



REPORT TO COUNCIL AND REDEVELOPMENT AGENCY

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

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13

Staff Report
March 9, 2010

Honorable Mayor and Members of the City Council
Chair and Members of the Redevelopment Agency

Title: Mid-Year Update to the 2010 One-Year Action Plan Community Development Block Grant (CDBG) Program, Housing Opportunities for Persons with AIDS (HOPWA) Program, Amendment to The Neighborhood Stabilization Program (NSP), Amendment to the Sacramento Housing and Redevelopment Agency (SHRA) Budget, and Acquisition of Properties at Morrison Creek Estates

Location/Council District: Citywide

Recommendation: Adopt 1) a **City Council Resolution:** a) approving the amendments to the 2010 One-Year Action Plan Budget and various years' Action Plans; b) authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to submit the amendments to the 2010 One-Year Action Plan and various years' Action Plans to the U.S. Department of Housing and Urban Development (HUD); c) authorizing the City Manager and the SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the Community Development Block Grant (CDBG) funded activities; d) amending the SHRA Budget to allocate the CDBG funding for programs and projects in accordance with the amendment of the prior years' Action Plans; e) authorizing the County Department of Human Assistance (DHA) to identify a provider to replace MAAP for the case management services; f) authorizing SHRA to establish two revolving fund accounts to receive loan payments from NSP activities to be used for future NSP activities; g) authorizing SHRA to modify the Morrison Creek Estates Project to reallocate \$1,500,000 to the Vacant Property Program and \$2,000,000 to the Property Recycling Program; and h) amending the SHRA budget to receive program income from NSP rehabilitation activities; 2) a **Redevelopment Agency Resolution** a) amending the SHRA budget to allocate \$1,500,000 of Franklin Boulevard Redevelopment Project Area Low/Mod Housing Fund to the Morrison Creek Estates project; b) authorizing the purchase of properties in Morrison Creek Estates for just compensation, which is fair market value as determined by an independent appraisal; and c) authorizing the Executive Director, or her designee, to take all actions reasonably necessary to purchase properties.

Contact: Gregory H. Wessel, Assistant Director, 440-1346, Chris Pahule, Assistant Director, 440-1350, Geoffrey Ross, Program Manager, 440-1357

Presenters: Geoffrey Ross, Program Manager – Housing and Community Development

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This report requests approval of: 1) the Mid-Year 2010 One-Year Action Plan Update, 2) proposed amendments to prior year Action Plans; and 3) submission of the revised documents to the U.S. Department of Housing and Urban Development (HUD). The 2010 One-Year Action Plan describes community development activities funded by the City through the use of federal community development funding originating from HUD, and any amendments are required to be submitted to HUD each year. Please refer to Exhibit A and B to the City Resolution for the list of activities to be reprogrammed from previously approved appropriations and allocated to new and existing activities which must be completed in the next 18 months as required by HUD.

This report further requests to amend the City's NSP, which must be fully obligated within 18 months of the award contract, or September 30, 2010. In February 2009, the City Council approved \$4,000,000 in NSP funding through the "Block Strategy" for the Housing Authority to acquire and rehabilitate foreclosed properties in the Morrison Creek Estates community with the goal of assisting 46 properties. This project was also to meet the NSP requirement that 25% of funds be targeted to very-low income families. Unfortunately, due to a foreclosure slowdown in Morrison Creek Estates, significant competition for short sales and foreclosed properties, and the restrictive NSP regulations, only three units have been acquired and only \$54,000 of the original \$4,000,000 NSP allocation has been expended. In order to meet the obligation and income targeting requirements of NSP, staff recommends reallocating funds to more flexible programs and revising the approach for the Morrison Creek Estates Project.

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 enact 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 and substantially amended for the Neighborhood Stabilization Program on October 21, 2008. The use of the Franklin Boulevard Low/Moderate Fund is consistent with the Redevelopment Agency's strategy of expending affordable housing resources in neighborhoods that have proximity to the redevelopment area with the goal of expanding the supply of affordable housing throughout the City.

Environmental Considerations:

California Environmental Quality Act (CEQA)/National Environmental Policy Act (NEPA): Community Development Block Grant This action constitutes updates to existing planning studies, budget amendments, and designation of authority to carry out activities associated with the allocation of funding only. This action does not constitute approval for any specific projects, or the allocation of funding to any specific projects, that may have an adverse effect on the environment. As such, these actions are exempt from or do not require environmental review under CEQA or NEPA.

All new federally funded projects are subject to environmental review under the requirements of the National Environmental Policy Act (NEPA) and per HUD regulations prior to any commitment of federal funds for expenditures, unless they are exempt from such review. Commitment of funding for new projects that could result in a direct or indirect physical change to the environment is subject to environmental review under the California Environmental Quality Act, (CEQA) if implementation of the projects is authorized as part of the budgeting process. Therefore, the appropriate level of CEQA and/or NEPA review will be carried out for individual projects under this plan as they are identified.

Morrison Creek Estates The Block Strategy under the Neighborhood Stabilization Program (NSP) is exempt from CEQA pursuant to Guidelines Section 15301(d), which exempts the rehabilitation of deteriorated structures to meet current standards of health and safety; and Guidelines Section 15310, which exempts loans for the acquisition of existing structures.

The rehabilitation of existing structures pursuant to the Block Strategy is categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(3)(i), which exempts rehabilitation of buildings and improvements; and 24 CFR 58.35(a)(5), which exempts acquisition of an existing structure. Site specific environmental review will be performed for each subsequent action prior to funding commitment.

Sustainability Considerations: The Projects 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 as follows: the project supports Goal number five – Public health and Nutrition, item 3 – Create Healthy Urban Environments through Restorative Redevelopment.

Committee/Commission Action: *Sacramento Housing and Redevelopment Commission:* At its March 3, 2010 meeting, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. Staff will brief the Council on the outcome of their vote on March 9, 2010.

Rationale for Recommendation: As a condition of the receipt of various federal grants provided through HUD, the regulations require the annual submittal of a One-Year Action Plan describing proposed activities and expenditures for the following year using goals and priorities described in the Consolidated Plan. Any amendments to the One-Year Action plan must also be submitted to HUD. The proposed de-funding and appropriation of funds to new and existing activities, which can be completed within 18 months, are consistent with the goals and objectives of the City of Sacramento's 2008-2012 Consolidated Plan, approved by the Council on October 23, 2007.

This report also recommends authorization to amend the budget for the NSP. As all NSP funds must be obligated by September 30, 2010, staff is recommending reallocating \$3,500,000 from Morrison Creek Estates to programs that will allow for SHRA to meet the obligation requirement. Therefore, staff is recommending that \$1,500,000 be allocated to the Vacant Properties Program, which has provided rehabilitation funding to 46 foreclosed properties. There are currently 11 properties on a waiting list for funding and funding would allow for those properties to expeditiously move forward. An infusion of \$2,000,000 to the Property Recycling Program will allow for the acquisition and rehabilitation of a small apartment complex that can be owned and managed by the Housing Authority to meet the NSP's income targeting requirement of 25% of the award, or \$3,316,207. Staff is also recommending modifications to the existing Property Recycling Program Guidelines to further clarify activities that may be undertaken (Exhibit D).

Finally, SHRA remains committed to aggressively acquire properties and concentrate ownership in Morrison Creek Estates. The report recommends resizing the project budget at \$2,000,000 including \$1,500,000 of Franklin Boulevard Redevelopment Low/Moderate Housing funds and \$500,000 of NSP. By leveraging the NSP funds with Redevelopment Low/Moderate Housing funds, SHRA will be able to pursue various acquisition strategies including short sales and trustee sales. Based on an analysis of properties in Morrison Creek Estates that are "under water," staff believes that 19 units can be acquired and rehabilitated over the next few years.

Financial Considerations: This report recommends the amendment of the 2010 and prior years' Agency budgets to reprogram \$228,000 of previously approved CDBG funds from cancelled and/or completed projects and capital reserve. It also recommends amending various years' One-Year Action Plans to reflect defundings, augmentations, and new appropriations totaling \$676,000, plus up to an additional \$500,000, derived from an increase to the 2010 entitlement, to new and existing activities which can be completed within 18 months as required by HUD. Please see Exhibits A and B to this report for a complete list of projects and funding amounts.

Allocations made in the NSP amendment to the 2009 One-Year Action Plan are based on a grant award of \$13,264,829. This report recommends moving \$3,500,000 from the Block Acquisition and Rehabilitation strategy and reallocating \$1,500,000 to the Vacant Property Program and \$2,000,000 to the Property Recycling Program. The Amended NSP budget upon adoption of this report shall be:

Program	Amount
Vacant Property Program	\$5,500,000
Block Acquisition and Rehab	\$ 500,000
Property Recycling Program	\$5,964,829
Program Administration	\$1,300,000
<i>Total</i>	<i>\$13,264,829</i>

This report also recommends an allocation of \$1,500,000 in Franklin Boulevard Redevelopment Low/Moderate Housing funds for the Morrison Creek Estates Project.

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 SHELLÉ DOZIER
 Executive Director

Recommendation Approved:

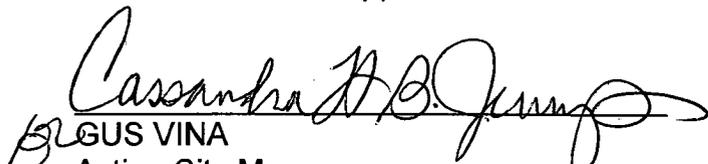

 GUS VINA
 Acting City Manager

Table of Contents

Report	pg. 1
Attachments	
1 Background	pg. 6
2 City Council Resolution	pg. 8
Exhibit A: Defunded Activities for Various Years’ Action Plan	pg. 11
Exhibit B: Amendments to 2010 One-Year Action Plan Activities	pg. 12
Exhibit C: Morrison Creek Estates Sources and Uses	pg. 14
Exhibit D: Property Recycling Program Guidelines	pg. 15
3 Redevelopment Agency Resolution	pg. 19
4 Target Area Map	pg. 21
5 Morrison Creek Estates Map	pg. 22

Background

New activities, reprogramming of previous years' funds, submission of a substantial amendment to the Consolidated Plan and the use of the funds are based upon Consolidated Plan priorities adopted by the City Council on October 23, 2007.

CDBG

The infrastructure and public improvement projects recommended in the 2010 Mid-Year Action Plan amendment are in support of Council District and various department priorities, as well as previous commitments to support projects currently underway throughout the City. District funding allocations are based on the most current federal budget trends and the percentage of low- and moderate-income population residing in the district as documented in the 2000 census. Other actions to further the Consolidated Plan strategies as required by HUD are described in the Action Plan Narrative, the Public Housing Authority Administrative Plan, the Citizen Participation Plan, the Continuum of Care Plan and the Ten-Year Plan to End Chronic Homelessness. These documents are on file with the Agency Clerk.

626/630 I Street I Street Public Housing Substantial Rehabilitation

On September 9, 2009, SHRA was awarded a \$10,000,000 grant through the Capital Fund Recovery Competition (CFRC) of the American Recovery and Reinvestment Act (ARRA) to be used for substantial rehabilitation of the public housing property at 626/630 I Street. CDBG funding of \$500,000 is being recommended to leverage the \$13.7 million rehabilitation project. An additional amount, up to \$500,000, will be allocated to this project if the 2010 CDBG allocation, when released by HUD for the City, is greater than staff's projected 2010 Action Plan submitted to HUD in November 2009. Total project contribution from the CDBG fund may be up to \$1 million.

Neighborhood Stabilization Program (NSP)

Revolving Loan Fund. In October 2008 SHRA submitted a Substantial Amendment for the Neighborhood Stabilization Program funded through the Housing and Economic Recovery Act of 2008 (HERA). Two of the programs identified in the amendment were the Vacant Properties Program and the Property Recycling Program. Both programs will generate funds through the repayment of loans; HUD defines such payments as program income per the Code of Federal Regulations Title 24 Part 570.500(b). Staff recommends establishing two revolving fund accounts for the purpose of carrying out specific activities in both programs.

Block Strategy – Morrison Creek Estates. As part of the local response to foreclosure, SHRA has sought to consolidate ownership and create unified property management through a Block Strategy. This strategy was developed to accomplish two key aspects of the local response: 1) through the consolidation of ownership and management the project would achieve stabilization of a narrowly defined neighborhood, and 2) fulfill the very low income targeting requirement under NSP. The regulations governing the NSP mandate that 25 percent of all NSP funds must assist households at or below 50

percent area median income (AMI). For the City of Sacramento, the very low income requirement is \$3,316,207.

As part of the NSP, SHRA identified four eligible blocks within the NSP target areas where this strategy likely could be implemented. The blocks identified were Western Avenue, Nedra Court, Coral Gables, and Morrison Creek Estates. To ensure success, SHRA analyzed these individual blocks using data illustrating both current (2008) foreclosures and likely future (2009/10) foreclosure activity. Implementation required SHRA to determine significant opportunities to consolidate ownership due to foreclosures and to create a unified property management structure with onsite management.

Based on these criteria, on February 24, 2009 SHRA recommended, and the City Council approved, the investment of \$4 million of NSP funds for Morrison Creek Estates utilizing the City Housing Authority to undertake planning, acquisition, and rehabilitation activities. Morrison Creek Estates is located just north of the hugely successful Phoenix Park project. The 236 unit fourplex community is significantly blighted and had experienced a significant number of foreclosures.

The original composition of the Morrison Creek Estates Project utilized NSP funding exclusively and sought to purchase up to 46 units. To date, due to intense competition for properties coupled with less foreclosure activity than anticipated and the restrictions accompanying NSP funding, only three units have been successfully acquired. Staff recommends revising the structure of the project to continue with the effort already underway in Morrison Creek Estates. As part of the restructuring of the Morrison Creek Estates project, staff recommends resizing the budget to \$2,000,000, and the use of Franklin Boulevard Redevelopment Project Area Low/Mod Housing Funds to provide both leverage and additional flexibility to implement the Block Strategy.

Property Recycling Program. To maximize effectiveness with best possible outcomes and to position Sacramento to receive additional NSP funding the attached revised program guidelines further clarifies how SHRA will purchase vacant and foreclosed residential properties within the NSP target areas. SHRA is closely monitoring the progress of all NSP programs in an effort to ensure an effective and timely approach to investing resources. As such, this report recommends modification to the PRP program guidelines in accordance with previous City Council direction to ensure that all NSP funding is obligated by the mandatory 18-month deadline.

Housing Opportunities for Persons with AIDS (HOPWA)

In the 2010 One-Year Action Plan submission to HUD, MAAP was identified as a provider for case management services in the HOPWA program. MAAP recently notified DHA they would no longer be able to provide this service. The purpose of staff's recommendation is to update the 2010 Action Plan by authorizing DHA to identify a provider to replace MAAP for the case management services.

RESOLUTION NO. 2010 -

Adopted by the Sacramento City Council

on date of

AMENDMENT TO THE CITY COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG) AND VARIOUS YEARS' ACTION PLANS

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 a long-term strategy for meeting those needs. In addition, it specifically addresses federally funded housing and community development programs: Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), Housing Opportunities for Persons with AIDS (HOPWA), Emergency Shelter Grant (ESG) Programs.
- B. On October 21, 2008, the Sacramento City Council approved a substantial amendment to the 2008 – 2012 Consolidated Plan containing Neighborhood Stabilization Plan (NSP). (Resolution – 2008-691)
- C. On February 24, 2009, the City Council approved Amendments to the 2009 One-Year Action Plan containing the implementation guidelines for the NSP, to include the implementation of the Block Acquisition and Rehabilitation Strategy for Morrison Creek Estates. (Resolution - 2008-114)
- D. On October 27, 2009, the Sacramento City Council approved the 2010 One-Year Action Plan. (Resolution – 2009-688)
- E. 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.
- F. A noticed public hearing soliciting comments on the 2010 One-Year Action Plan, the amendments to the Morrison Creek Estates project as part of the NSP and Agency budget was held by the Sacramento Housing and Redevelopment Commission on March 3, 2010.
- G. Action under CDBG constitute updates to existing planning studies, budget amendments and designation of authority to carry out activities associated with the allocation of funding only. This action does not constitute approval for any

specific projects, or the allocation of funding to any specific projects, that may have an adverse effect on the environment. As such, these actions are exempt from or do not require environmental review under CEQA or NEPA.

- H. All new CDBG funded projects are subject to environmental review under the requirements of the National Environmental Policy Act (NEPA) and per HUD regulations prior to any commitment of federal funds for expenditures, unless they are exempt from such review. Commitment of funding for new projects that could result in a direct or indirect physical change to the environment is subject to environmental review under the California Environmental Quality Act (CEQA) if implementation of the projects is authorized as part of the budgeting process. Therefore, the appropriate level of CEQA and/or NEPA review will be carried out for individual projects under this plan as they are identified.

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, above are true and correct.
- Section 2. Sacramento Housing and Redevelopment Agency (Agency) is authorized to amend various years' Action Plans.
- Section 3. The 2010 One-Year Action Plan is amended to add the projects set out in Exhibit B, which is attached to this resolution, is hereby approved.
- Section 4. The Agency is authorized to amend the Agency Budget to allocate the CDBG funding for programs and projects in accordance with the amendment of the prior years' Action Plan.
- Section 5. The Agency is authorized to submit the amendments of the 2010 One-Year Action Plan and prior years' Action Plan to HUD.
- Section 6. The City Manager is authorized to execute all necessary agreements and contracts to carry out the recommended activities described in this resolution, each in a form approved by Agency Counsel.
- Section 7. The County of Sacramento Department of Human Assistance (DHA) is authorized to identify a provider to replace MAAP for the case management services.
- Section 8. Agency is authorized to establish two revolving fund accounts to receive re-payments of loans from the Vacant Property Program and Property Recycling Program to be used for future activities by each program respectively.

Section 9. Agency is authorized to augment the Modernization of 626/630 I Street (Public Housing) project with \$500,000 of current funding and up to an additional \$500,000 derived from increased 2010 CDBG entitlement, if and when received from HUD, for the design and construction to rehabilitate public housing and support office space at 626/630 I Street.

Section 10. The Amendment to the 2009 Action Plan, which leaves \$500,000 of the original \$4 million NSP allocation to the Morrison Creek Estates Project and reallocates \$1,100,000 to the Vacant Property Program and \$2,400,000 to the Property Recycling Program, is approved.

Section 11. The modifications to the Property Recycling Program Guidelines set out in Exhibit D, which is attached to this resolution, is hereby approved.

Table of Contents

- Exhibit A: Defunded Activities for Various Years' Action Plan
- Exhibit B: Amendments to 2010 One-Year Action Plan Activities
- Exhibit C: Morrison Creek Estates Sources and Uses
- Exhibit D: Property Recycling Program Guidelines

**City of Sacramento
Defunded Activities for Various Years' Action Plan**

Activities being defunded are those that have been completed, cancelled or funded through alternative sources. Newly funded activities are scheduled to be implemented and completed by December 31, 2012 to comply with federal regulations governing the timely expenditure of funds.

CDBG		
Recommendation	Amount	Fund
River Gardens/Gardenland Neighborhood Acquisition/Rehabilitation (District 1): Funding for the development and or rehabilitation of a new or existing neighborhood park/community center. Specific projects have been identified and staff recommends the funds be reprogrammed for the projects identified in Exhibit B.	\$114,000	CDBG
Neighborhood Acquisition/Rehabilitation Project (District 1): Funding for the development and or rehabilitation of a new or existing neighborhood park/community center. Specific projects have been identified and staff recommends the funds be reprogrammed for the projects identified in Exhibit B.	\$114,000	CDBG
Total	\$228,000	

NSP		
Recommendation	Amount	Fund
Block Acquisition and Rehabilitation (Morrison Creek Estates): Funds to be used to acquire and/or rehabilitate 46 foreclosed units to leverage the Housing Authority's investment and management of 57 existing units. Due to unforeseen slowdown in the foreclosure market and significant competition the funds are not moving in a timely manner, staff recommends funds be reallocated to the NSP Vacant Property Program and the Property Recycling Program.	\$3,500,000	NSP

**City of Sacramento
Amendment to 2010 Action Plan**

This report formally amends the 2010 Action Plan by augmenting existing and new projects with CDBG. These activities have been identified as those that need immediate funding. Also, these adjustments will facilitate timely expenditures as required by HUD.

CDBG		
Recommendation	Amount	Fund
Jibboom Street Infrastructure Project (District 1): Funds will be used for design and construction of Infrastructure improvements to Jibboom Street, beginning 875 feet south of the intersection of Jibboom Street and Richards Boulevard and continuing south for 750 feet.	\$100,000	CDBG
Robert T. Matsui Waterfront Park Improvements (District 1): Funds will be used for design and construction of park improvements.	\$5,000	CDBG
Twin Rivers Public Housing Rehabilitation in support of public services (District 1): Funds will be used to improve the building and grounds housing after school program at Twin Rivers Public Housing Development.	\$20,000	CDBG
Historic Chinese Mall Improvements (District 1): Funds will be used for, but not limited to pedestrian improvements, safety improvements, park features improvements, lighting, sidewalk/paver improvements and signage.	\$30,000	CDBG
Zapata Park Playground Project (District 1): Funds will be used for the demolition of existing structures and site preparation to install playground equipment.	\$15,000	CDBG
Modernization 626/630 I Street (Public Housing): Funds will be used for the design and construction to rehabilitate public housing units and support office spaces at 626/630 I Street. An Additional CDBG amount up to \$500,000 is committed to this project if the 2010 funding allocation when released by HUD is greater than staff anticipated when the Action Plan was submitted to HUD in November 2009. Total project funding may be up to \$1 million.	\$500,000	CDBG
Mayes Jewelers' Street Clock Restoration Project (District 1): Funds will be used for the historic preservation of the clock on J Street.	\$6,000	CDBG
Total	\$676,000	

NSP		
Recommendation	Amount	Fund
<p>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.</p>	\$2,000,000	NSP
<p>Vacant Property Program: The Sacramento Vacant Property Program (VPP) focuses on stabilizing neighborhoods through the acquisition and rehabilitation of foreclosed, single-family vacant homes in targeted areas. The program is designed to encourage participating builders to purchase foreclosed single-family properties using their own financial resources, receive a loan from SHRA to cover the costs of rehabilitation, and upon successful sale to an eligible owner-occupant, receive a developer fee.</p>	\$1,500,000	NSP

Project Summary Morrison Creek Estates

<u>Address</u>	Morrison Creek Estates		
<u>Number of Units</u>	19		
<u>Year Built</u>	1970		
<u>Acreage</u>	14		
<u>Affordability</u>	19 units (100%) at or below 50% of median income		
<u>Unit Mix and Rents</u>	(50% AMI)		
2 Bedroom	19		
<u>Unit Square Footage</u>	920 square feet (approx.)		
2 Bedroom	Approx. 17,480 square feet		
Total			
<u>Permanent Sources</u>	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Tax Increment Loan	\$1,500,000	\$ 78,947	\$ 85.81
NSP Loan	500,000	26,316	28.60
TOTAL SOURCES	\$ 2,000,000	\$ 105,263	\$ 114.42
<u>Permanent Uses</u>			
Acquisition	\$ 532,000	\$ 28,000	\$ 30.43
Construction Costs	760,000	40,000	43.48
Contingency	69,000	3,632	3.95
Fees/Permits	110,000	5,789	6.29
Relocation Costs	175,000	9,211	10.01
Appraisal	9,500	500	0.54
Replacement Reserves	70,000	3,684	4.00
Developer Fee	156,200	8,221	8.94
Insurance and Marketing	38,000	2,000	2.17
Miscellaneous	80,300	4,226	4.59
TOTAL USES	\$ 2,000,000	\$ 105,263	\$ 114.42
<u>Management / Operations</u>			
Operations Budget:	\$125,400	\$6,600 per unit	
Replacement Reserves:	\$5,700	\$300 per unit	



**Sacramento
Housing &
Redevelopment
Agency**

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, rehabilitation 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 from the date of the final offer.
- 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) 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 CRF 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). SHRA will complete a programmatic replacement housing plan that will identify units that will be created in the City and County in order to replace the maximum number of units that may be demolished in the Target Areas under the program.

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.

6.1.3 Redevelopment. SHRA will partner with non-profit and for-profit developers to construct housing units on vacant properties. These properties that are purchased with NSP funds will be developed with new construction. SHRA may also partner with governmental agencies to utilize properties for a public use.

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. SHRA may require the Community Partner to provide a percentage of acquisition cost at the time of disposition to offset overall Agency funding commitment. SHRA will carry back the remaining cost of the acquisition until the property is sold to an eligible buyer. 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 Property Recycling Program, including rehabilitation standards, payment of 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). SHRA may also fund the rehabilitation of such projects; however, 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. Properties may also be acquired and rehabilitated for long-term rental housing by the Housing Authority.

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. If a property is offered to a Mission-Driven Partner as a donation, then SHRA will not provide a developer fee.

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 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 a price determined by SHRA, not to exceed the price paid for property. The partner(s) will be offered a 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, governmental entities or the Housing Authority that develop rental properties, with experience in constructing, rehabilitating, operating and/or maintaining affordable rental housing. As multi-family properties become available that are not suitable for the Housing Authority, SHRA will release property specific Request for Proposals (RFP) to obtain 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 demolition and redevelopment or rental housing objectives, unless utilized by the Housing Authority, will be disposed of by the Redevelopment Agency through a public process. The Disposition and Development Agreement (DDA) for the properties will be subject to legislative approval.

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). SHRA may require the Volume Builder Community Partner(s) to provide a percentage of acquisition cost at the time of disposition to offset to overall Agency funding commitment. SHRA will carry back the remaining cost of the acquisition until the property is sold to an eligible buyer. If a Mission Driven or Volume Builder Community Partner(s) do

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 Property Recycling 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.

[Back to Table of Contents](#)

RESOLUTION NO. 2010-

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

APPROVAL OF USE OF FRANKLIN BOULEVARD REDEVELOPMENT AREA LOW AND MODERATE FUND PERTAINING TO THE MORRISON CREEK ESTATES PROJECT

BACKGROUND

- A. On October 23, 2007, the Sacramento City Council approved the 2008-2012 Consolidated Plan. The Consolidated Plan identifies the City's housing and community development needs and describes the long-term strategy for meeting those needs. In addition, it specifically addresses federally funded housing and community development programs to include the Community Development Block Grant (CDBG).
- B. 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.
- C. On September 29, 2008, the U.S. Department of Housing and Urban Development (HUD) released the formula and regulations for the new allocation of CDBG under the Neighborhood Stabilization Program (NSP) as prescribed by HERA.
- D. On October 21, 2008, the City Council approved the 2009 One-Year Action Plan containing the Substantial Amendment for the NSP and its submission to HUD.
- E. On February 24, 2009, the City Council approved Amendments to the 2009 One-Year Action Plan containing the implementation guidelines for the NSP, to include the implementation of the Block Acquisition and Rehabilitation Strategy for Morrison Creek Estates.
- F. The recommended actions further the Agency goal to eliminate blight and promote affordable housing in the vicinity of the Franklin Boulevard Redevelopment Area, and enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in Sacramento.

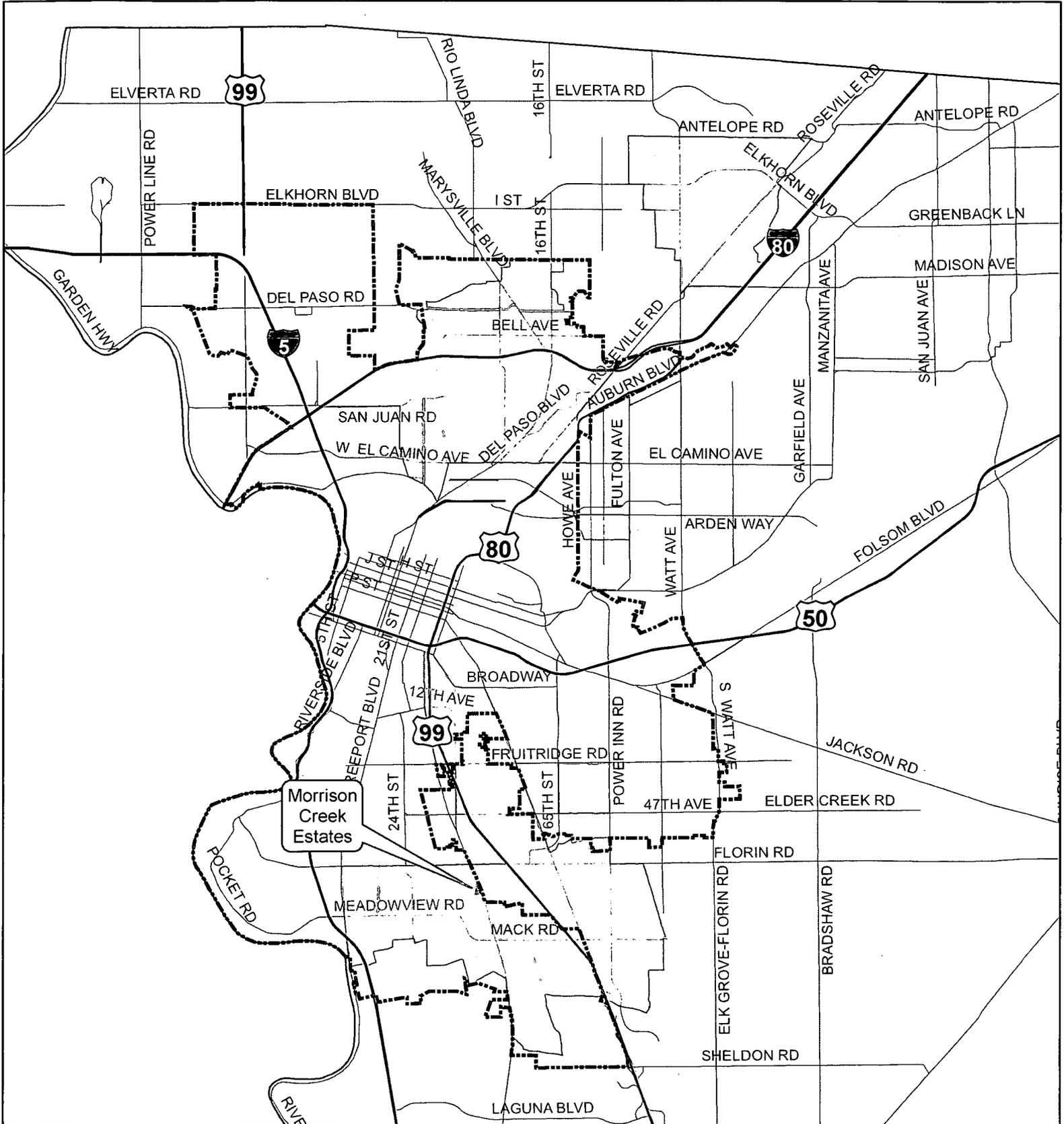
- G. A noticed public hearing soliciting comments on the amendments to the Morrison Creek Estates project as part of the NSP and Agency budget was held by the Sacramento Housing and Redevelopment Commission on February 17, 2010 and the Sacramento City Council on March 9, 2010.
- H. The Block Strategy under the Neighborhood Stabilization Program (NSP) is exempt from CEQA pursuant to Guidelines Section 15301(d), which exempts the rehabilitation of deteriorated structures to meet current standards of health and safety; and Guidelines Section 15310, which exempts loans for the acquisition of existing structures.
- I. The rehabilitation of existing structures pursuant to the Block Strategy is categorically excluded from NEPA pursuant to 24 CFR 58.35(a)(3)(i), which exempts rehabilitation of buildings and improvements; and 24 CFR 58.35(a)(5), which exempts acquisition of an existing structure. Site specific environmental review will be performed for each subsequent action prior to funding commitment.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:

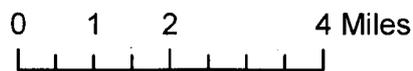
- Section 1. All evidence presented having been duly considered as stated above are true and correct.
- Section 2. SHRA is authorized to allocate \$1.5 million in Franklin Boulevard Redevelopment Area Low and Moderate Fund money for the implementation of the Morrison Creek Estates Project.



Morrison Creek Estates

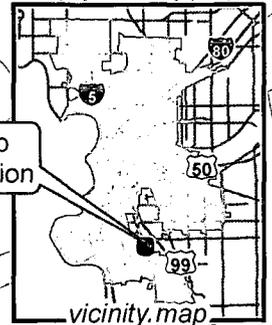
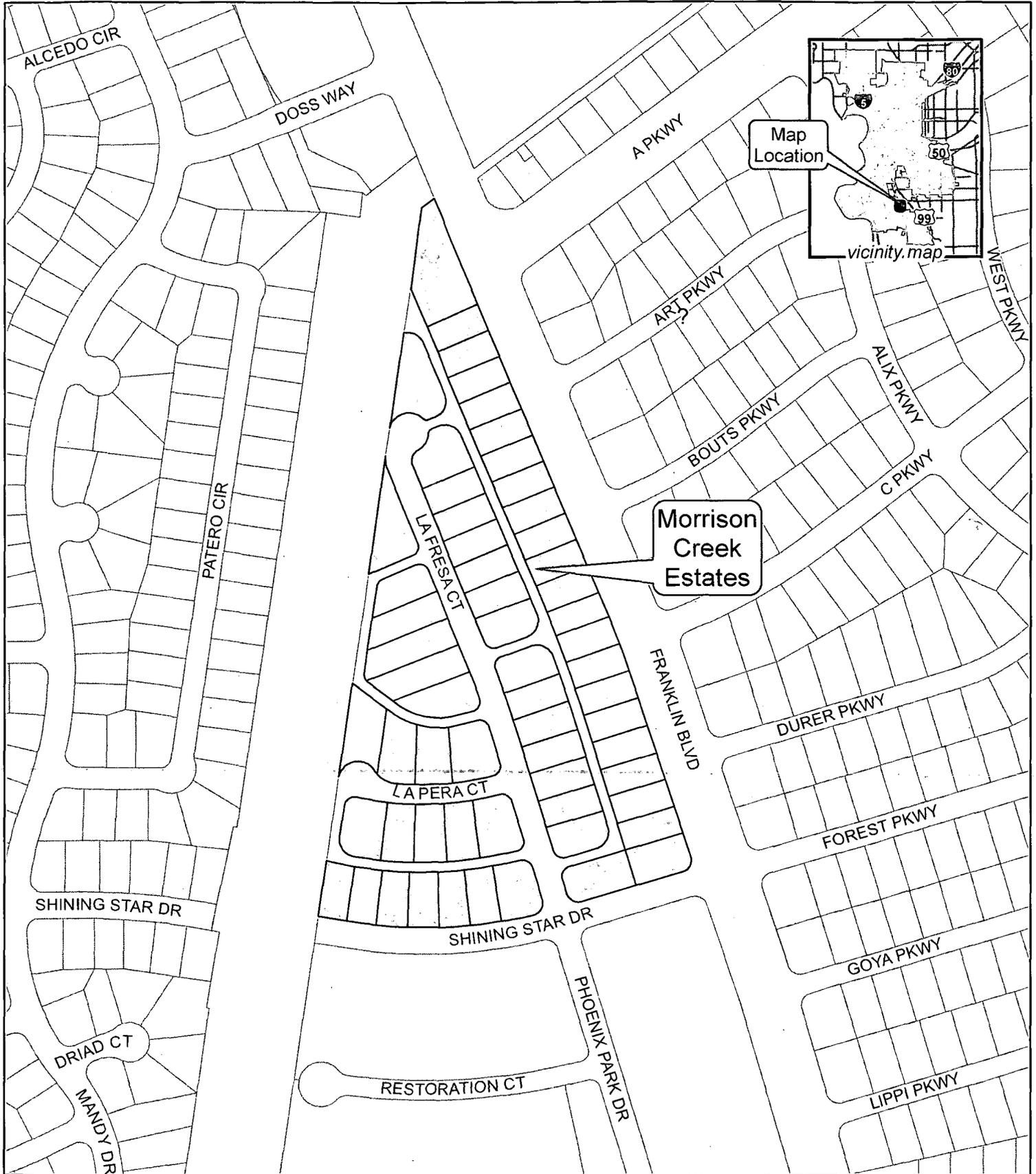


- NSP Target Area
- City of Sacramento Boundary
- Morrison Creek Estates



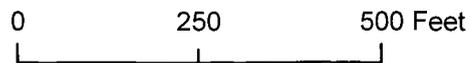


Morrison Creek Estates



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 Morrison Creek Estates



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