funding request for the NSP-2 application. AGENCY and RANCHO CORDOVA representatives shall jointly develop recommendations for the RANCHO CORDOVA City Council concerning the composition of RANCHO CORDOVA's funding request for the NSP-2 application.
 - b) As the lead applicant for the CONSORTIUM, AGENCY shall allocate CITRUS HEIGHTS' AND RANCHO CORDOVA'S share of the NSP-2 funds among approved program activities consistent with the NSP-2 grant application, the CONSORTIUM Funding Agreement and recommendations of CITRUS HEIGHTS and RANCHO CORDOVA. Allocation of NSP-2 funds to activities in CITRUS HEIGHTS and RANCHO CORDOVA shall be subject to the AGENCY's determination that the proposed activities meet all NSP-2 funding requirements, including the expenditure of at least twenty-five percent of the funding on activities that will be affordable to very-low income households, and can be performed within deadlines imposed by NSP-2 funding.

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- c) CITRUS HEIGHTS, RANCHO CORDOVA and AGENCY shall designate representatives to whom all notices and communications shall be directed. AGENCY's duty to notify CITRUS HEIGHTS and RANCHO CORDOVA shall be complete when the communication is sent to the designated representative. It is the exclusive duty of the AGENCY designated representative to notify the appropriate individuals or departments within CITRUS HEIGHTS and RANCHO CORDOVA. All communication between CITRUS HEIGHTS, RANCHO CORDOVA and AGENCY required herein shall be sent to the following addresses:

AGENCY:

Housing and Community Development Department
Sacramento Housing and Redevelopment Agency
630 I Street
Sacramento, CA 95814

CITRUS HEIGHTS:

Community Development Director
City Of Citrus Heights
6237 Fountain Square Drive
Citrus Heights, CA 95621

RANCHO CORDOVA:

Housing Services Administrator
Economic Development Department
City of Rancho Cordova
2729 Prospect Park Drive
Rancho Cordova, CA 95670

- d) CITRUS HEIGHTS and RANCHO CORDOVA shall each provide AGENCY with all information concerning its city and the NSP-2 activities carried out under this Agreement for which the AGENCY is required to prepare: 1) documents required to be submitted to HUD; and 2) such other documents as AGENCY may require to carry out eligible NSP-2 activities or meet Federal requirements. All information shall be submitted on forms prescribed by AGENCY. In addition, CITRUS HEIGHTS and RANCHO CORDOVA agree to make available upon request all records concerning the activities carried out under this Agreement for inspection by AGENCY or Federal officials during regular business hours until the expiration of five (5) years after the expiration of this Agreement, or such longer period as may be required due to an audit finding.
7. Program Delivery Responsibility for SACRAMENTO and COUNTY: AGENCY shall provide all services necessary to deliver NSP-2 programs to SACRAMENTO and COUNTY including but not limited to: administration of all approved NSP-2 programs, review of construction contracts and cost breakdowns; monitoring of construction progress; review and approval of disbursement requests; set up and maintenance of all activities in the Disaster Recovery Grant Reporting (DRGR) database; maintenance of all required fiscal systems in accordance with federal requirements; and providing all monitoring and record keeping required by notices.
8. Program Delivery Responsibility for CITRUS HEIGHTS and RANCHO CORDOVA: AGENCY shall provide certain services necessary to deliver NSP-2 programs to CITRUS HEIGHTS and RANCHO CORDOVA, including but not limited to: set up and maintenance of all activities in the Disaster Recovery Grant Reporting (DRGR) database; maintenance of all required fiscal systems in accordance with federal requirements; and providing all monitoring and record keeping required by notices. CITRUS HEIGHTS and RANCHO CORDOVA shall provide certain services necessary to implement NSP-2 activities in CITRUS HEIGHTS and RANCHO CORDOVA, including environmental review under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA); income certification; loan servicing; loan underwriting; property maintenance; property inspections and appraisal.

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9. NSP-2 Funding Allocation: The NSP-2 allocation available to COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA will reflect the award criteria in the NOFA and the NSP-2 Application. In the event that awarded NSP-2 funds are less than requested in the NSP-2 application for a category of program activities (such as the Block Acquisition Program), AGENCY shall allocate NSP-2 funds on a pro-rata basis proportionate to the requested amount.
10. Program Income: COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA will each receive all revenue that may result from NSP-2 activities within their respective jurisdictions during the term of this Agreement. This includes all program income, recaptured funds, and repayments as defined in 24 CFR § 570 500. Revenue will be tracked by AGENCY and returned for use within COUNTY, SACRAMENTO, CITRUS HEIGHTS or RANCHO CORDOVA on subsequent NSP-2 or CDBG activities in accordance with federal requirements.
11. Hold Harmless Provisions:
 - a) Neither AGENCY, nor any of its officers or employees, shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by COUNTY, SACRAMENTO, CITRUS HEIGHTS or RANCHO CORDOVA under this Agreement. It is also understood and agreed that COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA shall fully indemnify, defend and hold AGENCY harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by COUNTY, SACRAMENTO, CITRUS HEIGHTS or RANCHO CORDOVA, respectively, under or in connection with any work, authority or jurisdiction delegated to COUNTY, SACRAMENTO, CITRUS HEIGHTS, or RANCHO CORDOVA under this Agreement.
 - b) COUNTY, SACRAMENTO, CITRUS HEIGHTS and RANCHO CORDOVA and any of their officers or employees, shall not be responsible for any damage or liability occurring by reason of anything done or omitted to be done by AGENCY under this Agreement. It is also understood and agreed that, AGENCY shall fully indemnify, defend and hold COUNTY, SACRAMENTO, CITRUS HEIGHTS, and RANCHO CORDOVA harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by AGENCY under or in connection with any work, authority or jurisdiction delegated to AGENCY under this Agreement.
12. Term: This Agreement shall go into effect immediately upon the signature of all parties and shall continue in full force and effect until all activities funded for Federal fiscal years during which COUNTY, SACRAMENTO, CITRUS HEIGHTS or RANCHO CORDOVA are participating jurisdiction in the CONSORTIUM are completed pursuant to applicable federal regulations. In any event, the terms shall be for no less than three years from the award of the grant under the NOFA, if any. The program year for all CONSORTIUM members begins on January 1st. In the event the CONSORTIUM does not receive funding under the NOFA, the obligations and benefits of this Agreement by and for each party shall be terminated. In the event that any CONSORTIUM member does not receive funding under the NOFA because the category of program activities it identified does not receive funding, the obligations and benefits of this Agreement by and for such party shall be terminated.
13. Minor Amendments: Should it become necessary to change the language of the Agreement to meet HUD approval, without making changes that alter the intent of the Agreement, such changes may be made administratively with the written consent of the City Manager of SACRAMENTO, the County Executive of the COUNTY, the City Manager of CITRUS HEIGHTS, the City Manager of RANCHO CORDOVA and the Executive Director of the AGENCY. All parties must consent for the change in order for the change to be effective.
14. Counterparts: This Agreement may be executed in one or more counterparts, and by facsimile, each one of which shall be deemed to be an original, equally admissible in evidence, but all of which shall constitute one and the same instrument.

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- 15. Severability: If any term, condition, or covenant of this Agreement is declared of determined by any court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement shall not be affected thereby and the Agreement shall be read and construed without the invalid, void or unenforceable provision(s).
- 16. Entire Agreement: This Agreement contains the entire agreement between the parties with respect to the subject matters contained herein and supersedes all prior understandings, whether written or oral, with respect thereto.
- 17. Interpretation of Agreement: The headings within this Agreement are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this Agreement. The parties have had an equal opportunity to participate in the drafting of this Agreement; therefore, the normal construction as against the drafting party shall not apply to this Agreement.
- 18. Governing Law and Forum. This Agreement shall be construed in accordance with the laws and judicial decisions of the State of California and venue for any legal or equitable action shall be in the Superior Court of Sacramento County, regardless of wherever else venue may lie.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the _____ day of _____, 2009.

CITY OF SACRAMENTO

COUNTY OF SACRAMENTO

By: _____
City Manager

By: _____
County Executive

I hereby certify that the City Manager was duly authorized to execute this document on behalf of the City of Sacramento by a majority vote of the City Council on _____

I hereby certify that the County Executive was duly authorized to execute this document on behalf of the County of Sacramento by a majority vote of the Board of Supervisors on _____

ATTEST.

ATTEST:

APPROVED AS TO FORM

APPROVED AS TO FORM

City Attorney

County Counsel

Application for Neighborhood Stabilization Program Funding

CITY OF CITRUS HEIGHTS

CITY OF RANCHO CORDOVA

By: _____
City Manager

By: _____
City Manager

I hereby certify that the City Manager was duly authorized to execute this document on behalf of the City of Citrus Heights by a majority vote of the City Council on _____.

I hereby certify that the City Manager was duly authorized to execute this document on behalf of the City of Rancho Cordova by a majority vote of the City Council on _____.

ATTEST:

ATTEST:

APPROVED AS TO FORM

APPROVED AS TO FORM

City Attorney

City Attorney

Application for Neighborhood Stabilization Program Funding

SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY

By: _____
Executive Director

I hereby certify that the
Executive Director was duly
authorized to execute this
document on behalf of the
Sacramento Housing and
Redevelopment Agency by a
majority vote of the
Sacramento Housing and
Redevelopment Commission
on _____.

ATTEST:

APPROVED AS TO FORM

Agency Counsel

**Neighborhood Stabilization Program – 2nd Round
Implementing Guidelines**

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1. OVERVIEW

These guidelines describe the U.S. Department of Housing and Urban Development's (HUD) Neighborhood Stabilization Program (NSP-2) under the American Reinvestment and Recovery Act (ARRA) and outline the proposed neighborhood stabilization strategies and programs for the County of Sacramento and the cities of Sacramento, Citrus Heights and Rancho Cordova. The NSP-2 guidelines build off of and are complimentary to the existing Neighborhood Stabilization Program, funded under the Housing and Economic Recovery Act of 2008. Subject to direction from the governing bodies, these guidelines will serve as the basis for the funding application to be submitted to HUD by July 17, 2009.

2. FEDERAL PROGRAM PARAMETERS

As part of the American Reinvestment and Recovery Act (ARRA) Congress appropriated \$2.0 billion in Community Development Block Grant (CDBG) funds for competitive awards to state and local governments, non-profits and consortiums to purchase abandoned and foreclosed homes and residential properties. Of the \$2.0 billion, \$1.5 billion is available for project related activities, and is the subject of these guidelines (the remaining \$.5 billion is for technical assistance grants and federal administration). These funds augment the existing Neighborhood Stabilization Program (NSP), creating NSP-2, which is intended to stabilize neighborhoods that are hardest hit by the foreclosure crisis. The U.S. Department of Housing and Urban Development (HUD) released a Notice of Funding Availability (NOFA) on May 4, 2009 for the funds, which is described below.

The NOFA offers grants of at least \$5 million that can transform at a minimum 100 abandoned or foreclosed homes; no maximum grant amount is set. NSP-2 funds are available to eligible applicants with significant capacity in community development, affordable housing and other applicable activities. NSP-2 funds are specifically focused on recovery and redevelopment of vacant, abandoned foreclosed homes. However, NSP-2 regulations allow flexibility with use of the funds for rehabilitation, redevelopment, demolition, re-construction and land banking of vacant, foreclosed properties. The NSP-2 funding is intended to complement larger redevelopment efforts, and to make a significant impact on distressed areas.

NSP funds have three purposes: to stabilize neighborhoods impacted by foreclosure, to remove significant blight from neighborhoods and to provide housing for low- to moderate-income households. Because of the anticipated condition of the properties, the acquisition price for land or property must be at a discount (at least one percent per property) below the appraised value. While all

funding must be used for programs that house families at or below 120 percent of area median income (AMI), at least 25 percent of the funding must be used for families at or below 50 percent of AMI, and the jurisdiction must impose regulatory restrictions to ensure on-going affordability. The local strategy for the NSP-2 funds is described in detail below, building off of the successes of the existing NSP strategy and the additional funding and opportunities available through NSP-2.

3. LOCAL ADMINISTRATION

Consortium

NSP-2 allows only one application for funding from any one entity. Given this, SHRA cannot be the applicant on behalf of both the City of Sacramento and County of Sacramento independently. To allow SHRA to apply for funding for both the City and County and to implement the NSP-2 activities, the City and County will need to enter into a consortium agreement. In addition, because of the minimum threshold of funding and units, the other incorporated cities in Sacramento County likely could not independently compete for and administer the funds, given the delivery timeframes. As a way to expand the impact of NSP-2 in Sacramento County, SHRA reached out to all the other cities in Sacramento County regarding their interest in joining the consortium. Both Citrus Heights and Rancho Cordova expressed interest and had projects that could fit into the general scope of the NSP-2 activities, specifically through the Block Acquisition Program.

The consortium will apply only to NSP-2 funding and activities, and will allow the County and the cities to cooperatively carry out the NSP-2 program, delegating all administrative responsibilities to SHRA. Subsequent to funding award, the consortium members will be required to enter into funding agreements that will detail the specific program activities, funding commitments and timing for each member of the consortium. While the consortium approach will result in one County application, covering the three cities and the unincorporated County, SHRA has modeled funding requests and activities by jurisdiction, and will administer the funds based on these allocations (see section 6).

Marketing of Homes

To support the various NSP-2 homeownership activities, SHRA will be seeking a partner to create a comprehensive marketing plan for qualified homebuyers. This administrative addition to the NSP-2 program will serve multiple goals, including:

- Promoting responsible homeownership, by linking potential homebuyers with counseling and other pre-purchase resources;

- Promoting affordable housing opportunities, by marketing the program and available houses to lower income households;
- Promoting investment in impacted neighborhoods, by offering sales and marketing assistance to developers taking on difficult projects.

Selection of a partner and exact scope of the program will be solicited through a competitive process. Initial considerations for scope of services include a detailed marketing campaign to find potential buyers, partnerships with non-profit housing counselors and lenders to help prepare potential buyers and creating and matching potential buyers to match potential buyers with homeownership services (counseling, education, lending, etc.) and with available homes.

4. GEOGRAPHIC TARGETING

In order to ensure that NSP-2 dollars are expended in areas significantly impacted by foreclosures, HUD created threshold eligibility for funds based on percentages of foreclosures and percentages of foreclosures and vacancy. Based on these measures alone, 188 census tracts in the City and County of Sacramento are eligible for NSP-2 dollars. However, by further narrowing the geography, the Sacramento consortium can strategically operate in areas that are most severely impacted by foreclosures and in weaker housing markets that are not as readily able to recover without assistance.

Current NSP-1 activities are targeted based on the following criteria:

1. Foreclosure Rate – Top quartile of census tracts in Sacramento County by residential foreclosure filings per parcel, January 2007 through June 2008. (Source: DataQuick Information Systems)
2. Subprime Loan Percentage – Top quartile of census tracts in Sacramento County by percent of loans that were high cost, 2006. (Source: Home Mortgage Disclosure Act)
3. Likelihood of Increase in Home Foreclosures – Staff believes that it is reasonable to assume that areas with high rates of foreclosure and high rates of subprime lending will continue to have the highest foreclosure rate.

Updating the data used to select these areas shows that they continue to be the most impacted areas in the City and County, and, therefore, staff recommends maintaining these areas for NSP-2 activities as well. Based on the NSP-1 targeting methodology and the HUD eligible census tracts, two census tracts in the County and one in the City of Sacramento that are contiguous to the existing target areas are added in NSP-2, as well as two census tracts in the cities of Citrus Heights and Rancho Cordova that contain NSP eligible projects. These measures result in 58 census tracts (31% of eligible tracts) designated as target areas.

Staff believes that geographic targeting will focus activities in a way that achieves a visible impact in the most affected neighborhoods. Because weaker markets are targeted, home sales will be “naturally” affordable to families well below the 120 percent area median income (AMI) requirement, likely affordable to those in the low-income ranges (below 80% AMI). Rental units will be targeted more deeply to meet the very low-income requirements (below 50 percent AMI), consistent with market rents and incomes in the targeted areas.

5. LOCAL PROGRAMS

The Sacramento NSP-2 programs are designed to be responsive to the diverse needs of Sacramento neighborhoods, meet HUD’s goals and criteria for funding and be complimentary to existing efforts through NSP-1 and redevelopment functions. All local programs align with larger eligible uses and activities of the Neighborhood Stabilization Program, with a focused goal of re-occupying as many housing units as possible, through a combination of developer driven rehabilitation, redevelopment and ownership incentive programs.

The following table details the five HUD designated eligible uses for NSP-2 dollars, and the corresponding local program(s). Many local programs meet more than one eligible use.

NSP Eligible Activities	Associated Local Program(s)
Homeownership Financing Mechanisms	<ul style="list-style-type: none"> • Acquisition and Repair Program • Purchase Assistance Program
Purchase and Rehabilitation	<ul style="list-style-type: none"> • Vacant Properties Program • Block Acquisition (Norcade) • Property Recycling Program • Acquisition and Repair Program
Land Banking of Residential Properties	<ul style="list-style-type: none"> • Property Recycling Program • Block Acquisition Program
Demolition of Blighted Structures	<ul style="list-style-type: none"> • Property Recycling Program • Block Acquisition Program
Redevelopment of Vacant Properties as Housing	<ul style="list-style-type: none"> • Public Housing Rehabilitation • Block Acquisition Program

Vacant Properties Program

Modeled after the successful ‘Boarded and Vacant’ and the ‘Vacant Lot’ programs, the Vacant Properties Program is designed to return vacant and blighted homes and properties to owner occupancy. Partnering with local contractors and developers in targeted areas of the City and County of Sacramento, the Program provides the developer an incentive fee to be paid after homes are rehabilitated and sold to owner-occupants.

Block Acquisition/Rehabilitation

High foreclosure rates and blighted, vacant properties can provide a revitalization and intervention opportunity on a more targeted basis. Acquisition and rehabilitation efforts can substantially improve these targeted areas where foreclosures and vacant properties have magnified existing physical and social blight issues. These areas share many common traits, including:

- Poorly maintained properties;
- Prevalence of investor-owned residential properties;
- Heightened police and code enforcement activity; and
- Declining property values.

Building off the success of past and current efforts at Fruitridge Vista and Lerwick Road in the County and at Phoenix Park in the City, SHRA crafted a Block Acquisition/Rehabilitation Program under NSP-1 to help address some of the blighted conditions in specific targeted areas. This program has proven to be successful, with properties acquired in two target streets in the County. For NSP-2, SHRA proposes to augment this existing program and expand its applicability to other redevelopment opportunities. The Block Acquisition Program promotes the acquisition, and rehabilitation (or demolition and redevelopment) of vacant and foreclosed properties. End uses may include development of rental or for-sale housing, land banking for future redevelopment activities or development of mixed used projects. Transformation depends not only on removing the physical blight, but also in stabilizing and securing the neighborhood; therefore, the program must be complemented by additional City and County efforts, including coordination of police and code enforcement efforts to reduce crime and nuisance activities and investment in public infrastructure. While the end uses may vary, the commonalities in the Block Acquisition Program focus on redevelopment and revitalization of areas with significant blighting conditions.

For private developers, the program will continue (as it has in NSP-1) to provide low-interest loans to developers who are able to demonstrate capacity to acquire at least 50 percent of the properties in one of these areas and make a significant investment for change in the area. Funds will be used to provide stable, affordable and safe housing units accompanied by strong property management as a vital component of this Program. Income targeting will contribute to the NSP requirement of 25 percent expenditure to very low income (50% AMI) households.

For government partners (specifically, the cities of Citrus Heights and Rancho Cordova) using the Block Acquisition Program to acquire vacant properties for redevelopment, the NSP-2 funds will be structured as grants or loans, dependent

on the financial needs and feasibility of the individual projects. The government partner will be responsible for ensuring that properties on the site are demolished, and that the site is maintained and planned for redevelopment in accordance with NSP-2 regulations. Eligible properties include duplex and four-plex properties as well as blighted and vacant hotels/motels in highly targeted areas. End uses of properties acquired through the Block Acquisition Program include mixed use developments, housing and other community benefit projects (parks, community centers, etc.).

Current Block Acquisition/Rehabilitation activities using NSP-1 funds are underway on Lerwick Road and Norcade Circle in the County and in Morrison Creek Estates in the City. NSP-2 funds for the Block Acquisition/Rehabilitation Program will augment and expand the current activities on Norcade Circle, enabling the developers (EPO Development) to acquire up to 44 additional units (for a total of 76 out of 208). In addition to NSP funding, SHRA has committed low/moderate income tax increment funding for the acquisition of units on Norcade, with the goal of bringing EPO Development's ownership interest to at least 51 percent.

In addition, \$3.1 million of NSP-2 funds in the Block Acquisition Program will be set aside for redevelopment projects in the consortium cities of Citrus Heights and Rancho Cordova. In Citrus Heights, Block Acquisition funding will be used to continue the ongoing redevelopment efforts on Sayonara Drive, allowing the City to acquire blighted and foreclosed four-plex units for site assemblage and redevelopment activities. In Rancho Cordova, Block Acquisition funding will be used to acquire and demolish blighted commercial properties and redevelop them as mixed-use developments. Both Citrus Heights and Rancho Cordova will ensure that at least 25 percent of NSP-2 funds being used in their jurisdictions will be spent on housing for very low income households.

Property Recycling Program (PRP)

The Property Recycling Program (PRP) focuses on stabilizing neighborhoods through strategic investments and partnerships. Unlike the other programs in which developers bring properties to SHRA, the PRP allows SHRA to directly acquire properties and "triage" them for the best end use based on neighborhood needs, property specific characteristics, and policy goals. 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.

Public Housing Rehabilitation Program

In its role as the Public Housing Authority for the City and County, SHRA owns and operates over 3,000 units of deeply affordable housing. Included in this housing stock are a number of scattered single family homes that are vacant and in need of repairs, due to a continual decline in capital funding from HUD over many years. SHRA has identified 32 of these public housing units in the City of Sacramento and 15 in unincorporated Sacramento County that are also located in the NSP-2 target areas. As a way to contribute to the stabilization of these impacted areas by repairing the homes and bringing new occupants, SHRA has developed the Public Housing Rehabilitation Program under NSP-2. Units assisted under this program will meet all of the rehabilitation standards of developer driven NSP-2 activities, and income targeting will contribute to the NSP requirement of 25 percent expenditure to very low income (50% AMI) households.

Purchase and Repair Program

As a complement to other NSP-2 programs, which revitalize the most significantly deteriorated properties through developer activity, the Purchase and Repair Program promotes homeowner investment in targeted areas. The goal of the program is to create incentives for homeowners to purchase in targeted areas where other focused stabilization activities are underway. Many of the foreclosed homes that are available and appropriate for immediate homebuyer purchase (e.g. do not need extensive rehabilitation) may need minor repairs to meet first mortgage lending requirements. This program allows the homeowner to complete these repairs and access funds to assist with purchasing the home through a combination of a deferred payment loan and grant. Detailed program guidelines for the Purchase and Repair Program will be approved subsequent to NSP-2 funding award.

Purchase Assistance Program

It is anticipated that the Vacant Properties Program and Property Recycling Program will both result in a volume of new homeownership opportunities for lower income families. The value of the homes renovated through these programs should be an attractive incentive for potential homeowners, although it is expected that some may need assistance with securing the necessary down payments and closing costs to access secure first mortgage loans. To help these potential homebuyers and to further market the VPP and PRP homes, SHRA is creating a Purchase Assistance Program specifically homes renovated through NSP activities. The program will offer a deferred payment loan to cover closing costs and downpayment, as needed by the individual homebuyer. Additional funds may be available for mortgage assistance, should the price of the home warrant it to ensure the homebuyer has an affordable mortgage. All

Application for Neighborhood Stabilization Program Funding

Exhibit B

homebuyers will be required to attend homeownership counseling and to secure a 30 year fixed rate, first mortgage loan. Detailed program guidelines for the Purchase Assistance Program will be approved subsequent to NSP-2 funding award.

6. VOLUME AND SCALE

Based on past SHRA experience, historic activity, estimates of acquisition and rehabilitation costs, conservative leverage estimated, and conversations with potential partners, the following represents the best estimate of achievable units and the associated funding. Progress will be closely monitored in each activity and adjustments may be proposed through amendments.

Program	Approximate NSP-2 Units			NSP-2 Funding Requested ¹			% Funding
	City	County	Total	City	County	Total	
Block Acquisition ²	0	100	100	0	\$10,010,000	\$10,010,000	28%
Property Recycling ³	125	125	250	\$9,900,000	\$9,900,000	\$19,800,000	54%
Public Housing	32	15	47	\$3,470,500	\$1,650,000	\$5,120,500	14%
Purchase & Repair	27	27	54	\$445,500	\$445,500	\$891,000	3%
Purchase Assistance	23	23	46	\$495,000	\$495,000	\$990,000	3%
TOTAL	207	290	497	\$14,311,000	\$22,500,000	\$36,811,500	100%

¹ 10% administration costs are included in each program activities

² Block Acquisition Program includes \$1,500,000 for activities in Rancho Cordova and \$1,600,000 for Citrus Heights

³ Includes both initial units and units produced through "recycled" funds.

