



**REPORT TO COUNCIL,
REDEVELOPMENT AGENCY AND
HOUSING AUTHORITY**

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Staff Report

February 15, 2011

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Housing Authority
Honorable Chair and Members of the Redevelopment Agency**

Title: Application for Neighborhood Stabilization Program Funding Round Three (NSP3) and Substantial Amendment to the 2010 Community Development Block Grant One Year Action Plan

Location/Council District: Citywide

Recommendation: Adopt **1) a City Council Resolution:** a) amending the 2010 Community Development Block Grant (CDBG) Action Plan to include proposed activities for the third round of the Neighborhood Stabilization Program (NSP3); b) authorizing the City Manager and Sacramento Housing and Redevelopment Agency (SHRA) to execute a Memorandum of Understanding (MOU) with the County of Sacramento to submit a joint NSP3 request for funds to the U.S. Department of Housing and Urban Development (HUD); c) authorizing SHRA to use the existing Volume Builders and Mission Driven Community Partners to implement the NSP Property Recycling Program; d) modifying the Property Recycling Program authorizing SHRA and constituent entities to purchase, accept and/or transfer ownership of NSP eligible properties among constituent entities to further the goals of NSP; e) approving the NSP Vacant Properties Program and Property Recycling Guidelines as revised; f) authorizing the City Manager and SHRA to execute agreements and contracts with the appropriate entities to carry out the proposed NSP3 activities; g) authorizing SHRA to expand the eligibility for participation in the CDBG Single Family Rehabilitation Loan Program; h) authorizing SHRA to terminate the NSP1 revolving loan funds account; and i) amending the SHRA Budget accordingly; and **2) a Housing Authority Resolution:** a) authorizing the Executive Director to submit an application to HUD approving the disposition of Housing Authority Section 32 and 5 (H) properties to SHRA for fair market appraised value; b) authorizing the Executive Director to use the existing Volume Builders and Mission Driven Community Partners to implement the NSP Property Recycling Program; c) modifying the Property Recycling Program authorizing the Housing Authority and constituent entities to purchase, accept and/or transfer ownership of NSP eligible properties among SHRA and constituent entities to further the goals of NSP; d) approving the NSP Property Recycling Guidelines as revised; e) take necessary actions

NSP3 Amendment to 2010 CDBG One Year Action Plan

to complete the transfer of properties; and f) authorizing the Executive Director to amend the Housing Authority budget allocating the proceeds of the sale of homes under the Neighborhood Stabilization Property Recycling Program to the Housing Authority Section 32 Rehabilitation and Sale account; and **3) a Redevelopment Agency Resolution:** a) modifying the Property Recycling Program authorizing the Agency and constituent entities to purchase, accept and/or transfer ownership of NSP eligible properties among SHRA and constituent entities to further the goals of NSP; b) authorizing the Executive Director to use the existing Volume Builders and Mission Driven Community Partners to implement the NSP Property Recycling Program; and c) approving the NSP Property Recycling Guidelines as revised.

Contact: Chris Pahule, Assistant Director, Housing and Community Development, 440-1350; Geoffrey Ross, Redevelopment Manager, Housing and Community Development, 440-1357

Presenters: Chris Pahule, Assistant Director, Housing and Community Development

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Dodd-Frank Wall Street Reform and Consumer Protection Act (Act) of 2010 provided an additional \$1 billion for the Neighborhood Stabilization Program (NSP) that was originally established under the Housing and Economic Recovery Act (HERA) of 2008. The Act constitutes a third round of NSP funding to stabilize neighborhoods whose viability has been, and continues to be, damaged by the economic effects of foreclosed upon and abandoned properties. As such, the US Department of Housing and Urban Development (HUD) prescribed a formula allocation of NSP3 funds based on the number of foreclosures and vacancies in the top 20 percent of U.S. neighborhoods (Census Tracts) with the highest rates of homes financed by subprime mortgages, delinquencies, or foreclosures.

Based on HUD's formula, the City of Sacramento is eligible to receive an NSP3 allocation of \$3,762,329, representing the second largest City grant issued in California behind the City of Stockton. The County of Sacramento is eligible for \$4,595,671, representing the fifth largest County grant issued in California behind Riverside, San Bernardino, Los Angeles, and Kern Counties. Combined, the City and County of Sacramento's NSP3 \$8,358,000 in resource represents approximately 26 percent of the original combined NSP allocation (NSP1) of nearly \$32 million in 2008.



NSP3 Amendment to 2010 CDBG One Year Action Plan

NSP1 and NSP3 Formula Allocation		
Grantee	2008 NSP1 Allocation	2010 NSP3 Allocation
City of Sacramento	\$13,264,829	\$3,762,329
County of Sacramento	\$18,605,460	\$4,595,671
Total Allocation	\$31,870,289	\$8,358,000

To receive NSP3 funding, each grantee must submit an Action Plan amendment (Attachment 2) to HUD in accordance with program requirements by March 1, 2011. HUD is encouraging contiguous jurisdictions to submit joint requests for funding to more comprehensively address the impacts resulting from foreclosed and vacant properties. Therefore, staff recommends a joint submission between the City and County of Sacramento to HUD for NSP3 funding to expedite HUD's review process and to comprehensively address the neighborhoods identified as having the greatest need for assistance.

NSP3 specifies that an amount equal to at least 25 percent of a grantee's NSP grant (initial allocation) must be set aside and expended for activities that will provide housing for individuals and families at or below 50 percent area medium income. Furthermore, NSP3 grantees must expend an amount equal to 50 percent of their grant (initial allocation plus program income) within 2 years and an amount equal to 100 percent of their grant (initial allocation plus program income) within 3 years of HUD authorizing the use of funds.

Consistent with the objectives of the CDBG program, the goals of NSP include rapidly arresting the decline of targeted low-income neighborhoods negatively affected by abandoned, foreclosed, or vacant properties and the subsequent stabilization of these neighborhoods through improved economic opportunities, the provision of decent, affordable housing, and the development of a sustainable living environment. Similar to NSP1, the NSP3 allocation continues to focus on the recovery and redevelopment of abandoned, foreclosed, or vacant homes. However, NSP3 program requirements call for a highly targeted program with the goal of creating a "visible neighborhood impact." HUD strongly encourages NSP recipients to design their NSP3 program to impact a specified number of residential housing units as calculated by HUD, based on number of foreclosures within each proposed NSP3 target area, in order to realize a meaningful and measurable neighborhood impact.

As directed by HUD, the proposed NSP3 target areas (Attachment 1) have been refined to account for the amount of funding available to maximize the effectiveness of federal funds and to leverage additional public and private investments. Program regulations allow flexibility - funds can be used for acquisition, rehabilitation, redevelopment, demolition, reconstruction and land banking of vacant and foreclosed properties to meet the intended program objectives.

NSP3 Amendment to 2010 CDBG One Year Action Plan

Staff recommends that NSP3 funds be used to leverage the existing NSP1 Property Recycling Program (PRP) and Vacant Properties Program (VPP) which focus on the rehabilitation and sale or rental of housing units to qualified low- and moderate-income families [see Attachments 3 and 4 for detailed program guidelines]. To date, the PRP and VPP programs have proven highly successful; impacting over 189 properties and providing 173 homeownership opportunities and 17 rental units in the combined City and County NSP1 Target Areas. Within the City of Sacramento, it is anticipated that the majority of the NSP3 funds will be allocated to the Property Recycling Program.

Staff is recommending minor revisions to the existing PRP Guidelines to allow for the acceptance of properties provided by third party entities or by SHRA constituent entities, including Housing Authority Section 32 and 5(H) properties (contingent upon HUD approval) into the Property Recycling Program. The inclusion of SHRA assets provides an immediate inventory of properties ready for rehabilitation which will assist SHRA in meeting HUD's "visible impact" goals within the targeted neighborhoods and will allow the Housing Authority to return its scattered-lot single family homes to homeownership.

Under NSP3, SHRA will continue to provide the inventory of eligible properties for rehabilitation by PRP development partners. On October 27, 2009, the City Council approved the selection of Volume Builders and Mission Driven Community Partners for participation in the PRP through a competitive Request for Qualifications (RFQ) process. Staff recommends continuing this partnership with the selected Volume Builders and Mission Driven Community Partners to expedite the expenditure of funds within the HUD three year expenditure timeframe.

In addition to providing homeownership opportunities, a component of the PRP will include the rehabilitation of rental housing units. Under NSP1, a four-plex property was purchased within the predominantly multi-family neighborhood of Coral Gables. This property is proposed to be rehabilitated as part of NSP3 and made available to very-low income families. Upon completion of the rehabilitation, the property will be owned and managed by the Housing Authority, which has invested significantly in the revitalization of this neighborhood over the past 20 years.

Additionally, staff is recommending minor modifications to the existing VPP Guidelines to amend the developer fee allowance. The developer fee will be based upon the builder obtaining a rehabilitation loan from SHRA.

NSP3 Amendment to 2010 CDBG One Year Action Plan

The following table details the NSP3 activities in the City, the proposed funding allocation and the associated unit outcome expectations:

NSP3 Activity	Description	Estimated NSP3 Funding	Estimated Units
Property Recycling Program: <i>Single-Family Homeownership Program</i>	Acquisition and disposition of properties through SHRA for rehabilitation, demolition, or redevelopment by a variety of community partners to meet redevelopment, housing and community needs.	\$2,836,097	39
Property Recycling Program: <i>Multi-Family Rental Program</i>	Acquisition, rehabilitation, and disposition of properties through SHRA for rental occupancy. Disposition and rehabilitation of the Property will be consistent with SHRA procurement policies.	\$550,000	4
Administration	Consistent with the NSP3 NoFA, SHRA shall allocate an amount of up to 10 percent of its NSP3 grant and an amount of up to 10 percent of program income earned for general administration and planning activities as those are defined at 24 CFR 570.205 and 206.	\$376,232	n/a
TOTAL		\$3,762,329	43

As part of the NSP1 program SHRA established revolving loan funds for the VPP and PRP programs to maximize the timely commitment and expenditure of dollars to meet the 18-month obligation requirements. As the NSP1 program begins to wind down and as SHRA prepares to undertake NSP3 related activities, staff recommends the dissolution of the VPP and PRP revolving loan funds. The dissolution of the revolving loan funds will allow for an efficient and orderly final disbursement of NSP1 dollars. SHRA is also expanding the CDBG Single Family Rehabilitation Loan program to include NSP development partners as eligible participants in order to rehabilitate a home for occupancy by an owner-occupant upon sale.

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

Environmental Considerations:

California Environmental Quality Act (CEQA): The individual actions proposed in the NSP3 Guidelines, including acquisition, rehabilitation, and disposition of existing single-family and multi-family properties are Categorically Exempt under the California Environmental Quality Act (CEQA) Guidelines Section 15301. Additionally, demolition of up to three single family residences is Categorically Exempt under CEQA Guidelines section 15301. At this time it is not known how many properties, if any, would be demolished, nor has any specific redevelopment project been identified as a part of this program. The actions recommended herein would grant the City Manager and the SHRA Executive Director discretionary authority over individual actions that are proposed under this program on specific properties as they are identified. As each property is identified for a specific action under this program, an individual analysis will be conducted to determine if it would fall within the exemption specified for this program. If an individual action is not exempt, further environmental review will be required prior to taking any discretionary action on that individual action. All properties proposed for redevelopment will require individual analysis and discretionary approvals prior to carrying out any such project.

National Environmental Policy Act (NEPA): Environmental review for the NSP3 program pursuant to NEPA is currently underway and will be completed prior to any choice limiting action under this program.

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 NSP3 activities support goal number five – Public Health and Nutrition, item 3 – Create Healthy Urban Environments through Restorative Redevelopment.

SHRA is partnering with the Sacramento Municipal Utilities District (SMUD) to provide Home Energy Rating System (HERSII) assessments and audits for NSP rehabilitation projects. The SMUD HERSII energy audits analyze the pre-rehabilitation environment as compared to the post-rehabilitation environment to quantify potential energy savings. SMUD HERSII audit program provides an opportunity to measure the energy impact to homes that will benefit new homeowners long-term.

NSP3 Amendment to 2010 CDBG One Year Action Plan

Committee/Commission Action: In developing the NSP3 strategy, SHRA consulted with various community partners including existing NSP1 development partners, non-profit housing developers, and affordable housing advocates. Included were local and regional housing-related non-profits entities such as the Sacramento Housing Alliance, NeighborWorks HomeOwnership Center, and Legal Services of Northern California. Additionally, SHRA has reviewed the proposed NSP3 Program with neighborhood groups including the Oak Park, Del Paso Heights and Stockton Boulevard Redevelopment Advisory Committees, and the North Highlands Visions Task Force.

On February 2, 2011, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item at a Public Hearing. The votes were as follows:

AYE: Alcalay, Burruss, Chan, Fowler, Gore, Johnson, Morgan, Morton, Rosa, Shah, Stivers

NOES: None

ABSENT: None

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. Accordingly, as of October 2010, Sacramento neighborhoods continued to rank in the top 20 percent of U.S. neighborhoods with the highest rates of homes financed by a subprime mortgage, are delinquent, or are in foreclosure. The Neighborhood Stabilization Program provides a unique opportunity with a dedicated funding source to help stabilize impacted neighborhoods. To date, NSP1 activities have brought significant investment into some of the most impacted neighborhoods in the City and County of Sacramento. The Vacant Properties Program and Property Recycling Program have impacted 189 properties which will provide 173 homeownership opportunities and an additional 17 rental housing units for very low-income families. These programs have created 62 new jobs and retained over 680 existing jobs. NSP3 provides additional funding for the continuation and expansion of this important work.

Financial Considerations: This report recommends submission of a Substantially Amended 2010 CDBG One Year Action Plan to HUD as a joint request for NSP3 funds and authorizes SHRA to administer the funds and program on behalf of the City and County of Sacramento through a Memorandum of Understanding. As identified in the HUD released Notice of Formula Allocations, the City is eligible to receive an NSP3 allocation of \$3,762,329. The joint request for funds will include the combined City and County allocation of \$8,358,000 as determined by HUD.

NSP3 Amendment to 2010 CDBG One Year Action Plan

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:


GUS VINA
Interim City Manager

Approved as to form:


Agency Counsel

APPROVED AS TO FORM:


pg. 1 CITY ATTORNEY

Table of Contents

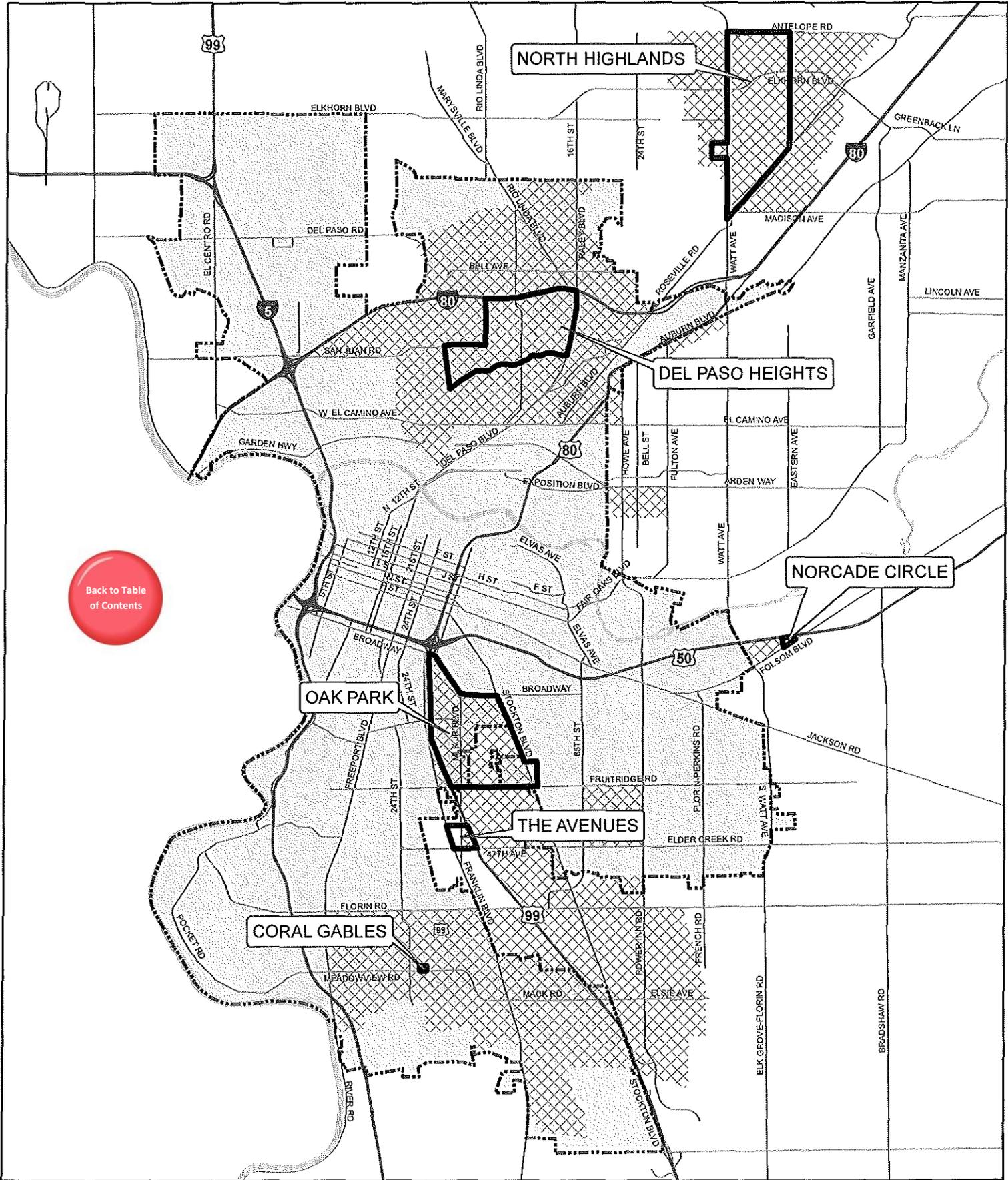
Report

Attachments

1	NSP3 Target Area Map	pg. 9
2	Amended 2010 CDBG One Year Action Plan	pg. 10
3	NSP Property Recycling Program Guidelines	pg. 51
4	NSP Vacant Property Program Guidelines	pg. 55
5	Resolution – City Council	pg. 57
	Exhibit A Memorandum of Understanding	pg. 61
	Exhibit B NSP PRP Guidelines	pg. 67
	Exhibit C NSP VPP Guidelines	pg. 71
6	Resolution – Housing Authority	pg. 73
	Exhibit A NSP PRP Guidelines	pg. 77
	Exhibit B Section 32 Property List	pg. 81
7	Resolution – Redevelopment Agency	pg. 82
	Exhibit A NSP PRP Guidelines	pg. 85
8	Power Point Presentation	pg. 89



NSP3 Target Areas



	Sacramento County		NSP3 Target Area		River	Miles 0 0.5 1 		SHRA GIS January 11, 2011	9
	City of Sacramento		NSP1 Target Area						



NEIGHBORHOOD STABILIZATION PROGRAM 3

SECTION 1	NSP3 Grantee Information	pg. 2
SECTION 2	Areas of Greatest Need	pg. 3
SECTION 3	Definitions and Descriptions	pg. 10
SECTION 4	Low-Income Targeting	pg. 11
SECTION 5	Acquisition and Relocation	pg. 12
SECTION 6	Public Comment	pg. 12
SECTION 7	NSP Information by Activity	pg. 14

Attachments

1. Joint Funding Request - Memorandum of Understanding
2. HUD Map and NSP3 Planning Data
3. Definition – Blighted Structure
4. Definition – Affordable Rents
5. Housing Rehabilitation Standards
6. Vacant Property Program Guidelines
7. Property Recycling Program Guidelines
8. Local Hire Strategy
9. Certifications

2010 CDBG One Year Action Plan – Substantial Amendment

1. NSP3 Grantee Information

NSP3 Program Administrator Contact Information	
Name (Last, First)	Ross, Geoffrey
Email Address	GRoss@shra.org
Phone Number	(916) 440-1357
Mailing Address	Geoffrey Ross Redevelopment Manager Sacramento Housing and Redevelopment Agency 801 12 th Street Sacramento, CA 95814

Joint Request of Funds

According to the NSP3 Notice of Formula Allocations (NoFA), jurisdictions may cooperate to carry out their grant programs through a joint request to the U.S. Department of Housing and Urban Development (HUD). Through a Memorandum of Understanding (MOU) (Attachment 1), the City of Sacramento ("City") and the unincorporated County of Sacramento ("County"), two contiguous jurisdictions, eligible to receive an NSP allocation and located in the same metropolitan area, agree to designate authority to the County to act on behalf of the City and County as the lead entity for the purposes of NSP3. The County will delegate administrative authority to the Sacramento Housing and Redevelopment Agency (SHRA) to execute the NSP3 grant agreement with HUD and to administer NSP3 on behalf of the City and County.

The Sacramento Housing and Redevelopment Agency (SHRA), a joint powers authority of the City and County, serves annually as the designee for the City and County to administer community development grants originating from HUD. As such, the City and County authorize SHRA authority to administer the NSP3 program on behalf of the City and the County.

Joint Request of Funds	
Lead Entity	County of Sacramento
Participating Communities	County of Sacramento City of Sacramento
Program Administrator	Sacramento Housing and Redevelopment Agency
Total Funding Request	\$8,358,000

2010 CDBG One Year Action Plan – Substantial Amendment

2. Areas of Greatest Need**Map Submission**

The Areas of Greatest Need maps generated at the HUD NSP3 Mapping Tool for Preparing Action Plan website and accompanying NSP3 Planning Data are provided as Attachment 2.

Determination of Areas of Greatest Need

At the close of 2010, Sacramento continues to face significant foreclosure related challenges; negatively impacting the quality of life of area residents and the stability of local neighborhoods. As evidenced by the HUD NSP3 Foreclosure Need Map, 311 of the 792 block groups (37 percent of 637,445 acres) in Sacramento County suffer significantly from the impacts of foreclosure, scoring at or above 17 on the 20 point scale. Since 2007, SHRA has closely monitored foreclosure related data trends and associated neighborhood impacts. SHRA's findings, similar to HUD's conclude that Sacramento County continues to face:

- ***High rates of foreclosure***—From September 2009 through September 2010, 14,530 residential properties became Real Estate Owned (REO) and, as an indicator of future foreclosures, 5,507 Notice of Defaults (NOD) were issued between July and September 2010, a three month time period. This is in addition to the nearly 25,000 residential properties countywide that became REO in 2007 and 2008, which is more than one in every 16 residential properties in the county, according to data from MDA¹ DataQuick. An article published in the Sacramento Business Journal on November 30, 2010, states that the Sacramento region's foreclosure rate rose in September [2010] to its highest level since February 2009. According to RealtyTrac, the Sacramento region ranked 13th among metropolitan areas nationwide in foreclosure filings in the third quarter of 2010; and
- ***Declining home values***—Housing prices declined 39 percent between the peak and March 2010² HUD. The NAHB³/Wells Fargo Housing Opportunity Index shows a 50 percent housing price decline in the metropolitan area between the end of 2005 and the middle of 2010.

Consistent with HUD's guidelines for the implementation of NSP3, SHRA will target and operate in those neighborhoods most severely impacted by foreclosures and related challenges. In developing a program to deploy NSP3 resources, SHRA refined its original NSP1 Target Areas to ensure meaningful and measurable impact; drawing on both the successes and momentum of NSP1 activities, as well as opportunities to leverage additional public and private resource. [See NSP3 Target Areas Map below.] Although 22 percent of Sacramento County and 51 percent of the City of Sacramento qualify for NSP3 assistance under HUD's formula allocation, SHRA has refined its target areas to include six distinct neighborhoods based on

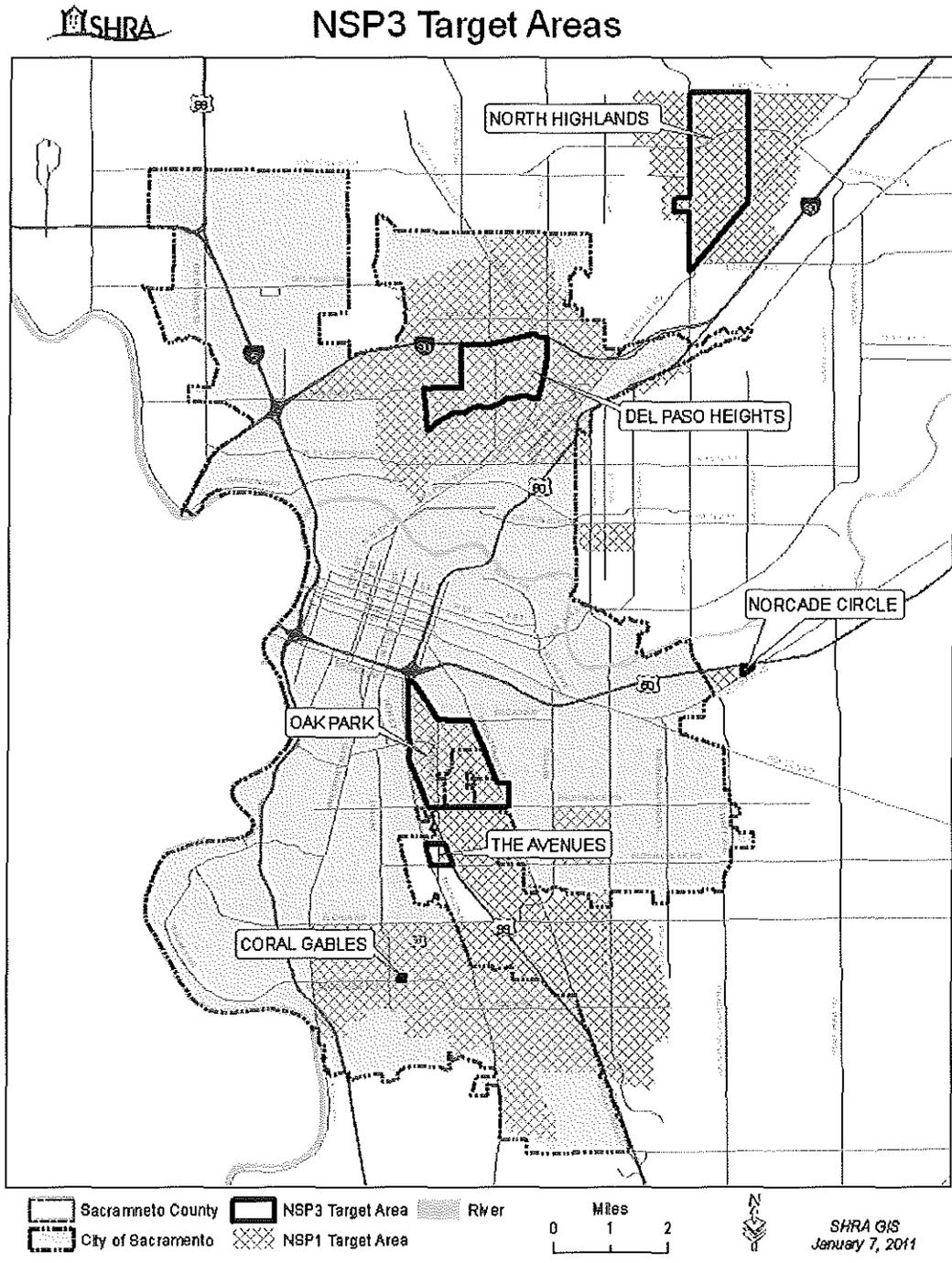
¹ MacDonald, Dettwiler and Associates, Ltd.

² Federal Housing Finance Agency Home Price Index

³ National Association of Home Builders

2010 CDBG One Year Action Plan – Substantial Amendment

localized data as described in detail below. SHRA's NSP3 target areas are less than one percent of total county acreage and approximately 3.5 percent of total city acreage. This approach allows SHRA to concentrate the expenditure of NSP3 dollars to achieve the highest visible and sustainable impact within the refined target areas.



2010 CDBG One Year Action Plan – Substantial Amendment

Table 1: NSP3 Refined Target Area

Jurisdiction	Total Acreage	Total NSP3 Eligible Acreage*	NSP3 Refined Target Area Acreage	Percentage of NSP1 Target Area
County of Sacramento	495,913	143,181	2,152	13%
City of Sacramento	63,791	32,322	2,278	19%

* Eligible Acreage based on a HUD Need Score of 17 or higher.

Target Areas Selection and Basis for NSP3 Strategy

In determining its NSP3 target areas, SHRA considered both the concentration of foreclosure activity and related, localized market data, as well as other destabilizing factors resulting from and contributing to the foreclosure crisis in the selected neighborhoods. To achieve a meaningful neighborhood impact, SHRA further considered opportunities to leverage anticipated public and private investments to facilitate a comprehensive stabilization strategy. SHRA's NSP3 program determination and target area refinement is based on the following:

1. Foreclosure Related Need and Localized Market Conditions

- **HUD Foreclosure Need Score**—As a component of its Foreclosure Need Map, HUD provides estimates of foreclosure need and foreclosure related need scores at the Census Tract and Block Group level. As required by HUD, selected NSP3 target area Census Tracts must have an individual or average combined index score that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. SHRA's selected target areas exceed HUD's requirement with an average Neighborhood NSP3 Score of 19.43, while the state's minimum threshold NSP3 score is 17.

Table 2: NSP3 Target Area Neighborhood Score and ID Number

Target Area	Neighborhood NSP3 Score	Neighborhood ID Number
North Highlands	19	6798583
Del Paso Heights	20	4936950
Oak Park	19.51	8664611
Coral Gables	20	5107513
Norcade Circle	18	7436889
The Avenues	20	5484069
Average Combined NSP3 Score	19.43	

- **Concentrated Foreclosure Rates and High Cost Loans**—Over the past year alone, September 2009 through September 2010, the target areas experienced 1342 new

2010 CDBG One Year Action Plan – Substantial Amendment

foreclosures; representing 9 percent of the total number of foreclosures within the unincorporated County and City of Sacramento over the same time period, according to data from MDA⁴ DataQuick. On average, an estimated 34 percent of all loans in the target areas originating between 2004 and 2007 were high cost/high leverage compared to 12.8 percent for the county as a whole as calculated by HUD.

- Decline in Home Values**—As a result of the sheer number of foreclosures, the target areas have experienced rapidly declining home values. In April 2006, according to MLS data from the Sacramento Association of Realtors, median sales prices in the four ZIP codes that represent a large portion of the target areas ranged from \$254,000 - \$300,000. By September 2010, median prices in those same four ZIP codes had fallen to \$63,000 - 140,000, representing an average median price decline of 70 percent from market peak.⁵
- Income Characteristics and Housing Cost Burden**— The NSP3 target areas represent communities in the region with some of the lowest family incomes, highest pockets of poverty and high unemployment. According to the 2005-2009 American Community Survey 5-year (ACS) estimates, approximately 25 percent of households in the target areas were in poverty, compared to 9.7 percent of households in the county as a whole. Similarly, while the median county household income is reported at \$56,799 (2005-2009), the weighted average of the median household incomes in the target area was \$39,645 which is approximately 30 percent below the county’s median income.

As noted above, home sales prices have declined sharply in the target area at the same time. According to data from MLS, the median market price countywide in October 2010 was \$184,900, as compared to \$86,000 in the target area. These housing price points to an overall increase in housing affordability countywide, but more notably in the NSP3 target area, as shown below.

Table 3: Housing Affordability

Family of 4 Income Level	Monthly Rent ¹		Monthly Mortgage ²	
	Cost	As % of income	Cost	As % of income
120% AMI	\$859	11%	\$640	9%
80% AMI	\$859	17%	\$640	12%
50% AMI	\$859	28%	\$640	20%

¹ Rental data is not available at the level of the NSP3 target area. These rents represent the average rents as of the fourth quarter of 2010 in the three areas most closely aligning with the NSP3 target areas, as calculated by Reis.

² All calculations assume a 3.5 percent FHA downpayment and an interest rate of 4.8 percent on a 30-year fixed-rate mortgage

⁴ MacDonald, Dettwiler and Associates, Ltd.

⁵ ZIP code areas do not follow census tract boundaries, and are much larger than census tracts. In Sacramento County, there are 279 census tracts, but only 64 ZIP codes.

2010 CDBG One Year Action Plan – Substantial Amendment

Current mortgages and rents in the NSP3 target areas appear to be relatively affordable; however, given the disproportionate poverty levels, rehabilitation needs and investor owned properties (as described below), housing cost burden does not adequately express the needs of Sacramento's NSP3 target area.

2. Other Neighborhood Destabilizing Factors

In addition to meeting the basic selection criteria of extremely high foreclosures and subprime loan rates, the chosen target areas exhibit additional discouraging characteristics contributing to, and resulting from, a continuing spiral of decline in the areas. Among these are:

- ***Excessive code violations and crime***—From January 2009 to October 2010, the average census tract/block group located in the City of Sacramento and unincorporated Sacramento County experienced 71 housing and neighborhood based code violations per 1,000 residential parcels, according to data from the City and County code enforcement departments. Over the same period, census tracts/block groups in the target areas had an average of 137 such violations per 1,000 parcels, nearly double the City and County average.
- ***Rehabilitation needs***-The NSP3 target area contains mostly older residential neighborhoods, characterized by the predominance of aged, functionally obsolete homes (lacking air conditioning, insulation, etc.). The outdated construction techniques and materials coupled with the general dilapidated conditions of homes in these areas leads to significant rehabilitation needs; SHRA is seeing cost estimates upwards of \$60,000 per home with NSP1 programs to adequately rehabilitate these properties.
- ***Concentration of rental housing***—According to 2005-2009 ACS estimates, 60 percent of homes in Sacramento County were owner-occupied as opposed to approximately 46 percent within the NSP3 target areas. The concentration of rental properties in these communities has resulted in deferred maintenance of an already aged housing inventory.

3. Coordination with Ongoing Revitalization Efforts

NSP3 activities will be carried out within the context of local redevelopment and housing strategies that address multiple facets of community stabilization and revitalization including capital and community infrastructure improvements, economic development (business attraction and retention) and housing. As encouraged by HUD, SHRA has tailored its target areas to maximize the effectiveness of federal funds and create a visible neighborhood impact.

According to HUD's foreclosure need map, NSP3 funding must target a specified number of residential properties as indicated in the table below, based on number of area foreclosures,

2010 CDBG One Year Action Plan – Substantial Amendment

to make a “visible impact” within each identified target area. To meet this objective, NSP3 funds will leverage additional private and public resources over the three year NSP3 expenditure timeframe.

Table 4: NSP3 Visible Neighborhood Impact

Target Area	Visible Impact Score	Anticipated NSP3 Property Impact (units)	Anticipated Public/Private Leverage (units)
TIER 1 Target Area			
North Highlands	93	16	90
Del Paso Heights	55	27	72
Oak Park	82	12	128
Coral Gables	4	4	0
Norcade Circle	2	12	52
TIER 2 Target Area			
The Avenues*	5	0	5
TOTAL	241	71	347

* The Avenues Target Area is intended to be undertaken as part of a Second Tier of NSP3 if an identified Tier 1 Target Area cannot be undertaken to the full extent intended due to a change in market conditions or available properties.

Neighborhood Transformation

SHRA actively invests resources in both the City and County of Sacramento and within established redevelopment project areas within each jurisdiction. Within the boundaries of the six proposed NSP3 target areas, SHRA (non-NSP) investment over the next 36 months is estimated to total \$20 million and will attract an additional \$56 million in leveraged investment, resulting in approximately 290 rental units and 50 homeownership housing opportunities.

Leveraged Public and Private Investment: 2005-2010

Over the past five years, SHRA, in partnership with both the City and County of Sacramento and the residents and business owners of these communities, has made great strides in addressing long standing issues of aged infrastructure, deteriorated housing stock, lack of employment opportunities, limited access to neighborhood serving commercial businesses and high crime rates over the past five years. Within the five redevelopment areas that overlap with the three largest NSP3 target areas, SHRA has invested \$62,794,700 in local Tax Increment funds, attracting an additional \$237,227,078 in public and private investment to these communities. The majority of funds, over 84 percent were used to create or preserve a total of 2,044 affordable rental housing units and 91 homeownership units (See Table 4 below).

2010 CDBG One Year Action Plan – Substantial Amendment

Additionally, in 2009, \$588,096 in Federal American Recovery and Reinvestment Act (ARRA) funds were leveraged with \$190,363 of additional housing dollars to rehabilitate 44 existing public housing units within the NSP3 target areas. Also within the refined target areas, NSP1 activities have resulted in the rehabilitation and sale or rental of over 63 properties to date.

Table 5: Total Housing Investment Previous Five Years (2005-2010)

Redevelopment Project Area	Total Housing Investment	Housing Units	Total Investment Capital Improvements/Economic Development
Del Paso Heights	\$34,017,859	289	\$9,135,201
Franklin Blvd.	\$15,055,522	368	\$36,002,854
Oak Park	\$8,391,371	59	\$23,966,639
North Highlands	126,990,350	974	n/a
Stockton	\$52,771,976	354	\$15,097,875
Total Investment	\$237,227,078	2044	\$84,202,567

Future Targeted Investment

To ensure a variety of housing opportunities for individuals and families within the proposed target areas and to create balanced neighborhoods ensuring long-term sustainability, SHRA will focus its NSP3 investment predominantly on homeownership opportunities and in more specific circumstances, on rehabilitation of multifamily properties as described in Section 7, *NSP Information by Activity*.

Within the three largest target areas, North Highlands, Oak Park and Del Paso Heights, NSP3 will target the rehabilitation of aged, deteriorated housing and provide high quality homeownership opportunities for low- and middle-income (LMMI) families. The provision of ownership housing units is critical to the long term sustainability of these neighborhoods which have traditionally suffered from over-concentrations of investor owned housing. The boundaries of these three target areas are purposefully larger in size to allow for more flexibility in the availability and acquisition of foreclosed and/or vacant properties for the purposes of rehabilitation.

In the more highly targeted NSP3 neighborhoods of Coral Gables, Norcade Circle and The Avenues, NSP3 funds will be used primarily to make strategic investments in the rehabilitation of long term affordable rental housing. These neighborhoods are comprised predominantly of four-plex multi-family housing and suffer from extreme physical blight, heightened code and police activity and inadequate management by absentee landlords.

2010 CDBG One Year Action Plan – Substantial Amendment

3. Definitions and Descriptions**Definitions**

Blighted Structure: SHRA will utilize the definition of a blighted structure as defined by California State Redevelopment Law (California Health and Safety Code 33000 et seq.), specifically in section 33031. [See Attachment 3.]

Affordable Rents: SHRA has adopted the Low HOME rent as the standard definition of affordable rents for NSP units. [See Attachment 4.]

Descriptions

Long-Term Affordability: The HOME per unit affordability restrictions will apply to all NSP3 assisted rental units. The HOME rental requirements for ensuring continued affordability for assisted housing pertain to the amount of investment provided on a per unit basis and will be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD. The following table details the affordability restriction based upon the per-unit cost of assistance:

Table 6: Terms of NSP3 Rental Regulatory Restrictions

Amount of NSP2 Investment (per-unit)	Affordability Restriction
< \$15,000	5 years
\$15,000 - \$40,000	10 years
> \$40,000	15 years
New Rental Construction	20 years
Refinancing Rental Housing	15 years

Low and Moderate Income (80-120 percent AMI) Affordability

Moderate income housing options will be provided through a variety of homeownership activities, including acquisition and rehabilitation. Based on the current incomes and sales prices, all homes purchased in the NSP3 target area will be affordable to families at or below moderate income. Based on the HUD definition of natural affordability [(CFR 92.254 (a)(5)(i)(B))], SHRA has found that all homes sold in the target areas may be presumed to be affordable based upon a market analysis of the neighborhoods in which the homes are located. The highest median sales price in an included census tract was \$129,000 in November 2010, which remains affordable for a family of four earning 80 percent of area median income. The target areas, on average, are naturally affordable and long term regulatory restrictions are not required for homeownership units. SHRA has tracked the natural affordability of its NSP1 target areas over the past three years and records show the target areas have become increasingly affordable over that time period. All proposed NSP3 target areas fall within the boundaries of existing NSP1 target areas.

2010 CDBG One Year Action Plan – Substantial Amendment

Unless otherwise required by additionally leveraged non-NSP funding sources, homeownership units will not contain long-term regulatory requirements for ongoing affordability, consistent with the determination of “natural” affordability. However, SHRA will annually calculate the affordability rate for the target area to ensure continued natural affordability.

Housing Rehabilitation: SHRA’s housing rehabilitation standards comprehensively address all facets of design, construction and sustainability.⁶ The standards incorporate selected portions of Build It Green’s “GreenPoint Rated Existing Home Checklist” as well as applicable incentive programs from the local utility districts, with particular emphasis in three areas: energy efficiency, indoor environmental quality, and durability. SHRA’s model was incorporated by Build-It Green and HUD has since sited the Build-It Green checklist incorporating SHRA’s model as a “Best Practice” for development standards. All rehabilitation work is overseen by SHRA’s construction management staff, including review and approval of scope of work and participating in on-going construction inspections. Please see Attachment 5 for specific construction requirements consistent with HUD requirements for NSP-assisted units.

SHRA has entered into an MOU with the Sacramento Municipal Utilities District (SMUD) for the purposes of providing HERSII energy ratings and audits for NSP rehabilitation projects with funding from the State of California Energy Commission’s, California Comprehensive Building Retrofit Program. The SMUD HERSII energy audits analyze the pre-rehabilitation environment as compared to the post-rehabilitation environment to quantify potential energy savings. SMUD HERSII audit program provides an opportunity to measure the energy impact to homes that will benefit new homeowners long-term.

4. Low-Income Targeting

Low-Income Set-Aside Amount

Total NSP3 Grant Amount:	\$8,358,000
Total Funds Set Aside for Low-Income Individuals (<i>individuals or families whose incomes do not exceed 50 percent of area median income</i>):	\$2,089,500
Total low-income set-aside percentage of NSP3 grant amount:	25%

⁶ Standards for single family rehabilitation and multi-family rehabilitation can be found at <http://www.shra.org/LinkClick.aspx?fileticket=cvn0xYdT1wM%3d&tabid=110&mid=475>, and <http://www.shra.org/LinkClick.aspx?fileticket=D1-25S6NQhM%3d&tabid=142&mid=417>.

2010 CDBG One Year Action Plan – Substantial Amendment

Meeting Low-Income Target

Under NSP1, SHRA has dedicated 33 percent of its City of Sacramento NSP1 allocation and 25 percent of its County of Sacramento NSP1 allocation to provide a total of 150 high-quality rental housing units affordable to very low-income families. To date, 24 units are occupied by families earning not more than 50 percent AMI, and an additional 60 units are currently under construction.

Pursuant to NSP3 requirements, at least 25 percent of NSP3 dollars will be used to provide housing that is affordable to very low-income families, those that make no more than 50 percent of Area Median Income (AMI). SHRA will meet or exceed this requirement through the rehabilitation of blighted rental housing units within the target areas. Once rehabilitated, these units will be restricted to families earning not more than 50 percent AMI. Resident incomes will be verified during the time of application, interim re-examination and annual re-examination. All residents will be individually assessed to ensure their rent is affordable based on their paying no more than 30 percent of income towards housing.

In limited cases, working with community development partners, homeownership units may additionally be made affordable to very low income families.

5. Acquisition and Relocation

Under NSP1, 3.4 percent of the combined City and County NSP allocation was used to demolish severely dilapidated housing units or properties as a component of a larger, comprehensive redevelopment initiative. As a component of its NSP3 strategy, SHRA may demolish or convert low- or middle-income dwelling units. Based on the conditions of the structures that are acquired for the NSP3 program, SHRA may determine that demolishing the structure is more cost feasible than rehabilitation. To date, specific units have not been identified for demolition or conversion under NSP3. However, when acquiring property that is occupied, SHRA shall conform to all requirements for public agency acquisitions pursuant to the Uniform Relocation Act (URA), HUD and California regulations, as well as all applicable requirements of the Tenant Protection Act of 2009. Any occupants requiring relocation will be assisted by SHRA's Relocation Specialist.

6. Public Comment

Citizen Participation Plan

SHRA is firmly committed to transparency, community outreach, and information sharing regarding the NSP, as well as providing regular status reports on progress, opportunities and results of program implementation. SHRA has fully updated its Citizen Participation Plan to

2010 CDBG One Year Action Plan – Substantial Amendment

incorporate NSP funded activities. SHRA has developed a website, email address, and telephone hotline specifically for the NSP since launching activities in March 2009.⁷ NSP related questions, concerns or complaints from local citizens or other parties can be submitted via the NSP email address or telephone hotline and are responded to within three to five working days on average by the appropriate SHRA staffer. Information regarding the website, email address, and telephone hotline has been shared with all local community groups, housing-related non-profits, and building industry professionals and organizations impacted by and/or interested in the NSP.

SHRA will continue to provide frequent and ongoing progress reports on the implementation of NSP activities to its governing bodies. Successes of the NSP1 and NSP3 will additionally be included in a larger report on all programs under HERA, to be shared quarterly and posted on SHRA's website.

In developing the NSP3 strategy, SHRA consulted with various community partners including: existing NSP1 development partners, non-profit housing developers, and affordable housing advocates. Included were local and regional housing-related non-profit entities such as the Sacramento Housing Alliance, NeighborWorks Homeownership Center, and Legal Services of Northern California. SHRA continues to work with these partners to solicit policy and program refinement suggestions, ideas, and to obtain feedback.

In addition, SHRA made a concerted effort to involve the public and provide ample opportunity for citizen comment and participation. On January 17, 2011, 16 days prior to SHRA presenting the proposed NSP3 plan to the Sacramento Housing and Redevelopment Commission a notice was published in *The Sacramento Bee*, a newspaper of general circulation, regarding the date, time and purpose of the public hearing. The newspaper publication included a link to the SHRA NSP website where copies of the substantial amendment to the 2010 Annual Action Plan regarding NSP3 and the staff reports could be obtained for review.

Summary of Public Comments Received

No citizen comments were received as a result of the public notice. However, the following is a summary of community input received by SHRA during its outreach to community partners and neighborhood groups including the Oak Park, Stockton Boulevard and Del Paso Heights Redevelopment Advisory Committees and the North Highlands Visions Taskforce to provide program updates on NSP1 activities and to solicit input and comment on the proposed NSP3 application:

Community members have shown continued interest in the Neighborhood Stabilization Program, asking questions of SHRA staff regarding specific activity operations, ensuring the interests of their neighborhoods are addressed. In nearly all cases, community members were very supportive of the proposed and ongoing efforts of the NSP, particularly in terms of restoring dilapidated foreclosed housing to high quality, affordable homeownership opportunities. Several

⁷ <http://www.shra.org/RecoveryActPrograms/NSPNeighborhoodStabilizationPrograms.aspx>

2010 CDBG One Year Action Plan – Substantial Amendment

residents suggested specific foreclosed properties and locations where SHRA should consider targeting NSP resource. One community member suggested continued partnerships with NSP participating developers on other SHRA projects, referencing the quality of rehabilitation work taking place near his home.

****COMMENTS OF THE NORTH HIGHLANDS VISIONS TASK FORCE TO BE ADDED AFTER FEB 3 MEETING****

7. NSP Information by Activity

Based on the local market and neighborhood data presented above, the most significant challenges resulting from the excessive number of foreclosures in Sacramento’s refined target areas include: 1) crime- and code-related incidences; and 2) increased physical deterioration of existing housing, contributing to overall community decline. As well, the target areas face ongoing challenges related to above average concentrations of rental housing and the prevalence of an aged, deteriorated housing stock. These issues have amplified the foreclosure crisis within these communities.

SHRA’s approach to stabilizing the target neighborhoods includes a comprehensive strategy; providing homeownership opportunities and investing significant resource into improving the existing housing stock to provide high quality, energy- and cost-efficient housing for low- and moderate-income families. These NSP3 efforts will compliment ongoing public and private initiatives within the target neighborhoods, which include affordable housing programs, ownership and rental housing projects, commercial and economic development and critical capital improvements. Specifically, NSP3 dollars will support the continuation of two successful NSP1 activities including the Vacant Properties Program and the Property Recycling Program as described in detail below. The continuation of existing programs allows SHRA to take advantage of operational systems in place to facilitate an efficient launch of NSP3 upon award.

Activity Number 1:

VACANT PROPERTIES PROGRAM

Eligible Use of NSP3 Funds:

1. Eligible Use B: Acquisition and Rehabilitation
2. Eligible Use E: Redevelopment

CDBG Activity or Activities:

- 24 CFR 570.201(a) Acquisition
- (b) Disposition,

2010 CDBG One Year Action Plan – Substantial Amendment

- (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties,
 - (i) Relocation, and
 - (n) Direct homeownership assistance (as modified below);
- 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties, and for demolished or vacant properties. HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost. New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.

National Objective: LMMH

Activity Description: The Vacant Properties Program is modeled after SHRA’s successful single-family rehabilitation and homeownership programs in effect prior to the foreclosure crisis. The Vacant Properties Program (VPP) is specifically designed to:

1. Return vacant and/or blighted homes and properties to owner occupancy;
2. Generate and retain jobs [see Attachment 8: Local Hire Strategy];
3. Rehabilitate an aged and deteriorating housing inventory;
4. Ensure high quality construction standards; and
5. Provide energy and cost efficient homeownership opportunities within the NSP3 targeted neighborhoods.

Partnering with local contractors and developers, the program provides a developer incentive fee to be paid after homes are rehabilitated and sold to owner-occupants [see Attachment 6 for detailed program guidelines].

Successes to Date

The VPP was initially launched in March 2009, as part of NSP1. To date VPP has proven tremendously successful in turning vacant, blighted properties into high quality, homeownership opportunities. As of January 2011, 20 locally based development partners actively participate in the program and have impacted over 130 properties. To date, the program has successfully acquired, rehabilitated and sold over 95 single-family foreclosed homes to qualified homebuyers within the NSP1 target areas. The program has leveraged approximately \$11 million in private financing, created 62 new jobs and retained an additional 608 jobs.

Location Description: The Vacant Property Program will operate predominantly within the North Highlands and Oak Park NSP3 target areas, but may also operate within the Del Paso Heights target area [see NSP3 Target Areas Map, page 4].

Budget (NSP3 Allocation): Expanding upon the successes of the VPP under NSP1, SHRA will allocate \$1.7 million in NSP3 funds, or 20 percent of its NSP3 allocation to the program.

2010 CDBG One Year Action Plan – Substantial Amendment

Vacant Property Program NSP3 Budget Allocation	
Source of Funding	Dollar Amount
NSP3	\$1.7 million
Other (Estimated Private Leverage)	\$1.1 million
Total Budget for VPP	\$2.8 million

Performance Measures: NSP3 funds will assist in the rehabilitation of approximately 23 properties within the refined NSP3 target areas; generating an additional \$1.1 million in private leverage and retaining 36 jobs and adding 3 new jobs. These units will be sold to qualified low- and moderate-income homebuyers whose incomes do not exceed 120 percent of AMI; however it is anticipated that most buyers' incomes will not exceed 80 percent of AMI.

Projected Start Date: June 2011

Projected End Date: May 2014

Responsible Organization:

Name:	SHRA
Location:	801 12 th Street, Sacramento, CA 95814
Administration Contact Information:	Geoffrey Ross, Redevelopment Manager (916) 440-1322; Gross@shra.org

Program Summary:

<i>NSP3: Vacant Properties Program Proposed Goals and Outcomes</i>			
NSP3 Allocation	Units Impacted*	Anticipated Leverage	Jobs Retained / New Hires
\$1,700,000	23	\$1,150,000	36 / 3

* Unit count assumes program income of \$40,000 per unit.

Activity Number 2:

PROPERTY RECYCLING PROGRAM: Single-Family Homeownership Program

Eligible Use of NSP3 Funds:

1. Eligible Use B: Acquisition and Rehabilitation
2. Eligible Use D: Demolition
3. Eligible Use E: Redevelopment

2010 CDBG One Year Action Plan – Substantial Amendment

CDBG Activity or Activities:

24 CFR 570.201(a) Acquisition

(b) Disposition,

(e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties,

(i) Relocation, and

(n) Direct homeownership assistance (as modified below);

24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties, and for demolished or vacant properties.

HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost.

New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.

24 CFR 570.201(d) Clearance for blighted structure only.

National Objective: LMMH

Activity Description: Much like the Vacant Properties Program, the Property Recycling Program (PRP) focuses on stabilizing neighborhoods through strategic investments and partnerships. Working with governmental, non-profit and for-profit partners, SHRA provides inventory of properties and funding to remove the blight associated with foreclosed and/or vacant properties. SHRA provides vacant and/or foreclosed housing units to development partners for rehabilitation and sale to income eligible families. [See Attachment 7 for detailed Property Recycling Program Guidelines.]

Through an extensive Request for Qualifications (RFQ) process, SHRA formalized relationships with both volume builders and community based non-profit organizations on October 27, 2009 for the rehabilitation and sale of homes. SHRA disposes of properties to its development partners. The properties are rehabilitated based on SHRA's construction standards which have significant green building components [see Attachment 5, Housing Rehabilitation Standards]. The volume builders provide the financing for rehabilitation and SHRA provides a developer fee incentive upon completion of the sale of the property to an eligible household.

The primary objective of the PRP includes acquisition and rehabilitation of foreclosure and/or vacant single family homes for sale to qualified low- and moderate-income families. However, the program also allows for the acquisition and rehabilitation of long-term, affordable rental housing where critical to neighborhood stabilization as described under Activity 3 below.

As the principle component of the PRP, 45 percent of SHRA's NSP3 allocation may be used to acquire and/or rehabilitate foreclosed or vacant properties to be sold to qualified homeowner occupants. However, if a qualified buyer cannot be found within an established

2010 CDBG One Year Action Plan – Substantial Amendment

period of time for a particular property, those rehabilitated homes may be maintained as affordable rental housing. Properties may come from SHRA's existing vacant, surplus housing stock including HUD approved Section 32 properties.

In its role as the Public Housing Authority for the City and County of Sacramento, SHRA owns and manages over 3,500 units of public housing. Due to continual declines in funding for capital repairs, a portion of the Housing Authority's single family housing inventory is in need of significant modernization. A number of these units are located in the NSP3 target areas and their disrepair is contributing to the overall decline of the area. These units will be transferred to SHRA's development partners for rehabilitation and resale to qualified buyers. Additionally, SHRA may acquire properties through NCST or through more traditional means as established under NSP1.

Successes to Date

Initially launched on February 24, 2009, the PRP has targeted 42 properties for rehabilitation and homeownership under NSP1. As of January 2011, 14 properties are under construction, 3 properties have sold to qualified buyers and 4 additional properties are pending sale. To date, the program has leveraged \$804,984 in private financing and has retained 80 jobs.

Key to the success of this program under NSP1 has been SHRA's ability to quickly purchase foreclosed homes. SHRA has found in NSP1 that competition for foreclosed homes is mostly from speculative investors, who do not invest in the long term stabilization of the property or neighborhood. On June 8, 2009, SHRA formally began acquiring foreclosed properties within the target areas through the National Community Stabilization Trust's (NCST) "First Look" program using NSP1 funding. To ensure efficiency of this system, SHRA secured appraisers and property inspectors familiar with the Sacramento market and the target areas specifically, who are able to quickly review potential properties offered through NCST.

Location Description: The PRP Single-Family Homeownership Program will operate predominantly within the three largest NSP3 target areas including North Highlands, Del Paso Heights and Oak Park [see NSP3 Target Areas Map, page 4].

Budget (NSP3 Allocation): SHRA will allocate approximately \$3,735,000 in NSP3 funds, or 45 percent of its NSP3 allocation.

PRP Homeownership Program NSP3 Budget Allocation	
Source of Funding	Dollar Amount
NSP3	\$3,735,000
Other (Estimated Private Leverage)	\$2,550,000
Total Budget for PRP (Homeownership)	\$6,285,000

2010 CDBG One Year Action Plan – Substantial Amendment

Performance Measures: NSP3 funds will assist in the rehabilitation of approximately 50 properties within the refined NSP3 target areas; generating an additional \$2.5 million in private leverage and retaining 80 jobs and adding 7 new jobs [see Attachment 8 for program Local Hire requirements]. These units will be sold to qualified low- and moderate-income homebuyers whose incomes do not exceed 120 percent of AMI; however it is anticipated that most buyers’ incomes will not exceed 80 percent of AMI.

Projected Start Date: June 2011

Projected End Date: May 2014

Responsible Organization:

Name:	SHRA
Location:	801 12 th Street, Sacramento, CA 95814
Administration Contact Information:	Geoffrey Ross, Redevelopment Manager (916) 440-1322; Gross@shra.org

Program Summary:

<i>NSP3: Property Recycling Program (Homeownership) Proposed Goals and Outcomes</i>			
NSP3 Allocation	Units Impacted	Anticipated Leverage	Jobs Retained / New Hires
\$3,735,000	50	\$2,550,000	80 / 7

Activity Number 3:

PROPERTY RECYCLING PROGRAM: Multi-Family Rental Program

Eligible Use of NSP3 Funds:

1. Eligible Use B: Acquisition and Rehabilitation
2. Eligible Use E: Redevelopment

CDBG Activity or Activities:

- 24 CFR 570.201(a) Acquisition
- (b) Disposition,
- (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties,
- (i) Relocation, and
- (n) Direct homeownership assistance (as modified below);

2010 CDBG One Year Action Plan – Substantial Amendment

24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties, and for demolished or vacant properties.

HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost.

New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.

National Objective: LMMH

Activity Description: In addition to its focus on homeownership opportunities as described above (see Activity 2), the Property Recycling Program will make strategic investments in the rehabilitation of long term affordable rental housing. In particular, SHRA has identified three neighborhoods comprised of problem four-plexes, Norcade Circle, Coral Gables and The Avenues (see page 4, NSP3 Target Areas Map), for the allocation of approximately \$2 million of its NSP3 grant and approximately 35 percent of the funds allocated to the PRP. These neighborhoods have suffered from extreme physical blight, heightened code and police activity and inadequate management by absentee landlords. To comprehensively address these challenges, it was decided that consolidated ownership and uniform property management was necessary to eliminate blighting conditions and to improve the stock of affordable housing in these areas.

NSP3 funds will compliment substantial investments already taking place within these communities. SHRA, in concert with a local development partner, has already committed \$4 million in NSP1 funds and nearly \$4 million in additional funding for the acquisition of 13 fourplex properties (52 units) at Norcade Circle. This investment has been made as part of a larger strategy to gain majority ownership and control of the corresponding homeowner association. Through active enforcement by the homeowner association of current covenants on the properties as well as the ability to create onsite management, this effort will result in sustained investment, reduced turnover, and greater community involvement along the block.

Similarly, beginning in the early 1990's, SHRA invested significantly in the stabilization of the Coral Gables multi-family neighborhood. To date, SHRA has acquired and manages 12 of the 20 properties located within the neighborhood. In early 1990, SHRA converted seven deteriorated four-plex properties into high quality duplexes now occupied by public housing tenants. During that same time period, SHRA partnered with the Sacramento Valley Organizing Community (SVOC) in negotiations with the World Savings Bank to acquire a 44-unit foreclosed apartment complex. With SHRA financing, including federal HOME funds, SVOC purchased and rehabilitated the apartments now known as Villa Jardin. In 2005, the Housing Authority rehabilitated an additional four-plex property, providing three very-low income rental units and one market-rate rental unit. NSP3 funds will compliment the efforts already underway in Coral Gables to rehabilitate SHRA owned multi-family units and potentially acquire additional four-plex properties within this neighborhood.

2010 CDBG One Year Action Plan – Substantial Amendment

In 2009, SHRA acquired six properties within The Avenues target area through NSP1 for redevelopment purposes including the construction of five single-family ownership housing units and for the expansion of an existing community park. This pocket neighborhood consists almost predominately of multifamily housing including four-plex properties and larger apartment complexes. Like Norcade Circle and Coral Gables, The Avenues has suffered from years of deferred property maintenance, heightened code and police activity. While not the primary focus of the PRP Multi-Family Rental Program, SHRA will continue to monitor foreclosure activity within this neighborhood and the potential availability of property for acquisition and rehabilitation. Units acquired in this neighborhood through NSP3 will be rehabilitated and made available as rental housing to very-low income families.

Location Description: The PRP Multi-Family Rental Program will operate within the three most targeted areas including Coral Gables, Norcade Circle and The Avenues [see NSP3 Target Areas Map, page 4].

Budget (NSP3 Allocation): SHRA will allocate \$2 million in NSP3 funds, or 24 percent of its NSP3 allocation.

PRP Multi-Family Rental Program NSP3 Budget Allocation	
Source of Funding	Dollar Amount
NSP3	\$2,031,350
Other (Estimated Private Leverage)	\$0
Total Budget for PRP (Rental)	\$2,031,350

Performance Measures: NSP3 funds will assist in the rehabilitation of approximately four properties (16 units) within the Norcade Circle and Coral Gables NSP3 target areas; retaining 43 jobs and adding 4 new jobs [see Attachment 8 for program Local Hire requirements]. These rental units will be made available to qualified very low-income families whose incomes do not exceed 50 percent of AMI.

Projected Start Date: June 2011

Projected End Date: May 2014

Responsible Organization:

Name:	SHRA
Location:	801 12 th Street, Sacramento, CA 95814
Administration Contact Information:	Geoffrey Ross, Redevelopment Manager (916) 440-1322; Gross@shra.org

February 15, 2011

2010 CDBG One Year Action Plan – Substantial Amendment

Program Summary:

<i>NSP3: Property Recycling Program (Homeownership) Proposed Goals and Outcomes</i>			
NSP3 Allocation	Units Impacted	Anticipated Leverage	Jobs Retained / New Hires
\$2,031,350	16	\$0	43 / 4

Activity Number 4:**PROGRAM ADMINISTRATION**

Consistent with the NSP3 NoFA, SHRA shall allocate an amount of up to 10 percent of its NSP3 grant and an amount of up to 10 percent of program income earned for general administration and planning activities as those are defined at 24 CFR 570.205 and 206.

Budget (NSP3 Allocation):

Administration NSP3 Budget Allocation	
Source of Funding	Dollar Amount
NSP3	\$835,799
Total Budget for Administration	\$835,799

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

NEIGHBORHOOD STABILIZATION PROGRAM 3 MEMORANDUM OF UNDERSTANDING for the
COUNTY of SACRAMENTO, the CITY of SACRAMENTO, and the
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

This Memorandum of Understanding (MOU) is made and entered into this ____ day of _____ 2011, by and among the COUNTY OF SACRAMENTO, hereinafter called "COUNTY", the CITY OF SACRAMENTO, hereinafter called "CITY", and the SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, hereinafter called "SHRA."

WHEREAS, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional one-time allocation of \$1 billion for the Neighborhood Stabilization Program, known as NSP3, that was originally established under the Housing and Economic Recovery Act of 2008 (HERA); and

WHEREAS, HUD released its formula and regulations for the new allocation of CDBG under NSP3 as prescribed by HERA on October 19, 2010; and

WHEREAS, the COUNTY received a formula allocation of \$4,595,671 and the CITY received a formula allocation of \$3,762,329 in NSP3 funding and an amendment to the County and City 2010 One-Year Action Plans for NSP funding must be submitted to HUD no later than March 1, 2011 to receive NSP3 funding; and

WHEREAS, NSP3, 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, HUD allows NSP3 recipients to submit joint request to HUD in order to streamline the review process and for the purpose of receiving and administering NSP3 funds consistent with program requirements; and

WHEREAS, SHRA annually serves as the designee for the COUNTY and CITY to administer community development grants originating from U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, one-time community development grants from HUD which are to be administered directly by the recipient are required to secure environmental clearance; SHRA is designated as the general unit of local government and is authorized to submit a determination of environmental clearance on their behalf; and

WHEREAS, the COUNTY and the CITY desire to submit a joint request for NSP3 funds consistent with the terms of this MOU, and

WHEREAS, the COUNTY and CITY desire to designate authority to the COUNTY to act on behalf of the COUNTY and the CITY as the lead applicant for purposes of the NSP3 request for funds; and

WHEREAS, the COUNTY's NSP3 formula allocation of \$4,595,671 and the CITY's NSP3

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

formula allocation of \$3,762,329 will not be merged for purposes of implementing the program, but will be spent within each respective jurisdiction; and

WHEREAS, the COUNTY and the CITY desire to grant SHRA, which serves as a joint staffing agency for administration of public social services programs in both the COUNTY and the CITY, authority to administer the NSP3 program on behalf of the COUNTY and the CITY.

THEREFORE, it is agreed that:

1. Purpose: The COUNTY, CITY, and SHRA will cooperate for the purposes of submitting a joint request to HUD for NSP3 funds and undertaking or assisting in undertaking NSP3 eligible activities identified in the attached Substantially Amended 2010 CDBG Action Plan, attached hereto as Exhibit A and incorporated herein by reference, including but not limited to acquisition, land banking, demolition, rehabilitation and redevelopment of vacant and/or foreclosed properties.
2. MOU Representative: COUNTY shall be the lead applicant for purposes of the NSP3 funds. COUNTY shall delegate its administrative responsibilities under the MOU to SHRA, which shall act as the program administrator.
3. SHRA's Administration Responsibility: SHRA, as NSP3 program administrator on behalf of the COUNTY and the CITY, shall have the overall responsibility under the NSP3 and in the view of the U.S. Department of Housing and Urban Development (hereinafter "HUD") and the right under this MOU: 1) to ensure that the NSP3 Program is carried out in compliance with all the requirements of NSP3 and in substantial compliance with the Substantially Amended 2010 CDBG Action Plan; 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 the COUNTY and CITY'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 NSP3 Program.
4. NSP3 Funding Allocation and Administration: The NSP3 allocation available to the COUNTY, and CITY will reflect the award criteria in the Notice of Formula Allocations (NOFA). In the event that awarded NSP3 funds are less than that identified by HUD in the NOFA and requested in the Substantially Amended 2010 CDBG Action Plan joint request for funds for a category of program activities, SHRA shall allocate NSP3 funds on a pro-rata basis proportionate to the requested amount. Otherwise, the COUNTY's NSP3 formula allocation of \$4,595,671 less 10 percent for Administration will be wholly spent within the jurisdiction of the unincorporated COUNTY which falls within the proposed NSP3 target areas and the CITY's NSP3 formula allocation of \$3,762,329 less 10 percent for Administration will be wholly spent within the jurisdiction of the CITY which falls within the proposed NSP3 target areas.
5. Approval Authority and Responsibility for COUNTY and CITY Activities:
 - a) SHRA shall develop recommendations for the COUNTY Board of Supervisors' and CITY Council's consideration and approval concerning the composition of the joint funding request for NSP3.
 - b) As the program administrator for the COUNTY and CITY, SHRA shall allocate the NSP3 funds among approved program activities consistent with the Substantially Amended 2010

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

CDBG Action Plan and the recommendations of COUNTY and CITY. If necessary to meet NSP3 requirements funds may be re-allocated among programs. In preparation for any re-allocation that affects programs in the COUNTY or CITY, SHRA shall seek the advice and consent of the COUNTY or CITY as applicable. Allocation of NSP3 funds to activities in the COUNTY and CITY shall be subject to the SHRA's determination that the proposed activities meet all NSP3 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 NSP3 funding.

6. Program Delivery Responsibility for the COUNTY and CITY: SHRA shall provide all services necessary to deliver NSP3 programs to the COUNTY and CITY including but not limited to: administration of all approved NSP3 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.
7. Program Income: The COUNTY and CITY will each receive all revenue that may result from NSP3 activities within their respective jurisdictions during the term of this MOU. This includes all program income, recaptured funds, and repayments as defined in 24 CFR § 570.500 Revenue will be tracked by SHRA and returned for use within the COUNTY or CITY on subsequent NSP or CDBG activities in accordance with federal requirements.
8. Hold Harmless Provisions:
 - a) Neither SHRA, nor any of its officers or employees, shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by the COUNTY or CITY under this MOU. It is also understood and agreed that the COUNTY and CITY shall fully indemnify, defend and hold SHRA harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by the COUNTY or CITY respectively, under or in connection with any work, authority or jurisdiction delegated to the COUNTY or CITY under this Agreement.
 - b) The COUNTY and CITY 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 SHRA under this MOU. It is also understood and agreed that SHRA shall fully indemnify, defend and hold the COUNTY and CITY harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by SHRA under or in connection with any work, authority or jurisdiction delegated to SHRA under this MOU.
9. 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 the COUNTY or CITY are participating jurisdiction in the NSP3 joint request 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. In the event either the COUNTY or CITY does not receive funding under the NOFA, the obligations and benefits of this MOU by and for each party shall be terminated. In the event that either the COUNTY or CITY does not receive funding under the NOFA because the category of program activities it identified does not receive funding,

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

the obligations and benefits of this MOU by and for such party shall be terminated.

10. Minor Amendments: Should it become necessary to change the language of the MOU to meet HUD approval, without making changes that alter the intent of the MOU, such changes may be made administratively with the written consent of the County Executive of the COUNTY, the City Manager of the CITY and the Executive Director of SHRA. All parties must consent for the change in order for the change to be effective.
11. Counterparts: This MOU 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.
12. Severability: If any term, condition, or covenant of this MOU is declared or determined by any court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this MOU shall not be affected thereby and the MOU shall be read and construed without the invalid, void or unenforceable provision(s).
13. Entire MOU: This MOU 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.
14. Interpretation of MOU: The headings within this MOU are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this MOU. The parties have had an equal opportunity to participate in the drafting of this MOU; therefore, the normal construction as against the drafting party shall not apply to this MOU.
15. Governing Law and Forum. This MOU 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 MOU on the _____ day of _____, 2011.

COUNTY OF SACRAMENTO

ATTEST:

By: _____
County Executive

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 _____.

APPROVED AS TO FORM

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

City Attorney

ATTEST:

CITY OF SACRAMENTO

By: _____
City Manager

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
_____.

APPROVED AS TO FORM

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

Agency Counsel

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

HUD Map and NSP3 Planning Data

Intentionally Left Blank

Definition of “Blighted Structure”

The definition of a blighted structure is located under California State Redevelopment Law (California Health and Safety Code 33000 et seq.), specifically in section 33031.

Physical Blight is described at Subdivision (a) of section 33031 and includes:

1. A building in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
2. Factors that prevent or substantially hinder the economically viable use or capacity of building or lots.
3. Adjacent or nearby uses that are incompatible with each other and prevent economic development of those parcels or other portions of the area.
4. Existence of irregularly formed, shaped or sized lots for proper usefulness that owned by multiple entities, given present General Plan and zoning standards and present market conditions

Economic Blight is described at Subdivision (b) of section 33031 and includes:

1. Depreciated or stagnant property values.
2. Impaired property values, due in large part to hazardous wastes on the property.
3. Abnormally high business vacancies, abnormally low lease rates or an abnormally high number of abandoned buildings.
4. A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
5. Serious residential overcrowding that has resulted in significant public health or safety problems.
6. An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.
7. A high crime rate that constitutes a serious threat to the public safety and welfare.

Definition of “Affordable Rents”

SHRA has adopted the Low HOME rent as the standard definition of affordable rents for NSP units.

24 CFR 92.252(b)(1) defines the Low HOME rent standards as follows:

“The rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.”

24 CFR 92.252(c) further describes how utility allowances are to be factored in to rent standards:

“The participating jurisdiction must establish maximum monthly allowances for utilities and services (excluding telephone). The participating jurisdiction must review and approve rents proposed by the owner for units subject to the maximum rent limitations in paragraphs (a) or (b) of this section. For all units subject to the maximum rent limitations in paragraphs (a) or (b) of this section for which the tenant is paying utilities and services, the participating jurisdiction must ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services.”

SHRA’s 2010 Low HOME rents and associated (approximate) utility allowances are as follows¹:

Unit Size	Low HOME Rent	Approximate Utility Allowance	Net Applicable Rent
1 bedroom	\$685	\$65	\$620
2 bedrooms	\$822	\$80	\$742
3 bedrooms	\$950	\$92	\$858
4 bedrooms	\$1060	\$104	\$956
5 bedrooms	\$1,170	\$116	\$1054

¹ SHRA annually posts applicable rent standards and utility allowances here:
http://www.shra.org/Housing/MultifamilyRentalResources/Renters.aspx#Affordable_Housing_Rent_Limits

Housing Rehabilitation Standards

SHRA's housing rehabilitation standards comprehensively address all facets of design, construction and sustainability.¹ The standards incorporate selected portions of Build It Green's "GreenPoint Rated Existing Home Checklist" as well as applicable incentive programs from the local utility districts, with particular emphasis in three areas: energy efficiency, indoor environmental quality, and durability. All rehabilitation work is overseen by SHRA's construction management staff, including review and approval of scope of work and participating in on-going construction inspections. Included in the requirements are the following:

1. **Accessibility:** Housing constructed or improved with NSP3 funds shall meet the accessibility standards of 24CFR, Part 8. For Multi-Family projects, the total number of units made accessible for those projects shall meet the requirements of this section. Though Single Family homes are exempt from these requirements, "reasonable accommodations" will be made where a demonstrated need for accessibility improvements are shown for a particular residence.
2. **Energy Efficiency and Green Building Standards for Existing Buildings:** SHRA's adopted Construction Standards (for existing buildings) were created as an amalgam of our own building standards (which already incorporated many energy-efficiency features) and Build It Green's "GreenPoint Rated Existing Home Checklist". The resulting document was highly received by Build It Green, who used it as the blueprint for their own Construction Standards. For all areas of work affected, where a green approach to the rehab may be utilized, the standards prescribe the methods used to achieve this goal. Use of Energy Star products and appliances, and adherence to local utilities' rebate programs for high efficiency replacement systems, are woven into the document.
3. **Energy Efficiency and Green Building Standards for New Low-rise Buildings:** For buildings up to three stories in height, all newly constructed housing, and "gut-rehab" projects defined as new construction, shall meet or exceed the requirements as set forth in the EPA's "Energy Star Qualified New Homes" standards.
4. **Energy Efficiency and Green Building Standards for Mid-rise and High-Rise Buildings:** For buildings greater than three stories in height, all newly constructed housing, and "gut-rehab" projects defined as new construction, shall meet or exceed the requirements as set forth in the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent.
5. **Water efficient fixtures:** Water-saving plumbing fixtures, such as toilets, tub / shower valves, and faucets, shall be used wherever replaced or newly installed. Where applicable, the EPA's "Water Sense" Program shall be employed.

¹ Standards for single family rehabilitation and multi-family rehabilitation can be found at <http://www.shra.org/LinkClick.aspx?fileticket=evn0xYdT1wM%3d&tabid=110&mid=475>, and <http://www.shra.org/LinkClick.aspx?fileticket=DI-25S6NOhM%3d&tabid=142&mid=417>.



February 24, 2009
 Revised: February 15, 2011
 801 12th Street, Sacramento, CA 95814 (916) 440-1318

Neighborhood Stabilization Program Sacramento Vacant Properties Program (PROGRAM GUIDELINES)

Vacant Properties Program

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

Participation. Submit “over-the-counter” application for designation as “Preferred Builder” to Sacramento Housing and Redevelopment Agency (SHRA), 801 12th Street, Sacramento, CA 95814. Once designated a Preferred Builder, participants are eligible to apply for funding under the program.

Developer Fee. Participating developers shall receive a developer fee of \$30,000 for each home successfully completed if no rehabilitation loan is provided by SHRA. If participating developers receive a rehabilitation loan, the developer fee is to be \$20,000 for each home successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

Eligible Properties. Properties must be purchased after the “Preferred Builder” has submitted their application and successfully been accepted into the Vacant Property Program. Need at minimum \$15,000 worth of rehabilitation (but not more than \$60,000 without prior SHRA approval). Approval is contingent upon SHRA inspection and construction/rehabilitation standards.

Eligible Areas. Neighborhood Stabilization Program (NSP) target areas have been identified for NSP1 and NSP3 funding allocations. Eligible target area boundaries can be viewed on SHRA’s website at:
<http://www.shra.org/RecoveryActPrograms/NSPNeighborhoodStabilizationPrograms.aspx>

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

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

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

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

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

- have experience in rehabilitating or constructing and selling at least Five single-family homes;
- can demonstrate to the satisfaction of SHRA financial resources or funding commitments sufficient to meet acquisition and holding costs;
- be a licensed general contractor or work with a licensed general contractor, either as an employee or through agreement, be in good standing with the Contractor State Licensing Board and not listed on the federally debarred contractor list;
- have SHRA required insurance coverage;
- have no code enforcement violations on property owned within the last three years;
- demonstrate that work meets or exceeds SHRA construction standards;
- provide at least two client/sub-contractor references; and
- SHRA has the right to remove participants based on noncompliance with provision of program.

Eligible Home Purchasers. Purchasers of the rehabilitated homes must:

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



INVESTING IN COMMUNITIES

February 24, 2009
 Revised: February 15, 2011
 801 12th Street, Sacramento, CA 95814 (916) 440-1320

Neighborhood Stabilization Program

Sacramento Property Recycling Program

(PROGRAM GUIDELINES)

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 and vacant properties 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 or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. 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. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.
- 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). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. 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 unless required by additional funding sources. 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/or 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. SHRA may receive properties through donations that may be included for rehabilitation or land banking. All property acquired under the PRP is subject to the federal Uniform Relocation Act (49 CFR Part 24), as applicable.

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

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

6.1.1 Demolition. Activities requiring demolition will be in conjunction with one of the following three strategies: land banking, change of use, or new construction. Demolition and new construction activities will require additional environmental determinations under the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA). 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/or vacant may be disposed of 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. 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 vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. 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

management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. 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 access to homes or vacant properties that are consistent with the Partner expertise 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 may 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, rehabilitate and 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) may 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. 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.

Local Hire Strategy

In accordance with the requirements of NSP3 funding, SHRA will to the greatest extent feasible, provide for the hiring of employees who reside in the vicinity of projects funded under NSP3 and contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded under NSP3.

As part of its NSP1 strategy, SHRA and its development partners undertook several steps to outreach to both NSP1 target area residents as well as individuals meeting the requirements of Section 3 under the Housing and Urban Development Act of 1968, including:

- Publishing “job opportunities” advertisements in the local Penny Saver in key zip codes;
- Posting “job opportunities” posters at all Housing Authority residential communities and field offices;
- Delivering “job opportunities” postcards and flyers to local communities centers;
- Posting “job opportunities” signs at all NSP1 funded job sites;
- Listing all specific construction and rehabilitation jobs and contact information of development partners on SHRA’s NSP website; and
- Links to SHRA’s NSP website included on the both the City and County of Sacramento’s websites.

Successes to Date

NSP1 activities utilizing the outreach efforts as described above have resulted in a significant number of new hires and retained jobs:

NSP1 Jobs Created	
New Hires	62
Jobs Retained	688

Enhanced Local Hire Strategy for NSP3

Expanding upon the successes of its NSP1 local hire strategy, SHRA will continue all outreach efforts as outlined above, enhancing its publishing and posting requirements, and will take additional steps to proactively identify prospective “new hires” as job opportunities become available through NSP3 initiatives, including:

- A training workshop will be held to inform all NSP3 development partners of required local hire preference and Section 3 hire requirements;
- A list of all trade qualified/certified Section 3 Housing Authority residents will be developed, maintained and distributed to NSP3 development partners;

- Additional “job opportunities” advertisements will be published in the local ethnic newspapers;
- Additional “job opportunities” postcards and flyers will be distributed to local community based organizations and employment centers; and
- NSP3 development partners will be required to post flyers related to job/trade specific new hire opportunities available at targeted locations.

Certifications

Intentionally Left Blank

Neighborhood Stabilization Program

Sacramento Property Recycling Program

(PROGRAM GUIDELINES)

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 and vacant properties 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 or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. 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. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.
- 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). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. 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 unless required by additional funding sources. 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/or 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. SHRA may receive properties through donations that may be included for rehabilitation or land banking. 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/or vacant may be disposed of 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. 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 vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. 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 management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. 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 re-sale, 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 access to homes or vacant properties that are the consistent with the Partner expertise 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 may 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, rehabilitate and 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) may 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. 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.



INVESTING IN COMMUNITIES



February 24, 2009
Revised: February 15, 2011

801 12th Street, Sacramento, CA 95814 (916) 440-1318

Neighborhood Stabilization Program Sacramento Vacant Properties Program (PROGRAM GUIDELINES)

Vacant Properties Program

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

Participation. Submit “over-the-counter” application for designation as “Preferred Builder” to Sacramento Housing and Redevelopment Agency (SHRA), 801 12th Street, Sacramento, CA 95814. Once designated a Preferred Builder, participants are eligible to apply for funding under the program.

Developer Fee. Participating developers shall receive a developer fee of \$30,000 for each home successfully completed if no rehabilitation loan is provided by SHRA. If participating developers receive a rehabilitation loan, the developer fee is to be \$20,000 for each home successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

Eligible Properties. Properties must be purchased **after** the “Preferred Builder” has submitted their application and successfully been accepted into the Vacant Property Program. Need at minimum \$15,000 worth of rehabilitation (but not more than \$60,000 without prior SHRA approval). Approval is contingent upon SHRA inspection and construction/rehabilitation standards.

Eligible Areas. Neighborhood Stabilization Program (NSP) target areas have been identified for NSP1 and NSP3 funding allocations. Eligible target area boundaries can be viewed on SHRA’s website at:
<http://www.shra.org/RecoveryActPrograms/NSPNeighborhoodStabilizationPrograms.aspx>

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

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

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

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

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

- have experience in rehabilitating or constructing and selling at least Five single-family homes;
- can demonstrate to the satisfaction of SHRA financial resources or funding commitments sufficient to meet acquisition and holding costs;
- be a licensed general contractor or work with a licensed general contractor, either as an employee or through agreement, be in good standing with the Contractor State Licensing Board and not listed on the federally debarred contractor list;
- have SHRA required insurance coverage;
- have no code enforcement violations on property owned within the last three years;
- demonstrate that work meets or exceeds SHRA construction standards;
- provide at least two client/sub-contractor references; and
- SHRA has the right to remove participants based on noncompliance with provision of program.

Eligible Home Purchasers. Purchasers of the rehabilitated homes must:

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



RESOLUTION NO. 2011 -

Adopted by the Sacramento City Council

on date of

APPLICATION FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDING ROUND THREE (NSP3); APPROVAL OF GUIDELINES FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF NSP3; SUBSTANTIAL AMENDMENTS TO THE 2010 ACTION PLAN AND THE SHRA BUDGET

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as the designee for the City of Sacramento (City) to administer community development grants originating from U.S. Department of Housing and Urban Development (HUD).
- B. 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.
- C. On October 21, 2008, the Sacramento City Council approved the 2009 One-Year Action Plan containing the Substantial Amendment to the Consolidated Plan establishing the Neighborhood Stabilization Program (NSP).
- D. On February 24, 2009, the City Council authorized SHRA to amend and submit changes to the NSP in the 2009 One-Year Action Plan to HUD, authorized the City Manager and SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the NSP; and authorized SHRA to establish and implement the Vacant Property Program and the Property Recycling Program to undertake NSP activities.
- E. On June 16, 2009, the Sacramento City Council authorized SHRA to release a Request for Qualifications (RFQ) for the rehabilitation and resale of foreclosed properties purchased through the Property Recycling Program and to convene an evaluation committee to review the qualifications and proposals and provide a recommendation on the selection of qualified builders to participate in the rehabilitation and resale of foreclosed properties.
- F. On October 27, 2009, the Sacramento City Council approved the selection of the Volume Builder and Mission Driven Community Partners for participation in the Property Recycling Program. Additionally, on October 27, 2009, the City Council approved the 2010 One-Year Action Plan describing proposed activities and

expenditures for the following year using the goals and priorities of the Consolidated Plan as required by (HUD).

- G. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion for the Neighborhood Stabilization Program, known as NSP3, that was originally established under the Housing and Economic Recovery Act of 2008 (HERA).
- H. HUD released formula and regulations for the new allocation of CDBG under NSP3 as prescribed by HERA on October 19, 2010, and an amendment to the 2010 One-Year Action Plan for NSP funding must be submitted to HUD no later than March 1, 2011.
- I. HUD allows and encourages NSP3 recipients to submit joint request in order to streamline the review process and implement a comprehensive strategy. SHRA anticipates filing the application to HUD under the name of the County of Sacramento to be administered by SHRA on behalf of the City of Sacramento and the County of Sacramento.
- J. One-time community development grants from HUD which are to be administered directly by the recipient are required to secure environmental clearance; SHRA is designated as the general unit of local government and is authorized to submit a determination of environmental clearance on their behalf.
- K. A noticed public hearing soliciting comments on the amendments to the 2010 One-Year Action Plan was held by the Sacramento Housing and Redevelopment Commission on February 2, 2011.

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

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, are approved.
- Section 2. The Substantial Amendment to the 2010 Action Plan for NSP3 funds and the corresponding Implementation Guidelines contained within the staff report accompanying this resolution is approved.
- Section 3. The City Manager and SHRA are authorized to execute the NSP3 Memorandum of Understanding (MOU) (Exhibit A) with the County of Sacramento.
- Section 4. SHRA is authorized to submit to HUD the Substantially Amended 2010 Action Plan and to Administer NSP3 on behalf of the City of Sacramento

and the County of Sacramento in accordance with the joint request established under the MOU.

- Section 5. SHRA and its constituent entities are authorized for the NSP3 PRP to use the existing Volume Builders and Mission Driven Community partners previously competitively selected through the Property Recycling Program's (PRP) Request for Qualifications (RFQ) established under NSP1 for participation.
- Section 6. The Property Recycling Program is modified to enable SHRA to purchase, accept and/or transfer ownership of NSP eligible properties from third party entities to further the goals of NSP.
- Section 7. The Property Recycling Program is modified authorizing SHRA and constituent entities to purchase, accept and/or transfer ownership of NSP eligible properties among SHRA and constituent entities to further the goals of NSP.
- Section 8. SHRA is authorized to utilize the HUD approved Housing Authority Section 32 properties to undertake rehabilitation activities and resale consistent with the guidelines of the Property Recycling Program.
- Section 9. The Executive Director is authorized to terminate the NSP1 revolving loan fund accounts for the Vacant Properties Program and the Property Recycling Program in the process of closing out NSP1, as approved by HUD.
- Section 10. SHRA is authorized to reprogram NSP1 Program Delivery Funds to the Property Recycling Program for the acquisition and rehabilitation of eligible properties.
- Section 11. SHRA is authorized to expand the eligibility for participation in the Community Development Block Grant (CDBG) Single Family Rehabilitation Loan Program as approved in the 2010 Action Plan to include rehabilitation conducted by NSP development partners on single family residences for subsequent sale to owner-occupants.
- Section 12. NSP Vacant Property Program Preferred Builder participants and Property Recycling Program Volume Builders and Mission Driven Community Partners are eligible to participate in the Community Development Block Grant (CDBG) Single Family Rehabilitation Loan Program is approved.
- Section 13. SHRA is authorized to accept additional funding consistent with the PRP guidelines and Agency policies.
- Section 14. The modifications to the Property Recycling Program Guidelines set out in

Exhibit B which is attached to this resolution are approved.

- Section 15. The modifications to the Vacant Property Program Guidelines set out in Exhibit C which is attached to this resolution are approved.
- Section 16. The Executive Director, or designee, is authorized to amend the Agency budget to allocate City of Sacramento NSP3 funds.
- Section 17. SHRA is authorized to execute agreements and such additional documents, as approved by SHRA Counsel, and to take such additional actions as necessary to implement the authorized contracts and this resolution.

Table of Contents:

Exhibit A – NSP3 MOU

Exhibit B – Property Recycling Program Guidelines

Exhibit C – Vacant Property Program Guidelines



NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

NEIGHBORHOOD STABILIZATION PROGRAM 3 MEMORANDUM OF UNDERSTANDING for the
COUNTY of SACRAMENTO, the CITY of SACRAMENTO, and the
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

This Memorandum of Understanding (MOU) is made and entered into this ____ day of _____ 2011, by and among the COUNTY OF SACRAMENTO, hereinafter called "COUNTY", the CITY OF SACRAMENTO, hereinafter called "CITY", and the SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, hereinafter called "SHRA."

WHEREAS, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional one-time allocation of \$1 billion for the Neighborhood Stabilization Program, known as NSP3, that was originally established under the Housing and Economic Recovery Act of 2008 (HERA); and

WHEREAS, HUD released its formula and regulations for the new allocation of CDBG under NSP3 as prescribed by HERA on October 19, 2010; and

WHEREAS, the COUNTY received a formula allocation of \$4,595,671 and the CITY received a formula allocation of \$3,762,329 in NSP3 funding and an amendment to the County and City 2010 One-Year Action Plans for NSP funding must be submitted to HUD no later than March 1, 2011 to receive NSP3 funding; and

WHEREAS, NSP3, 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, HUD allows NSP3 recipients to submit joint request to HUD in order to streamline the review process and for the purpose of receiving and administering NSP3 funds consistent with program requirements; and

WHEREAS, SHRA annually serves as the designee for the COUNTY and CITY to administer community development grants originating from U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, one-time community development grants from HUD which are to be administered directly by the recipient are required to secure environmental clearance; SHRA is designated as the general unit of local government and is authorized to submit a determination of environmental clearance on their behalf; and

WHEREAS, the COUNTY and the CITY desire to submit a joint request for NSP3 funds consistent with the terms of this MOU, and

WHEREAS, the COUNTY and CITY desire to designate authority to the COUNTY to act on behalf of the COUNTY and the CITY as the lead applicant for purposes of the NSP3 request for funds; and

WHEREAS, the COUNTY's NSP3 formula allocation of \$4,595,671 and the CITY's NSP3 formula allocation of \$3,762,329 will not be merged for purposes of implementing the program, but will be spent within each respective jurisdiction; and

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

WHEREAS, the COUNTY and the CITY desire to grant SHRA, which serves as a joint staffing agency for administration of public social services programs in both the COUNTY and the CITY, authority to administer the NSP3 program on behalf of the COUNTY and the CITY.

THEREFORE, it is agreed that:

1. Purpose: The COUNTY, CITY, and SHRA will cooperate for the purposes of submitting a joint request to HUD for NSP3 funds and undertaking or assisting in undertaking NSP3 eligible activities identified in the attached Substantially Amended 2010 CDBG Action Plan, attached hereto as Exhibit A and incorporated herein by reference, including but not limited to acquisition, land banking, demolition, rehabilitation and redevelopment of vacant and/or foreclosed properties.
2. MOU Representative: COUNTY shall be the lead applicant for purposes of the NSP3 funds. COUNTY shall delegate its administrative responsibilities under the MOU to SHRA, which shall act as the program administrator.
3. SHRA's Administration Responsibility: SHRA, as NSP3 program administrator on behalf of the COUNTY and the CITY, shall have the overall responsibility under the NSP3 and in the view of the U.S. Department of Housing and Urban Development (hereinafter "HUD") and the right under this MOU: 1) to ensure that the NSP3 Program is carried out in compliance with all the requirements of NSP3 and in substantial compliance with the Substantially Amended 2010 CDBG Action Plan; 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 the COUNTY and CITY'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 NSP3 Program.
4. NSP3 Funding Allocation and Administration: The NSP3 allocation available to the COUNTY, and CITY will reflect the award criteria in the Notice of Formula Allocations (NOFA). In the event that awarded NSP3 funds are less than that identified by HUD in the NOFA and requested in the Substantially Amended 2010 CDBG Action Plan joint request for funds for a category of program activities, SHRA shall allocate NSP3 funds on a pro-rata basis proportionate to the requested amount. Otherwise, the COUNTY's NSP3 formula allocation of \$4,595,671 less 10 percent for Administration will be wholly spent within the jurisdiction of the unincorporated COUNTY which falls within the proposed NSP3 target areas and the CITY's NSP3 formula allocation of \$3,762,329 less 10 percent for Administration will be wholly spent within the jurisdiction of the CITY which falls within the proposed NSP3 target areas.
5. Approval Authority and Responsibility for COUNTY and CITY Activities:
 - a) SHRA shall develop recommendations for the COUNTY Board of Supervisors' and CITY Council's consideration and approval concerning the composition of the joint funding request for NSP3.
 - b) As the program administrator for the COUNTY and CITY, SHRA shall allocate the NSP3 funds among approved program activities consistent with the Substantially Amended 2010 CDBG Action Plan and the recommendations of COUNTY and CITY. If necessary to meet NSP3 requirements funds may be re-allocated among programs. In preparation for any re-allocation that affects programs in the COUNTY or CITY, SHRA shall seek the advice and consent of the COUNTY or CITY as applicable. Allocation of NSP3 funds to

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

activities in the COUNTY and CITY shall be subject to the SHRA's determination that the proposed activities meet all NSP3 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 NSP3 funding.

6. Program Delivery Responsibility for the COUNTY and CITY: SHRA shall provide all services necessary to deliver NSP3 programs to the COUNTY and CITY including but not limited to: administration of all approved NSP3 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.
7. Program Income: The COUNTY and CITY will each receive all revenue that may result from NSP3 activities within their respective jurisdictions during the term of this MOU. This includes all program income, recaptured funds, and repayments as defined in 24 CFR § 570.500 Revenue will be tracked by SHRA and returned for use within the COUNTY or CITY on subsequent NSP or CDBG activities in accordance with federal requirements.
8. Hold Harmless Provisions:
 - a) Neither SHRA, nor any of its officers or employees, shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by the COUNTY or CITY under this MOU. It is also understood and agreed that the COUNTY and CITY shall fully indemnify, defend and hold SHRA harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by the COUNTY or CITY respectively, under or in connection with any work, authority or jurisdiction delegated to the COUNTY or CITY under this Agreement.
 - b) The COUNTY and CITY 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 SHRA under this MOU. It is also understood and agreed that SHRA shall fully indemnify, defend and hold the COUNTY and CITY harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by SHRA under or in connection with any work, authority or jurisdiction delegated to SHRA under this MOU.
9. 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 the COUNTY or CITY are participating jurisdiction in the NSP3 joint request 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. In the event either the COUNTY or CITY does not receive funding under the NOFA, the obligations and benefits of this MOU by and for each party shall be terminated. In the event that either the COUNTY or CITY 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 MOU by and for such party shall be terminated.
10. Minor Amendments: Should it become necessary to change the language of the MOU to meet HUD approval, without making changes that alter the intent of the MOU, such changes may be made administratively with the written consent of the County Executive of the COUNTY, the City Manager of the CITY and the Executive Director of SHRA. All parties must consent for the change in order

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

for the change to be effective.

- 11. Counterparts: This MOU 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.
- 12. Severability: If any term, condition, or covenant of this MOU is declared or determined by any court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this MOU shall not be affected thereby and the MOU shall be read and construed without the invalid, void or unenforceable provision(s).
- 13. Entire MOU: This MOU 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.
- 14. Interpretation of MOU: The headings within this MOU are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this MOU. The parties have had an equal opportunity to participate in the drafting of this MOU; therefore, the normal construction as against the drafting party shall not apply to this MOU.
- 15. Governing Law and Forum. This MOU 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 MOU on the _____ day of _____, 2011.

COUNTY OF SACRAMENTO

APPROVED AS TO FORM

By: _____
County Executive

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:

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

CITY OF SACRAMENTO

By: _____
City Manager

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
_____.

City Attorney

ATTEST:

APPROVED AS TO FORM

NSP3 – Memorandum of Understanding
County of Sacramento
City of Sacramento
Sacramento Housing and Redevelopment Agency

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



INVESTING IN COMMUNITIES



February 24, 2009
Revised: February 15, 2011
801 12th Street, Sacramento, CA 95814 (916) 440-1320

Neighborhood Stabilization Program Sacramento Property Recycling Program (PROGRAM GUIDELINES)

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 and vacant properties 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 or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. 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. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.
- 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). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. 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 unless required by additional funding sources. 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/or 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. SHRA may receive properties through donations that may be included for rehabilitation or land banking. All property acquired under the PRP is subject to the federal Uniform Relocation Act (49 CFR Part 24), as applicable.

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

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

6.1.1 Demolition. Activities requiring demolition will be in conjunction with one of the following three strategies: land banking, change of use, or new construction. Demolition and new construction activities will require additional environmental determinations under the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA). 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/or vacant may be disposed of 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. 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 vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. 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 management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. 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% AMLI. 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 re-sale, 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 access to homes or vacant properties that are the consistent with the Partner expertise 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 may 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, rehabilitate and 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) may 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. 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.



INVESTING IN COMMUNITIES



February 24, 2009
Revised: February 15, 2011
801 12th Street, Sacramento, CA 95814 (916) 440-1318

Neighborhood Stabilization Program

Sacramento Vacant Properties Program

(PROGRAM GUIDELINES)

Vacant Properties Program

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

Participation. Submit “over-the-counter” application for designation as “Preferred Builder” to Sacramento Housing and Redevelopment Agency (SHRA), 801 12th Street, Sacramento, CA 95814. Once designated a Preferred Builder, participants are eligible to apply for funding under the program.

Developer Fee. Participating developers shall receive a developer fee of \$30,000 for each home successfully completed if no rehabilitation loan is provided by SHRA. If participating developers receive a rehabilitation loan, the developer fee is to be \$20,000 for each home successfully completed. Payment of developer fee is provided upon approved completion and sale of home to income qualified owner-occupant.

Eligible Properties. Properties must be purchased **after** the “Preferred Builder” has submitted their application and successfully been accepted into the Vacant Property Program. Need at minimum \$15,000 worth of rehabilitation (but not more than \$60,000 without prior SHRA approval). Approval is contingent upon SHRA inspection and construction/rehabilitation standards.

Eligible Areas. Neighborhood Stabilization Program (NSP) target areas have been identified for NSP1 and NSP3 funding allocations. Eligible target area boundaries can be viewed on SHRA’s website at: <http://www.shra.org/RecoveryActPrograms/NSPNeighborhoodStabilizationPrograms.aspx>

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

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

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

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

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

- have experience in rehabilitating or constructing and selling at least Five single-family homes;
- can demonstrate to the satisfaction of SHRA financial resources or funding commitments sufficient to meet acquisition and holding costs;
- be a licensed general contractor or work with a licensed general contractor, either as an employee or through agreement, be in good standing with the Contractor State Licensing Board and not listed on the federally debarred contractor list;
- have SHRA required insurance coverage;
- have no code enforcement violations on property owned within the last three years;
- demonstrate that work meets or exceeds SHRA construction standards;
- provide at least two client/sub-contractor references; and
- SHRA has the right to remove participants based on noncompliance with provision of program.

Eligible Home Purchasers. Purchasers of the rehabilitated homes must:

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



RESOLUTION NO. 2011 -

Adopted by the Housing Authority of the City of Sacramento

on date of

**APPLICATION FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDING
ROUND THREE (NSP3); APPROVING AGREEMENTS WITH THE U.S.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR DISPOSITION OF
HOMES OWNED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
UNDER THE 5 (h) AND SECTION 32 PROGRAMS TO THE SACRAMENTO
HOUSING AND REDEVELOPMENT AGENCY (SHRA), AND ALLOCATING SALES
REVENUES AFTER THE REHABILITATION OF THE HOMES TO THE 5(H) AND
SECTION 32 PROGRAMS AND RELATED COSTS.**

BACKGROUND

- A. In 1997 the Housing Authority of the City of Sacramento ("Authority") and the Housing Authority of the County of Sacramento jointly initiated the 5(h) "Homes for Sale" Program with the approval of the US Department of Housing and Urban Development ("HUD"), which allowed existing conventional public housing and Housing Choice Voucher clients the opportunity to purchase scattered single family two and three bedroom homes owned by the Authorities which were designated for removal from the public housing inventory; and
- B. The Housing Authority of the City of Sacramento (Housing Authority) has elected a proactive strategy to align the SHRA operations to the realities of the United States Department of Housing and Urban Development (HUD) funding environment while adhering to the SHRA's "guiding principles" and continuing to meet the needs of SHRA's traditional constituents.
- C. The Housing Authority has determined that based on current market conditions and funding it is not feasible to rehabilitate all the properties under the Section 32 Program therefore prompt disposition of the available Section 32 program homes to the City of Sacramento Redevelopment Agency, would put the developments in a more favorable position to be rehabbed and sold to low income families consistent with the intent of the Section 32 program.
- D. The proposed action is categorically excluded under the National Environmental Policy Act (NEPA) per 24 CFR Part 58.35 (a)(5), which covers dispositions where the structure and land will be retained for the same use. The California Environmental Quality Act (CEQA) does not apply to the proposed policy pursuant to CEQA Guidelines section 15378(b)(5), which excludes administrative activities of governments that will not result in direct or indirect changes in the environment.

- E. Based on these facts, the Housing Authority has concluded that disposition of Public Housing single family homes is appropriate for reasons that are consistent with the goals of the Housing Authority and its PHA Plan and are otherwise consistent with the United States Housing Act of 1937.
- F. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion for the Neighborhood Stabilization Program (NSP), known as NSP3, that was originally established under the Housing and Economic Recovery Act of 2008 (HERA).
- G. On February 24, 2009, the City Council authorized SHRA to amend and submit changes to the NSP in the 2009 One-Year Action Plan to HUD, authorized the City Manager and SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the NSP; and authorized SHRA to establish and implement the Vacant Property Program and the Property Recycling Program to undertake NSP activities.
- H. HUD released formula and regulations for the new allocation of CDBG under Neighborhood Stabilization Program 3 (NSP3) as prescribed by HERA on October 19, 2010, and an amendment to the 2010 One-Year Action Plan for NSP funding must be submitted to HUD no later than March 1, 2011.
- I. A noticed public hearing soliciting comments on the amendments to the 2010 One-Year Action Plan was held by the Sacramento Housing and Redevelopment Commission on February 2, 2011.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. After due consideration of the evidence presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution are approved.
- Section 2. The Executive Director is authorized to submit an application to the U.S. Department of Housing and Urban Development (HUD) for the disposition of the Housing Authority of the City of Sacramento's Section 32 and other vacant public housing single family homes for a fair market appraised value, which may commit the Housing Authority to the actions authorized by this resolution.
- Section 3. The Executive Director is authorized to transfer ownership of the HUD approved disposition properties to Sacramento Housing and Redevelopment Agency (SHRA), for the transfer to an entity that will accomplish the necessary renovations to these properties.
- Section 4. The Executive Director is hereby authorized to submit applications, negotiate, and enter into the following agreements with HUD: (a) an amended Implementation Agreement for the Section 32 Program to

reduce the homes included under that Program and transfer existing vacant Authority homes to Sacramento Housing and Redevelopment Agency (SHRA) or constituent entities and (b) related agreements required by HUD to implement the foregoing; all of which in a form approved by Authority Counsel. The homes to be included in the Section 32 Program are attached to this resolution (Exhibit B).

- Section 5. SHRA and its constituent entities are authorized for the NSP3 PRP to use the existing Volume Builders and Mission Driven Community Partners previously competitively selected through the Property Recycling Program's (PRP) Request for Qualifications (RFQ) established under NSP1 for participation.
- Section 6. The Executive Director is authorized to amend the Housing Authority budget to allocate the proceeds of the sale of homes under Neighborhood Stabilization Property Recycling Program. The proceeds are hereby allocated to the Housing Authority for Rehabilitation and Sale account in order to fund the costs of rehabilitation of the homes in these Programs, related administration and sales costs, relocation expenses, and other purposes authorized under the 5(h) and Section 32 Programs.
- Section 7. The modifications to the Property Recycling Program Guidelines set out in Exhibit A which is attached to this resolution are approved.
- Section 8. The Executive Director is hereby authorized to enter into Disposition and Development Agreements, regulatory agreements and loan agreements or other such agreements that may be required by HUD to affect the disposition of properties with Neighborhood Stabilization Property Recycling Program Volume Builders and Mission Driven Development Partners under the Neighborhood Stabilization Program, with the terms consistent with the requirements under these Programs and subject to approval by the Authority Counsel.
- Section 9. The Executive Director is authorized to execute Purchase and Sale Agreements or other such agreements that may be required by HUD to affect the disposition of properties to transfer Section 32 properties from the Housing Authority to SHRA.
- Section 10. The Executive Director is authorized to execute Reimbursement Agreements or other agreements required by HUD for SHRA to reimburse the Housing Authority acquisition cost for the Section 32 properties based on pre-rehabilitation appraised value.

Section 11. The Executive Director is authorized to enter into any necessarily-related agreements, as approved by Authority Counsel, which agreements are in accordance with Authority policies, this resolution, and with the staff report that accompanies this resolution, to implement the HUD approved disposition agreement, 5(h), Section 32 Programs, and Neighborhood Stabilization Program.

Table of Contents:

Exhibit A – Property Recycling Program Guidelines

Exhibit B – Section 32 Property List



INVESTING IN COMMUNITIES



EXHIBITA

February 24, 2009
Revised: February 15, 2011
801 12th Street, Sacramento, CA 95814 (916) 440-1320

Neighborhood Stabilization Program

Sacramento Property Recycling Program

(PROGRAM GUIDELINES)

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 and vacant properties 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 or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. 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. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.
- 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). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. 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 unless required by additional funding sources. 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/or 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. SHRA may receive properties through donations that may be included for rehabilitation or land banking. 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/or vacant may be disposed of 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. 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 vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. 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 management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. 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 re-sale, 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 access to homes or vacant properties that are the consistent with the Partner expertise 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 may 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, rehabilitate and 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) may 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. 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.



Vacant Section 32 and 5(H) Properties

HMY	SCODE	SADDR1	SCITY	SSTATE	SZIPCODE	Community	BR	Type	Category	Vacancy
53836	503403	1001 NORTH AVE	SACRAMENTO	CA	958380000	Lexington Place	2	md	Section 32	Offline
52950	503405	3927 FELL ST	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
52727	503422	7730 40TH AVE	SACRAMENTO	CA	958240000	Lexington Place	3	h	Section 32	Offline
53416	503451	3917 TEMPLE AVE	SACRAMENTO	CA	958200000	Lexington Place	3	h	Section 32	Offline
52895	503457	3908 HIGH ST	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53191	503459	1424 STEPHANIE AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
55493	503468	3346 CYPRESS ST	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53274	503487	616 SOUTH AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
52705	503494	3817 16TH AVE	SACRAMENTO	CA	958200000	Lexington Place	3	h	Section 32	Offline
52998	503495	4308 36TH ST	SACRAMENTO	CA	958200000	Lexington Place	3	mj	Section 32	Offline
53985	503601	613 LINDSAY AVE	SACRAMENTO	CA	958380000	Lexington Place	3	md	Section 32	Offline
52839	503611	8004 38TH AVE	SACRAMENTO	CA	958240000	Lexington Place	3	mj	Section 32	Offline
52802	503866	250 FAIRBANKS AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
52929	503872	139 DANVILLE WAY	SACRAMENTO	CA	958380000	Lexington Place	2	mj	Section 32	Offline
53089	503876	716 ACACIA AVE	SACRAMENTO	CA	958150000	Lexington Place	3	h	Section 32	Offline
52834	503885	573 MORRISON AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53396	503931	3527 HIGH ST	SACRAMENTO	CA	958380000	Lexington Place	2	h	Section 32	Offline
52653	503934	1329 STEPHANIE AVE	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
52933	503936	1409 STEPHANIE AVE	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53470	503970	3625 6TH AVE	SACRAMENTO	CA	958170000	Lexington Place	3	mj	Section 32	Offline
55237	503981	612 KESNER AVE	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53512	503982	3901 FELL ST	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
52710	503986	156 OLMSTEAD DR	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53527	519578	3829 ALDER ST	SACRAMENTO	CA	958380000	Lexington Place	3	mj	Section 32	Offline
53110	519629	3641 5TH AVE	SACRAMENTO	CA	958170000	Lexington Place	3	h	Section 32	Offline
55408	522137	3349 WESTERN AVENUE	SACRAMENTO	CA	958380000	Lexington Place	3	h	Section 32	Offline
53992	503450	3744 9TH AVE	SACRAMENTO	CA	958170000	Windscape	2	mj	PB8	Offline
52646	503854	146 DANVILLE WAY	SACRAMENTO	CA	958380000	Windscape	4	mj	PB8	Offline
53301	503880	3933 BRANCH ST	SACRAMENTO	CA	958380000	Windscape	4	mj	PB8	Offline
53105	503881	3934 BRANCH ST	SACRAMENTO	CA	958380000	Windscape	4	mj	PB8	Offline
53648	522135	3293 WESTERN AVENUE	SACRAMENTO	CA	958380000	Windscape	5	md	PB8	Offline
	503349	3740 9TH AVE	SACRAMENTO	CA	95817	Windscape			PB8	
54353	701257	3513 MAY ST	SACRAMENTO	CA	958380000	Mt Ash Commons	3	h	Section 32	Offline



RESOLUTION NO. 2011 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

APPLICATION FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDING ROUND THREE (NSP3); APPROVAL OF GUIDELINES FOR ACTIVITIES TO BE UNDERTAKEN AS PART OF NSP3; SUBSTANTIAL AMENDMENTS TO THE 2010 ACTION PLAN

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (SHRA) annually serves as the designee for the City of Sacramento (City) to administer community development grants originating from U.S. Department of Housing and Urban Development (HUD).
- B. 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.
- C. On October 21, 2008, the Sacramento City Council approved the 2009 One-Year Action Plan containing the Substantial Amendment to the Consolidated Plan establishing the Neighborhood Stabilization Program (NSP).
- D. On February 24, 2009, the City Council authorized SHRA to amend and submit changes to the NSP in the 2009 One-Year Action Plan to HUD, authorized the City Manager and SHRA Executive Director to execute agreements and contracts with the appropriate entities to carry out the NSP; and authorized SHRA to establish and implement the Vacant Property Program and the Property Recycling Program to undertake NSP activities.
- E. On June 16, 2009, the Sacramento City Council authorized SHRA to release a Request for Qualifications (RFQ) for the rehabilitation and resale of foreclosed properties purchased through the Property Recycling Program and to convene an evaluation committee to review the qualifications and proposals and provide a recommendation on the selection of qualified builders to participate in the rehabilitation and resale of foreclosed properties.
- F. On October 27, 2009, the Sacramento City Council approved the selection of the Volume Builder and Mission Driven Community Partners for participation in the Property Recycling Program. Additionally, on October 27, 2009, the City Council

approved the 2010 One-Year Action Plan describing proposed activities and expenditures for the following year using the goals and priorities of the Consolidated Plan as required by (HUD).

- G. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion for the Neighborhood Stabilization Program, known as NSP3, that was originally established under the Housing and Economic Recovery Act of 2008 (HERA).
- H. HUD released formula and regulations for the new allocation of CDBG under NSP3 as prescribed by HERA on October 19, 2010, and an amendment to the 2010 One-Year Action Plan for NSP funding must be submitted to HUD no later than March 1, 2011.
- I. HUD allows NSP3 recipients to submit joint request to HUD in order to streamline the review process. SHRA anticipates filing the application to HUD under the name of the County of Sacramento to be administered by SHRA on behalf of the City of Sacramento and the County of Sacramento.
- J. One-time community development grants from HUD which are to be administered directly by the recipient are required to secure environmental clearance; SHRA is designated as the general unit of local government and is authorized to submit a determination of environmental clearance on their behalf.
- K. A noticed public hearing soliciting comments on the amendments to the 2010 One-Year Action Plan was held by the Sacramento Housing and Redevelopment Commission on February 2, 2011.

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

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.
- Section 2. The Agency and its constituent entities are authorized to use the existing Volume Builders and Mission Driven Community Partners previously competitively selected through the Property Recycling Program's (PRP) Request for Qualifications (RFQ) established under NSP1 for participation in the NSP3 PRP.
- Section 3. The Property Recycling Program is modified to enable the Agency and constituent entities to purchase, accept and/or transfer ownership of NSP eligible properties from third party entities to further the goals of NSP.

- Section 4. The Property Recycling Program is modified authorizing the Agency and constituent entities to purchase, accept and/or transfer ownership of NSP eligible properties among SHRA and constituent entities to further the goals of NSP.
- Section 5. The modifications to the Property Recycling Program Guidelines set out in Exhibit A which is attached to this resolution are approved.
- Section 6. The Executive Director or designee is authorized to execute agreements and such additional documents, as approved by Agency Counsel, and to take such additional actions as necessary to implement the authorized contracts and this resolution.

Table of Contents:

Exhibit A – Property Recycling Program Guidelines

Neighborhood Stabilization Program

Sacramento Property Recycling Program

(PROGRAM GUIDELINES)

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 and vacant properties 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 or receive as donation foreclosed residential and/or vacant properties within the NSP target areas. SHRA and its constituent entities are authorized to transfer surplus vacant properties or vacant residential structures within NSP target areas for rehabilitation and resale. 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. Properties that are donated to SHRA require a before rehab appraisal before the properties is disposed to a third party entity.
- 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). SHRA may leverage other funding sources that potentially could restrict or reduce AMI requirements. 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 unless required by additional funding sources. 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/or 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. SHRA may receive properties through donations that may be included for rehabilitation or land banking. 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/or vacant may be disposed of 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential structures to NSP Community Partners for the purposes of rehabilitation and resale. 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 vacant and/or foreclosed upon may be acquired by SHRA for disposition to a Rental Housing Developer (see Section 7.4 below). SHRA and its constituent entities may rehabilitate vacant rental properties and may return the property to SHRA rental inventory and its constituent entities. 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 management standards and resident service requirements. NSP rehabilitation standards will be used for the construction of the properties. 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 re-sale, 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 access to homes or vacant properties that are the consistent with the Partner expertise 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 may 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, rehabilitate and 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) may 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. SHRA and its constituent entities may transfer surplus vacant properties or vacant residential properties to Volume Builder/Mission Builder Community Partners. 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.

Neighborhood Stabilization Program



City of Sacramento
City Council
February 15, 2011



INVESTING IN COMMUNITIES



NSP Dollars at Work

\$32 Million NSP Allocation

\$3 Million NSP Recycled

\$21 Million Non-NSP Leverage

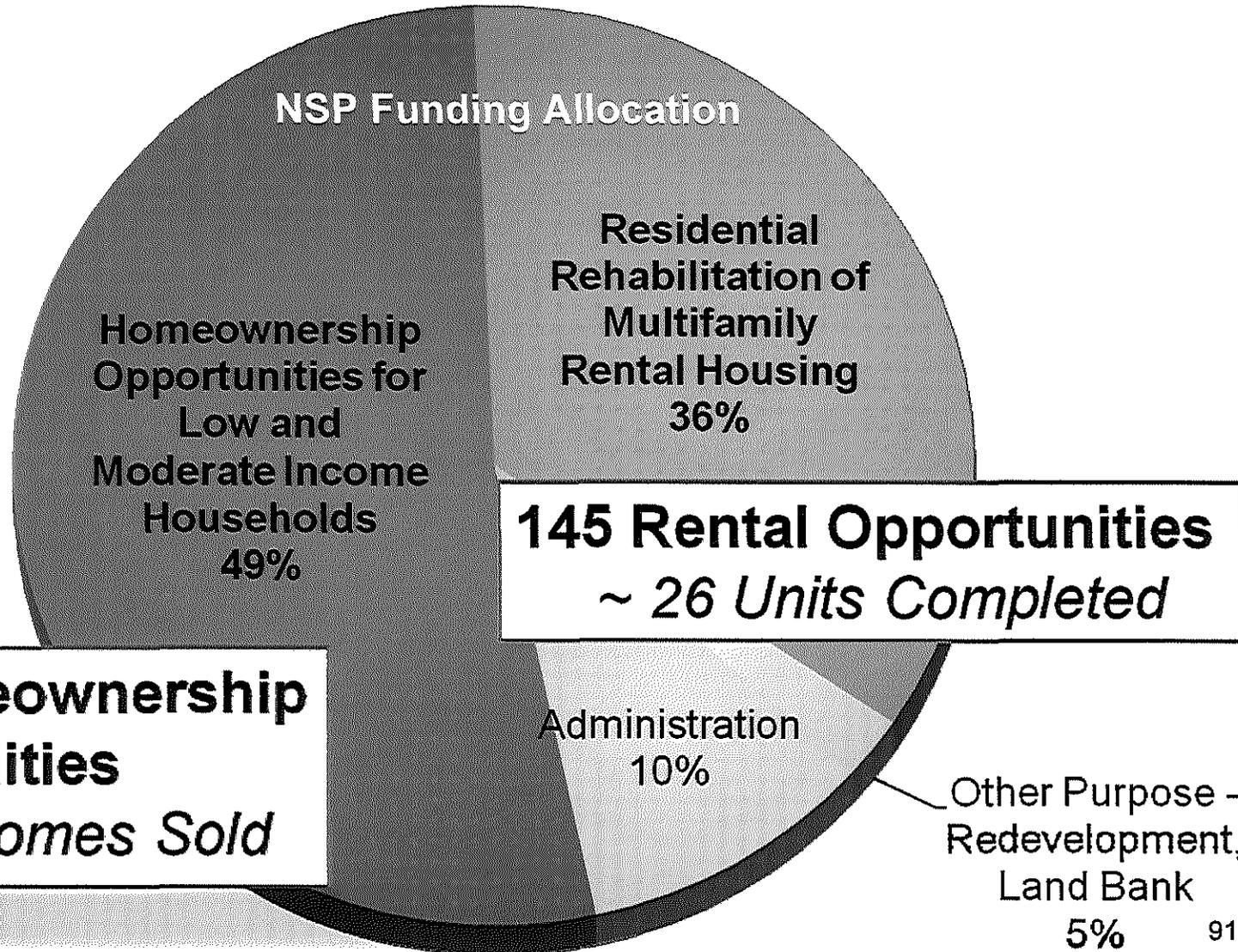
332 Properties Impacted

66 VLI Opportunities

688 Jobs Retained

62 Jobs Created

NSP Provides Affordable Homeownership and Rental Opportunities



Vacant Properties Program

- Properties Impacted: 131
- Homes Sold: 95
- Pending Sale: 14
- Homes Under Construction: 22



Property Recycling Program

- Properties Acquired: 58
- Single Family Homeownership: 42
- Multi-Family Rental: 21 units
- Land Bank/Redevelopment: 14

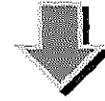
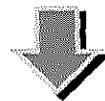
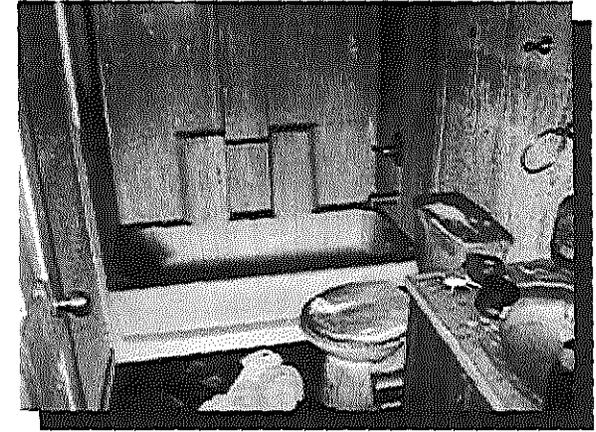


Block Acquisition and Rehabilitation

- Rental Units Impacted: 104
- Morrison Creek Estates: 20 units
- Lerwick Road: 52 units
- Norcade Circle: 52 units

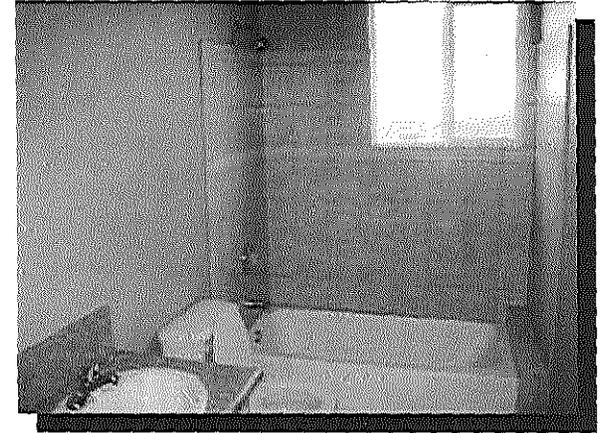
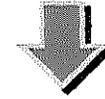
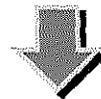
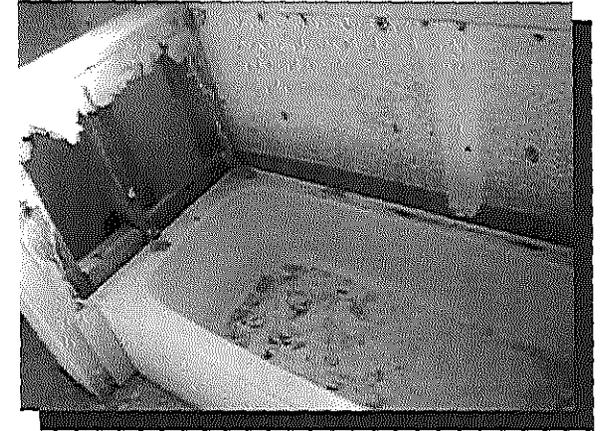
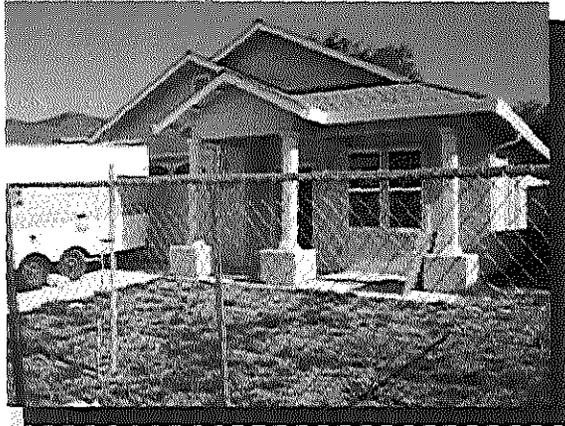


Single Family Rehabilitation “Before and After”



**3732 Mahogany– City, Del Paso Heights– David Jepma
Initial Acquisition \$65k / Rehab Loan \$38k / Listed Sales Price - Pending ⁹³**

Single Family Rehabilitation “Before and After”



**3420 Rio Linda Blvd – City, Del Paso Heights – BWP Investments, LLC.
Initial Acquisition \$80k / Rehab Loan \$63k / Sales Price \$137,000**

NSP3

- NSP3 authorized under Dodd-Frank Wall Street Reform and Consumer Protection Act (2010)

Jurisdiction	NSP3 Formula Allocation
City of Sacramento	\$3,762,329
County of Sacramento	\$4,595,671
Total Allocation	\$8,358,000

- Continue to assist in the redevelopment of vacant, abandoned or foreclosed homes
- Joint City/County Application (Memorandum of Understanding)
- Application due: March 1, 2011 (Amended 2010 CDBG Action Plan)

NSP3

- **Program Requirements:**
 - 100% of Funds Expended Within 3 Years
 - 25% Set-Aside for Very Low Income Households
 - Focused Investment - “Visible Impact”
- **NSP3 Target Areas**
 - Reflect continued foreclosure activity and neighborhood market conditions
 - Refined to maximize impact and compliment Agency investments

NSP3 Target Areas

Homeownership Focus

North Highlands

Del Paso Heights

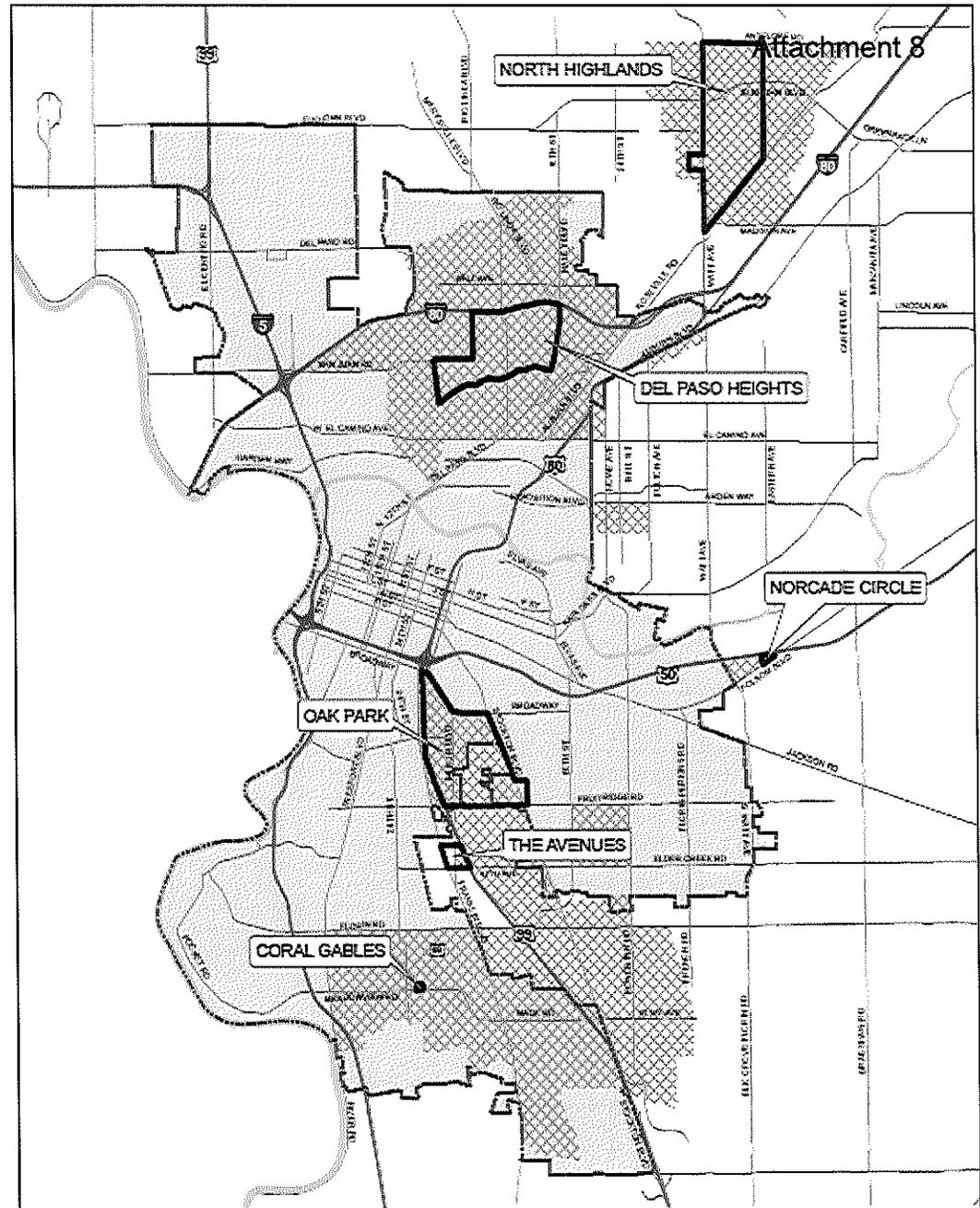
Oak Park

Targeted Multi-Family Rehabilitation

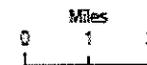
Norcade Circle

Coral Gables

The Avenues



Sacramento County
 NSP3 Target Area
 NSP1 Target Area
 River



Proposed NSP3 Activities

- Continuing Successful Single Family Ownership Efforts through the VPP and PRP Programs
 - Rehabilitate Existing Agency Inventory – Housing Authority Section 32 Properties
 - Continue Partnerships with Competitively Selected Volume Builders and Mission Driven Community Partners
- Targeting Multi-Family Rental Investment to Stabilize Four-Plex Communities

NSP3	Estimated NSP3 Funding	Estimated Units	Jobs Retained/New Hires
Vacant Properties Program	\$1.7 Million	23	36 / 3
Property Recycling Program: <i>Single-Family Homeownership Program</i>	\$3.7 Million	50	80 / 7
Property Recycling Program: <i>Multi-Family Rental Program</i>	\$2 Million	16	43 / 4
Administration	\$835,800	n/a	n/a
TOTAL	\$8,358,000	89	159 / 14

Staff Recommendations

1. **Submit Joint NSP3 Application**
 - Memorandum of Understanding
 - VPP/PRP Program Guidelines Modifications
2. **Submit Application to HUD to Transfer Housing Authority Section 32 Properties**
3. **Wind Down of NSP1**
 - Dissolve NSP1 Revolving Loan Fund Accounts
 - Expand Participation in CDBG Single Family Rehabilitation Loan Program