



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

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Staff Report
November 6, 2014

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

Title: Amendment to the Section 32 Homeownership plan

Location/Council District: Citywide

Recommendation: Adopt a **Housing Authority Resolution** which: 1) affirms Sacramento Housing and Redevelopment Agency (SHRA) as the Purchase and Resale Entity (PRE) for the Section 32 Homeownership Plan; 2) offers to sell up to 54 vacant single family homes to the SHRA as the PRE through a seller carry-back loan for fair market value given their as-is condition; 3) authorizes the Executive Director, or designee, to amend the budget and expend up to \$2,341,106 from the City Public Housing Homeownership Fund to pay the expenses of the PRE attributed to Section 32 homes located in the City, including preservation costs, rehabilitation expenses, and sales fees; 4) authorizes the Executive Director, or designee, to execute documents to amend the Section 32 Homeownership Plan, to establish a PRE agreement with SHRA and to execute the seller carry-back loan agreement; and 5) determines these properties are not required for the foreseeable needs of the Housing Authority. Adopt a **Council Resolution** which: 1) authorizes SHRA to enter into Purchase and Resale Agreements with the Housing Authority of the City of Sacramento to acquire the 54 homes; 2) authorizes SHRA to execute the Housing Authorities' seller carry-back loan in an amount not to exceed \$5.5 million dollars; 3) amends the SHRA budget to use, transfer, accept and/or expend funds from the City Public Housing Homeownership Fund to pay for the preservation, rehabilitation and sale of the homes; and 4) authorizes the Executive Director to publicly solicit and pay for the services of various vendors related to the preservation, rehabilitation and sale of the homes.

Contact: Tyrone Roderick Williams, Director of Development, (916) 440-1316-
Kyle Flood, Program Manager, (916) 440-1311

Presenters: Tyrone Williams

Department: Sacramento Housing and Redevelopment Agency

Amendment to Section 32 Program

Description/Analysis

Issue: The Housing Authorities of the City and County of Sacramento have successfully administered the Section 32 Homeowner Program and the earlier 5(h) Program since 1998. The Section 32 and earlier 5(h) programs allow Housing Authorities to sell single family homes in its inventory to low-income first time homebuyers. Housing Authorities throughout the United States have been disposing of scattered site single family units because they are difficult geographically to manage and can become a financial drain on Housing Authority resources.

Through the Section 32 and 5(h) programs, 167 homes in the City (99) and County (68) of Sacramento were rehabilitated and sold to income qualified homebuyers. The program was suspended in 2009 due to the escalating cost of rehabilitation and plummeting cost of home values, as a result of the foreclosure crisis. At the discontinuance of the program, the Housing Authority had \$2,341,106 in Home Ownership funds and 54 vacant homes in the City of Sacramento remaining. When the housing market appeared to be rebounding, Staff began evaluating various financing structures to deliver the program in the absence of redevelopment funds that were utilized in the past.

In order to continue the rehabilitation and disposition of the homes, the Housing Authority Board approved changes to the Section 32 Program in 2012. Then, after a lengthy review process in 2013, the United States Department of Housing and Urban Development (HUD) approved the changes in which the Sacramento Housing and Redevelopment Agency (SHRA) was designated as a "Purchase and Resale Entity (PRE)". Units will be sold to SHRA as PRE for the Fair Market Value of the homes appraised in their "as is" condition. SHRA as PRE will purchase, rehabilitate, and sell the homes to qualified, low-income, owner occupant, first-time homebuyers whose incomes do not exceed 80 percent of area median income (AMI). As with the previous programs, SHRA will outreach to local and small businesses to perform the physical rehabilitation work. This report recommends minor changes to the list of properties that will be transferred to SHRA via the PRE program. Staff is proposing that 54 vacant Section 32/Housing Authority owned single-family homes in the City of Sacramento be transferred to SHRA as PRE.

Policy Considerations: Rehabilitating single family rental homes and selling them to qualified homebuyers are implementation activities in the City's Housing Element. Rehabilitating and selling the houses to qualified homebuyers is also consistent with the Housing Authority's Asset Repositioning Strategy, and will remove the vacant houses from the public housing inventory.

Economic Impacts: The rehabilitation of the vacant structures is estimated to support 54 total jobs consisting of 30 direct jobs and 24 jobs through indirect and induced activities. Further, the expenditure of funds for the rehabilitation will result in \$7.3 million in total output (\$4.3 million in direct spending and \$3 million in indirect benefit to the economy). Staff will

Amendment to Section 32 Program

encourage any contractors involved in this program to participate in the First Source Program.

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations: The actions proposed are in furtherance of the disposition and rehabilitation of Housing Authority owned properties. The recommended actions are categorically exempt pursuant to the California Environmental Quality Act Guidelines Section 15301, as actions on existing facilities that do not change or expand existing uses.

The proposed actions are categorically excluded under National Environmental Policy Act (NEPA) regulations, pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i).

Sustainability Considerations: The rehabilitation work may involve the replacement of windows, doors, plumbing and air conditioning systems with products with higher energy efficient ratings.

Commission Action: At its meeting of September 17, 2014, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Chan, Creswell, Griffin, Johnson, Macedo, Morgan, Morton, Raab

NOES: none

ABSENT: Stivers

Rationale for Recommendation: There are 54 units in the City of Sacramento that are proposed for inclusion in the PRE program. Some of these units have been vacant for more than five years and have a negative impact to the Housing Authority operating budget. HUD approved the designation of SHRA as PRE in 2013. This report recommends changes to the Section 32 Homeownership plan to modify the number of homes and to authorize the use of City Public Housing Homeownership Funds for rehabilitation, holding and sales costs.

SHRA is uniquely qualified to act as a PRE due to available staff capacity and expertise to deliver the program, specifically in the areas of procurement, construction bidding and management, property management, and homebuyer education and financial assistance for homebuyers. Resources available to assist homebuyers include a \$1.5 million Cal Home Program allocation for

Amendment to Section 32 Program

homebuyer assistance and 45 Mortgage Credit Certificates. Staff is not recommending any additional program changes as those require HUD approval which could significantly delay the start of the program. Several of the homes are located in neighborhoods negatively impacted by the foreclosure crisis, therefore efficient rehabilitation and sales is critical to assisting these areas.

Financial Considerations: Initial funding for the PRE is proposed to be in the form of \$2,341,106 from the City Public Housing Homeownership Fund for rehabilitation and holding and sales costs. The funds will be disbursed as costs are incurred by the PRE. Once the \$2,341,106 has been expended, proceeds from the sales of the homes funds shall be returned to the City Public Housing Homeownership Fund to continue the rehabilitation and sale of the remaining homes. Payment for the homes is secured through a seller carry-back loan. Upon completion of rehabilitation and sale of all of the homes, any remaining funds after the repayment of the seller carry-back loan may be reallocated to the program to fund the rehabilitation of future Section 32 homes. However, in the event that the final sales price is not sufficient to satisfy the seller carry-back loan, the Housing Authority shall have the ability to write down the seller carry-back loan to balance the transaction.

The City Public Housing Homeownership Fund originated from sales proceeds of earlier Section 32 and Section 5h houses to low-income homebuyers and can only be used to fund public housing homeownership initiatives such as this.

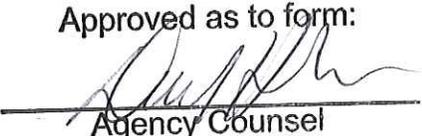
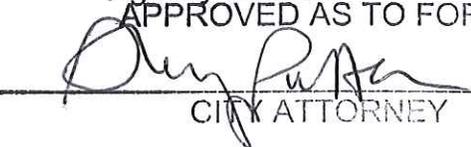
M/WBE Considerations and Section 3 Requirements: Minority and Women's Business Enterprise (M/WBE) requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable. Staff will encourage any contractors involved in this program to participate in the First Source Program.

Respectfully Submitted by:



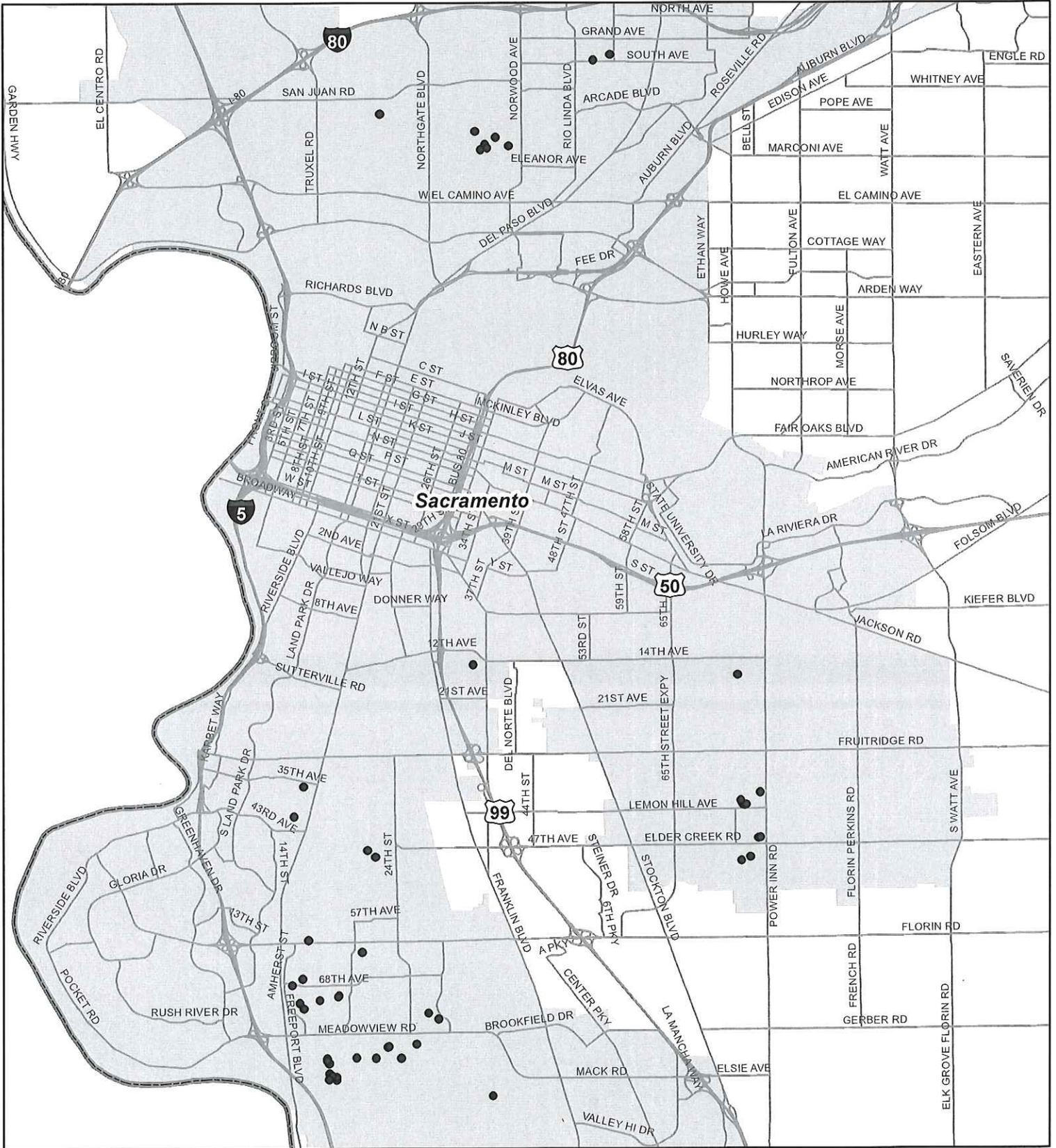
LA SHELLE DOZIER
Executive Director

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Section 32 Properties Housing Authority of the City of Sacramento



● Section 32 Prop HA City of Sac



SHRA GIS
October 29, 2014

BACKGROUND

5(h) and Section 32 – prior to 2009

In the 1970s and 1980s, as part of the national philosophy to de-concentrate public housing in scattered locations, the Housing Authority purchased single family homes in the City and County of Sacramento. By the 1990's, the Housing Authority had more than 300 homes in its public housing portfolio.

In the mid 1990's it became clear that the cost to manage these single family homes was significantly higher than management of units grouped together due to inefficiencies associated with their low concentration and the distance from the SHRA's centralized maintenance and management facilities. As a result, in 1996, the Housing Authorities of the City and County of Sacramento reclassified 369 single family public housing rental units and obtained approval from the United States Department of Housing and Urban Development (HUD), under HUD's 5(h) program to remove them from the active public housing rental inventory. The 5(h) program was later converted into the Section 32 program in February 2006. The goal of the Section 32 Homeownership Plan was to sell the remaining vacant single family homes to low-income homebuyers and provide more flexibility which would allow more residents to purchase the homes. This was available to public housing residents and participants in the Housing Choice Voucher program who were given priority to purchase the housing if they met income and rental history requirements. Additionally, beginning in 2005, Oak Park and Del Paso Heights tax increment funds were utilized to assist with the financing for 23 homes (located in each respective redevelopment area). From 1997 to 2009, SHRA effectively implemented this program which resulted in 167 homes rehabilitated and sold to homebuyers. The Section 32 Program was suspended in 2009 due to the foreclosure crisis.

December 2012 Housing Authority and April 2013 HUD Approvals

In order to be prepared when the housing market returned, SHRA staff initiated a strategy to restructure the Section 32 Program. In December 2012, the Housing Authority of the City of Sacramento amended the Section 32 Homeownership Plan which allowed the sale of vacant Section 32 Homeownership single family homes from the Housing Authority of the City to the Sacramento Housing and Redevelopment Agency and designated SHRA as a Purchase and Resale Entity (PRE) using seller carry-back loans or other similar arrangements for Fair Market Value given their "as is" condition. SHRA as PRE was also authorized to purchase, renovate, and sell the homes to qualified low-income homebuyers. The Plan also required any sales proceeds, after SHRA's carry-back loan and renovation/holding costs are deducted, to be placed in the City Public Housing Homeownership fund. HUD agreed and approved the Section 32 Plan amendment in April 2013.

Request 2014 Approvals

The current staff report is requesting small changes to the Section 32 Plan. Staff recommends changes to the approved property list and allocation of additional funding. If approved, the program will include 76 single family homes, 54 in the City and 22 in the unincorporated County and the City of Rancho Cordova. SHRA remains uniquely qualified to be the designed PRE due to a various considerations including in-house expertise to ensure

compliance with HUD standards, access to financial resources which benefit homebuyers, high quality rehabilitation and energy efficiency standards, and commitment to homeownership and local hire.

Experience and Resources

As described above, SHRA staff has extensive experience delivering the Section 32 Program. Part of that experience includes the range of skills from procurement compliance to construction management. As the designated PRE, during the rehabilitation and sale process, SHRA will ensure compliance with all HUD and other federal compliance including but not limited to procurement, Section 3 reporting, and fiscal reporting. The Program goal is to increase first time homeownership among lower income residents. In order to support that goal, SHRA staff now has additional resources for first time homebuyers. Earlier this year, SHRA received a \$1.5 million Cal Home Program allocation for homebuyer assistance as well as funds for approximately 45 Mortgage Credit Certificates.

Rehabilitation, Home Ownership Requirements and Small Business Opportunities

As the designated PRE, SHRA can control the construction and the sale, which will result in better outcomes. Through bidding and managing the rehabilitation of the homes, SHRA will ensure high quality rehabilitation standards, energy efficient improvements and appliances. This will result in reduced costs for the home owner, helping to ensure long term financial stability. Additionally, SHRA will encourage contractors to utilize First Source, resulting in more employment opportunities for low income residents. This structure provides contracting opportunities for small businesses such as contractors, realtors and appraisers. Finally, through the sale of the home, SHRA will sell to first time homebuyers and require regulatory agreements to preserve affordability.

Neighborhoods

SHRA has always been committed to improving neighborhoods. In the City of Sacramento, the homes are primarily located the following neighborhoods: Strawberry Manor, Wills Acres, Meadowview, Avondale, Glen Elder and South East. In general, the foreclosure crisis negatively impacted these neighborhoods. The neighborhoods have high percentages of rentals and absentee owners. The rehabilitation of these homes will improve the physical condition of the neighborhood and strengthen the community by increasing ownership and investment. The program will provide an opportunity for homeownership for families who are currently priced out of the housing market. In addition, many of these homes have been vacant for at least five years so sale of these homes is vital as continued vacancy will negatively impact these areas.

Section 32 Property List

Count	Address	Street	Type	Zip
1	142	ARCADE	BL	95815
2	212	ARCADE	BL	95815
3	2891	GROVE	AV	95815
4	71	Redondo	AV	95815
5	136	REDONDO	AV	95815
6	7650	17th	AV	95820
7	3917	36th	ST	95820
8	7359	15th	ST	95822
9	7441	19th	ST	95822
10	2145	63rd	AV	95822
11	1436	68th	AV	95822
12	2252	ARLISS	WY	95822
13	2161	BERG	AV	95822
14	1611	FLORIN	RD	95822
15	7563	MEADOWAIR	WY	95822
16	1920	Quincy	AV	95822
17	7509	SCHREINER	ST	95822
18	1543	STERLING	ST	95822
19	1429	STODDARD	ST	95822
20	7470	SYLVIA	WY	95822
21	7542	TWILIGHT	DR	95822
22	1444	WACKER	WY	95822
23	8004	38th	AV	95824
24	7709	40th	AV	95824
25	7714	40th	AV	95824
26	7726	40th	AV	95824
27	7730	40th	AV	95824
28	7732	40th	AV	95824
29	8000	CAPISTRANO	WY	95824
30	8020	CAPISTRANO	WY	95824
31	7616	VALLECITOS	WY	95828
32	7717	VALLECITOS	WY	95828
33	7701	18th	ST	95832
34	7705	18th	ST	95832
35	7791	19th	ST	95832
36	7807	19th	ST	95832
37	7676	22nd	ST	95832
38	1801	71st	AV	95832
39	1803	71st	AV	95832
40	7834	AMHERST	ST	95832
41	7885	Ann Arbor	WY	95832
42	2270	BABETTE	WY	95832
43	2274	BABETTE	WY	95832
44	2515	CADJEW	AV	95832
45	2327	John Still	DR	95832
46	7708	LYTLE	ST	95832
47	7712	LYTLE	ST	95832
48	7750	LYTLE	ST	95832
49	7759	LYTLE	ST	95832
50	7684	SWEETBRIER	WY	95832
51	1044	Westward	WY	95833
52	3628	Clay	St	95838
53	65	Olmstead	DR	95838
54	1021	South	AV	95838

SHRA Section 32
Sources and Uses Budget

	Sources
Public Housing Homeownership Fund	\$ 2,341,106
Sales Proceeds (Estimated)	\$ 7,860,000
Total Sources	\$ 10,201,106
	Uses
Rehabilitation	\$ 4,546,787
Contingency	\$ 505,198
Holding/A&E/Admin (\$6k/home)	\$ 307,800
Acquisition (Seller Carry-back)*	\$ 4,479,000
Total Uses	\$ 9,838,785
Potential Net Proceeds**	\$ 362,321

*Staff report references seller carry-back loan not to exceed \$5,500,000; this number is based on existing appraisals which need to be updated to within 6 months of property transfer; the higher amount accomodates likely rise in values since the last appraisals were completed, while still providing a limit to the seller carry-back loan amount

**To be returned to Public Housing Homeownership Fund

	Property #1
Acquisition (Seller Carryback)	\$ 100,000
Estimated Rehab Costs	\$ 91,000
Holding/A&E/Admin	\$ 5,700
Total Development Cost	\$ 196,700
Sales Price	\$ 180,000
Program Income	\$ (16,700)
	Property #2
Acquisition (Seller Carryback)	\$ 105,000
Estimated Rehab Costs	\$ 35,000
Holding/A&E/Admin	\$ 5,700
Total Development Cost	\$ 145,700
Sales Price	\$ 155,000
Program Income	\$ 9,300

RESOLUTION NO. 2014 -

Adopted by the Housing Authority of the City of Sacramento

on date of

AMENDMENT TO THE SECTION 32 HOMEOWNERSHIP PLAN TO USE THE PROCEEDS FROM THE CITY PUBLIC HOUSING HOMEOWNERSHIP PROGRAM FOR THE PRESERVATION, RENOVATION, AND SALE OF VACANT SECTION 32 SINGLE FAMILY HOMEOWNERSHIP UNITS TO SHRA AS A PURCHASE AND RESALE ENTITY (PRE) APPROVED BY HUD AND AUTHORIZATION TO EXECUTE A SELLER CARRY BACK LOAN

BACKGROUND

- A. The Housing Authority of the City of Sacramento currently owns vacant single family homes that are part of a United States Department of Housing and Urban Development (HUD)-approved Section 32 Homeownership Plan that authorizes the sale of single family homes to qualified low-income owner occupant first time home buyers (qualified home buyers).
- B. Vacant Section 32 homes typically require considerable renovation prior to sale to a qualified home buyer.
- C. These houses are not required for the foreseeable needs of the Housing Authority of the City of Sacramento (Cal. Health & Safety Code §34315.7) and, as part of its asset repositioning strategy, the Housing Authority desires to provide affordable homeownership opportunities to qualified home buyer households.
- D. The Housing Authority of the City of Sacramento previously designated the Sacramento Housing and Redevelopment Agency (SHRA) as a PRE pursuant to resolutions 2012-019 dated December 4, 2012 (City). HUD approved the designation of SHRA as a PRE on April 3, 2013. As a designated PRE, SHRA has the authority to transfer ownership of all vacant Section 32 single family homes to SHRA using seller carry back loans for Fair Market Value given their "as is" condition. SHRA as the PRE, is to facilitate the preservation, renovation and sale of the units to qualified home buyers, subject to a five-year time limit as required by HUD.

- F. The recommended actions are categorically excluded under National Environmental Policy Act regulations, pursuant to 24 CFR 58.35(a)(5) and 24 CFR 58.35(a)(3)(i).

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 information presented herein and at a duly noticed public hearing held on September 17, 2014 at the Sacramento Housing And Redevelopment Commission, the statements in the Background, including the environmental statements, are found to be true and correct.
- Section 2. The Housing Authority of the City of Sacramento hereby amends its Section 32 Homeownership Plan and affirms the designation of the Sacramento Housing and Redevelopment Agency (SHRA) to act as a Purchase and Resale Entity (PRE) pursuant to Resolution 2012-019 dated December 4, 2012 for all vacant single family homes that are part of the Section 32 Homeownership Plan over the next five years.
- Section 3. The Executive Director, or designee, is authorized to execute documents, as approved to form by Agency counsel, relating to the Section 32 Homeownership Plan amendment and the PRE Agreement, included as Exhibit B, that establishes SHRA as the PRE. The Housing Authority of the City of Sacramento hereby offers to sell up to 54 of the vacant single family homes to SHRA as PRE through a seller carry back loan or loans or similar arrangements for Fair Market Value given their "as is" condition. This sale and transfer removes the Section 32 Homeownership Plan vacant single family homes from the public housing inventory of the Housing Authority of the City of Sacramento and provides affordable homeownership opportunities for low-income families.
- Section 4. The Executive Director, or designee, is authorized to amend the budget and use up to \$2,341,106 of the City Public Housing Homeownership Fund to pay the expenses of the PRE attributed to the Section 32 units located in the City, including preservation costs, renovation expenses and sales fees. Once the \$2,341,106 has been expended, proceeds from the sales of the homes completed with these funds shall be returned to the program to fund the renovation and sale of the remaining homes. Upon completion of renovation and sale of all of the homes, any remaining funds after the repayment of the seller carry back loan will be reallocated to the program to fund the renovation of future Section 32 homes. In the event that the final sales proceeds are not sufficient to satisfy the seller carry back loan, the Housing Authority shall have the

ability to write down the seller carry back loan to balance the transaction.

Section 5. The Executive Director, or designee, shall be authorized to amend the budget, and enter into any loan agreements, contracts or documents as approved as to form by Agency counsel, with the SHRA reasonably necessary to implement the activities authorized by this resolution.

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Exhibit B – PRE Agreement with SHRA

Exhibit C – HUD Approval Letter dated July 17, 2014

**SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY**

**AMENDED
SECTION 32 HOMEOWNERSHIP PLAN
FOR THE HOUSING AUTHORITIES OF THE
CITY AND COUNTY OF SACRAMENTO**

Office of the Executive Director
Public Housing Authorities
801 12th Street
Sacramento, California 95814

Initially approved: February 2005
Amended October, 2014

SECTION 32 HOMEOWNERSHIP PLAN

Amended October 2014

Executive Summary

The Sacramento Housing and Redevelopment Agency (Agency) requests that HUD approve a Section 32 homeownership program for the rehabilitation and sale of the 212 remaining two- and three-bedroom single family homes in the public housing inventory of the Housing Authorities of the City and County of Sacramento (collectively the public housing authorities [PHA]). The homes will be sold to low-income families as prescribed by the Section 32 regulations at 24 CFR Part 906.

The Department of Housing and Urban Development approved a 5(h) Homeownership Program for the Sacramento PHAs on December 29, 1996, which was adopted by the Sacramento Housing and Redevelopment Commission on May 21, 1997. At that time, the Agency included its entire inventory of 389 scattered single family homes in the program since their operation and maintenance were not cost-effective. To date, 60 of those homes have been sold. Although the program has been successful in gaining homeownership for public housing residents and Housing Choice Voucher participants, several obstacles prevented the Agency from meeting its ambitious sales goals in the previously approved plan. Most significant was the number of existing residents in units authorized for sale under the 5(h) homeownership plan who declined to purchase or who were not eligible to purchase their units; consistent with 5(h) regulations, the Agency could not cause those families to relocate.

To more effectively accomplish its homeownership goals, the Agency has recently requested HUD to allow it to reduce the number of homes to be sold under the 5(h) program to 73, all of which are vacant. The Agency's request for a reduction of units in its 5(h) plan was accompanied by the statement that it would submit a Section 32 Homeownership Program for the remaining homes as quickly as possible.

Goals and Objectives of the Homeownership Plan

The goal of the proposed Section 32 program is to provide 212 homeownership opportunities for the public housing residents, Housing Choice Voucher holders, and other low-income households in the City and County of Sacramento. The average resale price for a home in the Sacramento region is now over \$315,000, with very few homes on the market for under \$200,000. The Section 32 program will re-open this opportunity for Sacramento's lower income families.

The Sacramento Housing and Redevelopment Agency will provide direct assistance to the low-income purchasers, including downpayment and closing cost assistance, counseling, relocation, and subordinate financing, as well as manage the procurement, rehabilitation, marketing, and sales of the homes. The Agency will cooperate with local lending institutions and a variety of public and private lenders to arrange financing at the lowest available interest rates, and to secure

other subsidies to attain affordability for families with incomes at or below 80 percent of the area median income (AMI) whose credit and debt allow them to qualify for private mortgages. The Agency's staff is experienced in implementing homeownership and single family rehabilitation programs. The Agency operates a number of first-time homebuyer programs available to Section 32 purchasers, including downpayment and closing cost assistance, deferred second loans, the American Dream Initiative second loan financing and Mortgage Credit Certificates. (Please see Attachment C for a chart of Agency homeownership programs.) In addition, public housing residents in the Family Self Sufficiency (FSS) program build equity through Federal Home Loan Bank-funded Individual Development Accounts which match on a 3-to-1 basis the savings that families accrue for downpayments. Therefore, public and privately funded programs are available to assist candidates for the program who demonstrate their eligibility for homeownership.

In addition to current residents and voucher holders and waiting list candidates, the Consolidated Plan of the City and County of Sacramento identifies 5,000 low-income families in the Agency's jurisdiction with qualifying incomes for homeownership. Given its on-going commitment to homeownership, which has created over 4,384 low-income and very low-income homeowners during the past six years alone, the Agency believes this Section 32 homeownership program is workable with sound potential for long-term success.

Method of Sale: Property Description

See Attachment A for the list of properties.

~~The Agency will sell the 212 two- and three-bedroom single family homes directly to low-income tenants or eligible families in fee simple conveyance. The list in Attachment A includes the HUD project number, street address, bedroom distribution, vacancy at the time of application, and number of household residents currently in the units.~~

Amended October 2014

For 76 vacant single-family houses in the Section 32 homeownership program as of December 2012, the Housing Authorities of the City and County of Sacramento desire to use a Purchase and Resale Entity (PRE) to preserve, renovate and sell the homes. The Agency will act as the PRE by purchasing vacant single-family houses in the Section 32 program for fair market value given their "as-is" conditions and utilizing seller financing. Prior to commencing service as PRE, the Agency will enter into an agreement with these housing authorities to fulfill all regulatory requirements for operation as a PRE at 24 CFR 906.19.

The Agency as PRE will preserve, renovate, and sell the houses to qualified low-income families. The Agency also will be responsible for identifying and preparing qualified low-income families who are ready for homeownership and want to purchase the houses.

The Agency's expenses will be paid from a line of credit from the City and County Public Housing Homeownership funds. The line of credit will be repaid by the Agency as each house is sold. Any proceeds remaining will accrue to the respective funds from which the originally were withdrawn. The Agency may permit houses to be subjected to developer or contractor liens

securing rehabilitation costs, which shall be reimbursed only from proceeds upon sale to eligible homebuyers. Any loss on the sale of a house, after documented expenses, will be deducted from the seller financing to balance the sales transaction. The Agency will provide reports on the costs involved and sale of each house.

The Agency will have five years to sell renovated houses to low-income families. If any house is not sold within five years of its sale to the Agency, that house will be transferred back to the originating Housing Authority.

Repair or Rehabilitation

The 212 properties included in the Section 32 program need a range of rehabilitation work to meet or exceed applicable local codes and Housing Quality Standards. The majorities of homes were built in the 1950s and 1960s, and have similar characteristics with the homes sold or being rehabilitated under the current 5(h) program. In addition to housing authority maintenance and unit turnover records for the homes to be included under the Section 32 program, the current rehabilitation work being undertaken on the 5(h) homes provides a reasonable basis for estimating Section 32 rehabilitation costs. Those costs are estimated at an average of \$95,000 for the rehabilitation work, including HUD requirements for lead-based paint and asbestos assessment and remediation. Attachment B provides the Physical Need Assessment form used by the Agency and an example of the condition of a typical single family property in the PHA homeownership program.

Upon rehabilitation completion, the major components will have a remaining useful life that is sufficient to justify a reasonable expectation that homeownership will continue to be affordable by the purchasers over time. Accordingly, the major building systems will have a remaining useful life of 5 – 15 years. The Agency will continue its practice of providing the homeowner a warranty policy through an established company. It will cover the major systems for one year, after which time the homeowner assumes responsibility. The minimal cost of the policy is included in the purchase price.

The after-rehab value of the three-bedroom properties, estimated at \$220,000, is based on current appraisals for the homes sold under 5(h) and a list of 350 comparable single family homes sold in the last quarter of 2004 in the same neighborhoods in which the majority of the Section 32 homes are located. The estimated value for two-bedroom properties (ten percent of the units) is \$190,000. The comparables included the following values: floor space 900 – 1,000 square feet; lot square footage – 6,800 to 8,000 square feet; year built range from 1956 to 1958; and all one-story homes.

The rehabilitation plan for each unit includes the following (shown also on the Implementation Schedule):

- Physical needs inspection of the unit by an Agency construction technician
- Scope of work and specifications prepared, including architectural plans on an as-needed basis

- Bidding package prepared for a group of 5-15 homes, depending on condition and location
- Selection of contractor(s)
- Compliance monitoring established for Davis-Bacon wages, minority and small business enterprises, etc.
- Construction contract administration
- Close-out: final inspection, completion and occupancy notices, etc.

Contract award and administration follow federal procurement standards and California public contract code, when applicable (depending on the source of funds used for rehabilitation). Hazardous materials (asbestos and lead-based paint) will be abated. When a prospective purchaser with disabilities requests accessible features, the features will be added in accordance with 24 CFR parts 8 and 9.

If an HCV homeownership participant chooses to purchase a Section 32 home, the Agency will provide an independent entity to perform the following rehabilitation duties:

- Conduct the initial housing quality standards (HQS) inspection; and
- Review the independent inspection report.

(Additional HCV-related duties by the independent housing entity are described below under “Sale and Financing.”)

See Attachment B for the Physical Need Assessment form and an example of the condition of a typical property

Purchaser Eligibility and Selection

Selection Process

The Agency’s homeownership staff will offer the right of first refusal to the residents occupying the units, all of whom are below the low-income (80 percent of area median income) standard for the program, according to the PHA’s annual income recertifications. The homeownership staff will provide information on the Section 32 program, its application process and eligibility requirements.

The Agency has been operating a 5(h) homeownership program since 1999 and an HCV homeownership program available to public housing residents and HCV participants for the past three years. As a result of communicating about these programs, there are over 80 HCV and resident households who are currently in the counseling and credit-repair process, working toward mortgage eligibility. In addition there are also 155 families participating in the Family Self-Sufficiency (FSS) Program, many of whom are already involved in savings plans under the

Agency's Individual Development Account program. Because of these prior outreach efforts, the Agency will turn its information and marketing efforts toward these households already in the homeownership counseling process, following the right of refusal process with the current occupants of the units.

Additionally, the Agency in March 2005 will contact current public housing residents and Housing Choice Voucher holders with incomes between 50 percent of median and 80 percent of median in order to maintain a pool of potentially eligible households. As these priority purchasers work their way through homeownership counseling and mortgage eligibility, they will be given priority in home purchase.

If there are not sufficient eligible purchasers from these sources of applicants, the Agency will broadly market the program to other low-income families in the city and county. (Please see Attachment - Affirmative Marketing Plan.) Low-income residents in rental affordable housing developments with homeownership counseling and savings plans in place will be contacted as part of the Affirmative Marketing Plan.

Eligibility is limited to households who are capable of assuming the financial obligations of homeownership, as outlined below. Applicants who have met basic eligibility standards are required to attend homebuyer counseling programs if they have not previously enrolled or completed the required courses or need further attention for credit repair. Upon completing the homebuyer counseling program and obtaining a mortgage commitment, applicants will be given the choice of properties in the program. The rehabilitation schedule for the single family properties will be available to the participants throughout the program.

To summarize, the selection process will start with the public housing resident occupying the unit followed by families enrolled in Agency's FSS program and HCV homeownership candidates that responded to previous outreach and information sessions and are undertaking homeownership counseling and credit repair. For all of those and any further participants from public housing, the voucher program, and the general public, an initial determination of eligibility is made on the basis of the following requirements:

Eligibility Requirements

In order to be selected as a participant in this program, applicants shall meet the following selection criteria:

1. Each applicant must complete a program application, with references.
2. At least one family member must be gainfully employed or have an established source of continuing homeownership-appropriate income for a period of at least two (2) years.
3. Applicants must be current in all rent obligations for at least twelve months and not have any outstanding charges for damages to any apartment nor incurred excessive maintenance charges in the past year;
4. Acceptance as a participant is conditioned upon receipt of an acceptable credit report.

5. Participants shall not have an income greater than 80 percent of area median income for their respective family size.
6. Participants must be able to afford an average monthly estimate for mortgage principal and interest, insurance, real estate taxes, utilities, maintenance and other regularly recurring homeownership cost not to exceed the sum of 35 percent of income and any subsidy that will be available for such payments.
7. Participants must demonstrate the ability to contribute from their own resources a portion of the downpayment that is not less than one percent of the purchase price of the housing.
8. Purchasers shall occupy the home as their principal residence and be a first-time homebuyer. ("First-time homebuyer" means that neither the purchaser nor spouse has owned a home during the last three years, with the following exceptions: a displaced homemaker who worked primarily without remuneration and who owned a home with a previous spouse; and a purchaser with children who is legally separated but who owned a home with a previous spouse.)
9. Participants must complete homebuyer counseling programs (described in more detail under "Counseling").

Sale and Financing

Method of Sale and Ownership

All properties will be made available for sale after completion of the rehabilitation work. They will be sold as fee simple property.

Below-market Financing

The Sacramento Section 32 homeownership program will provide below market purchase prices to ensure the homes affordability to eligible buyers. The market value of the properties will be established by appraisal, and the affordable price (the discounted market price) will be established based on what a low-income household could afford for two- and three-bedroom homes. The calculation of affordability, which determines the affordable purchase price, includes monthly estimates for mortgage principle and interest, insurance, real estate taxes, utilities, maintenance and other recurring costs such as flood insurance and mortgage insurance. These costs may not exceed 35 percent of income plus any other subsidy used for monthly payments.

The difference between the affordable price and the market value of the home will be captured in a promissory note and deed of trust (non-cash deferred payment second mortgage) as described below under Limitation on Resale Profit (906.29).

One percent of the purchase price of the house must come from the resident's own funds, as described above under Purchaser Eligibility and Selection.

Homebuyer Subsidies

The Agency's experience in its homeownership programs, including the 5(h) program, shows that first mortgage interest rates are usually at or slightly below the low end of the current market, due in part to FHA-insured loan programs and lenders' Community Reinvestment Act programs. The one exception where interest rates are one to two points below market is the California Housing Finance Agency's Local Government Partnership Program, which unfortunately carries severe restrictions on recapture.

The most prevalent source of subsidies for low-income purchasers is downpayment and closing cost assistance and second mortgage assistance programs, both Agency-sponsored and private lender sponsored. In addition, private lenders offer downpayment grants as part of their Community Reinvestment Act activities. For example, Citibank has continued California Federal's downpayment grant program that ranges from \$5,000 to \$8,000 per low-income household. The Agency also offers second mortgage assistance programs that carry deferred payment terms. Attachment C lists the Agency's homeownership programs and their terms. The homebuyer counseling programs required by the Agency cover all these forms of assistance, both public and private. The housing authorities also carry out a Family Self-Sufficiency Program for public housing residents which matches residents' savings 3 to 1 with grants from the Federal Home Loan Bank of San Francisco's Affordable Housing Program for their approved Individual Development Account (IDA) program.

Recapture and Anti-Speculation Provisions

Because the dwellings will be sold for less than their fair market value, the purchaser will execute a promissory note, payable to the housing authority, along with a mortgage securing the obligation of the note, for the difference between the initial affordable price (the discounted sales price) and the initial market value. This difference will be stated in the note as a dollar amount and will be a deferred payment loan due on resale. Subordinate financing, including mortgage assistance loans and other first-time homebuyer assistance, will be repaid at resale according to the terms of the assistance. (Some downpayment loans are forgiven proportionately over their term.)

For the first five year period, the purchaser who sells will be obligated to repay the housing authority loan and other subordinate homeowner subsidies, according to the individual program's terms. They will then be permitted to retain one-half of any resale profit attributable to appreciation in value over the initial market value, along with any portion of the resale profit that is attributable to documented capital improvements made by the owner after purchase, any personal initial investment (downpayment and closing costs) and the reasonable costs of resale. The balance of the resale profit will return to the housing authorities as sales proceeds, and used according to the Section 32 Homeownership Plan.

After the first five years of residency, the purchaser will be permitted to retain the resale profit attributable to appreciation in value over the initial market value, plus any documented capital

improvements, downpayment and closing costs. Subordinate financing will be due on sale, according to the terms of the assistance.

Homeowners will be protected against the loss of their initial investments. If the resale price of the home is below its initial market value, the home purchaser will receive all initial investments (downpayment and closing costs), the reasonable costs of resale, and reduction in principal amounts in the first mortgage by deducting those payments from the housing authority's loan repayment that captured the difference between the initial market value and the initial affordable sales price.

The Agency is not proposing to require resale restrictions for subsequent purchasers.

Recapture Analysis

Following is an example of the proposed resale provisions, somewhat simplified to demonstrate the major provisions of recapture before and after a 5-year owner-occupancy.

Initial sale to low-income purchaser		Upon resale
Fair market value	\$220,000	
Affordable sales price	\$160,000	
Housing authority subordinate loan	60,000	Repaid
First mortgage	\$145,000	Balance repaid
Downpayment (all sources, assume grants)	6,000	Equity to seller
Closing costs (local loan, deferred pmt.)	5,000	See note below
Mortgage assistance deferred pmt. Loan	9,000	Repaid

Upon sale at year 3, with an appraised value at \$230,000, the seller would repay the \$60,000 housing authority loan and \$9,000 mortgage assistance loan for a total of \$69,000. (We assume for sake of simplicity that the initial closing cost loan and the resale closing costs would cancel themselves out.) The seller would receive his/her downpayment equity (plus mortgage principal reduction, which is not shown), and one-half of the appreciation in value over the original fair market value (\$5,000), for a total of \$11,000.

Upon sale at year 7, with an appraised value at \$250,000, the seller would repay the same loans as stated above, receive his/her initial equity, and receive the \$30,000 appreciation between the initial market value and resale market value.

Determinations of market value will be made on the basis of appraisals made by an independent appraiser selected by the Agency.

The sale of Section 32 homes to HCV homeownership participants who use their vouchers for the purchase of the units will follow the procedures found in the Section 8 Homeownership Final Rule of October 12, 2000, namely that the Agency must provide an independent entity to perform the following administrative duties:

- Review the contract of sale;
- Conduct the initial housing quality standards (HQS inspection);

- Review the independent inspection report; and
- Determine the reasonableness of the sales price and any Agency-provided financing.

Protection against Fraud.

The Agency will place a title restriction conditioning the initial purchaser's right to resell the Section 32 home to compliance with the resale restrictions described above. In addition, all housing authority recordations against the properties and those placed by the Agency for downpayment and/or mortgage assistance include a requirement of owner-occupancy. Upon sale, all Agency documents and recorded liens are placed with the Agency's portfolio management department and the property transaction is sent to the servicing company that tracks and reports payments and title changes for all Agency loans.

Resident Consultation

The housing authority is currently operating a 5(h) "Homes for Sale" program for the sale of its single family inventory to low-income households and has operated a Housing Choice Voucher (HCV) homeownership program until December 31, 2004. As a result, public housing and HCV participants, some of whom are in various stages of homeownership counseling, are aware of the reasons for transitioning from the 5(h) program to Section 32. Specifically, the housing authority's 2005 Annual Plan, presented to the Resident Advisory Board in June 2004, and subsequently to the Sacramento Housing and Redevelopment Commission, City Council, and Board of Supervisors in public meetings, included the intent to apply for the Sec. 32 program.

At its public meeting of November 3, 2004, the Sacramento Housing and Redevelopment Commission received a report on the status of the 5(h) program, including the need to concentrate on selling the vacant houses, submitting a request to HUD for that purpose, and applying to HUD for a Sec. 32 program which would enable the housing authority to sell more units efficiently. Two members of the Resident Advisory Board (RAB) are members of the Commission.

On December 16, 2004, SHRA staff presented to the RAB a review of the 5(h) and Sec. 32 programs and the reasons for their applications to HUD. A list of the resident representatives at the meeting is attached. The RAB representative to the Commission also commented favorably on the applications. SHRA did not receive any written comments, but three residents asked for a list of the single family properties, and they were mailed those lists.

On January 24, 2004, SHRA distributed through its Resident Services staff the same written information on the 5(h) and Sec. 32 programs to the housing authority's 23 resident councils (both city and county).

SHRA staff has held numerous meetings with the Sacramento Neighborhood Housing Services, the primary homeownership counseling agency working with public housing and HCV households on budgeting and credit issues in preparation for future homeownership opportunities. Of the over 400 households who submitted applications through the housing authority since 2002, 48 have purchased homes, 42 have been referred to lenders and are seeking housing, 57 have

completed counseling and are working on financing issues, and 245 remain in a variety of counseling activities.

Future consultation with residents will occur at many levels: 1) through the counseling agencies working with future homeowner purchasers in their counseling and credit-repair programs; 2) through information sessions described above under Purchaser Eligibility and Selection; and 3) through the public housing authorities' resident councils.

Counseling

All prospective and actual Section 32 purchasers receive (and are required to attend) home ownership counseling and training provided by local nonprofit organizations experienced in homeownership financing, maintenance, and overall responsibilities. The Agency has in the past contracted with ACORN Housing Corporation (AHC) formed by the Association of Community Organizations for Action Now (ACORN), Sacramento Neighborhood Housing Services (SNHS), and the Sacramento Home Loan Counseling Center (SHLCC). The Agency's cost for this counseling and training is included in the proposed budget.

The homebuyer counseling program is a three-part series. First is an introductory first-time homebuyer educational seminar that orients possible purchasers to the values and risks of homeownership and includes homebuyer readiness assessments. Applicants can attend any homebuyer seminar, which occur frequently. Home buyers receive a home buyer's certificate at the completion of the seminar that is good for affordable housing financing programs, such as Fannie Mae's community home buyer program.

Applicants then attend a credit and budget management seminar that provides financial counseling and budgeting techniques for managing household finances with a mortgage payment. The third counseling program covers home maintenance and good neighbor practices and focuses on the transition from renter to homeowner. This seminar is followed up with a home maintenance information/manual given to the new property owners.

In addition, the counseling organizations work with homeownership applicants over time on credit-repair plans. They track the participants' progress and report on their status to the Agency's resident services staff. When the participants' credit status has improved to the point where they are mortgage-eligible, the counseling agency reviews mortgage loan provisions and the various public and private assistance programs available. The Agency's homeownership staff assists the family in applying for the Agency's assistance.

Nonpurchasing Residents

The Agency will offer residents in units to be offered for sale the right of first refusal to purchase the unit. The resident's application will be evaluated on the eligibility standards described previously, as any other applicant. In the event the resident does not exercise the right of first refusal, the Agency's relocation staff will notify the resident in writing at least 90 days prior to

the displacement date that the unit will be vacated and that the resident household will be offered comparable housing within the public housing program. The Agency will provide a choice of comparable units, counseling, and payment of the actual costs of moving. The property will not undergo rehabilitation until the relocation has taken place.

The Agency has had considerable experience in carrying out relocation assistance, both through public housing modernization activity and other revitalization programs. The cost of relocation will be paid by sales' proceeds and is included in the Section 32 budget. The estimated costs of relocation per unit are as follows:

\$1,200	for the basic moving cost
200	for resident counseling
50	reimbursement for re-establishment of utility services
<u>1,450</u>	relocation expenses per unit

Assuming that 200 units will be occupied, the total relocation cost is estimated at \$290,000.

Two public housing units will be offered to the resident, consistent with the housing authorities' current policies on relocation contained in its approved Administrative Plan.

Sales Proceeds

The Agency assumes a two-tiered system for receiving proceeds: (1) the initial net proceeds from sale and (2) the resale proceeds over time representing the difference between the initial affordable sale price and the market value of the home. The proceeds will be retained by the Agency and used as follows:

1. Payment of administrative costs that are necessary and reasonable for carrying out the Section 32 Homeownership Plan;
2. Assistance to low-income families under the Agency's homeownership programs (Attachment C) that enable them to purchase dwellings at affordable costs from private or public owners;
3. Assistance to affordable housing developments serving low-income families, financed by other federal, state, or local housing programs, such as gap financing for multifamily housing under the Agency's Multifamily Loan Policies;
4. The development of additional public housing or that owned in whole or in part by Agency-controlled nonprofit corporations with dwelling units affordable to and occupied by very low-income and low-income households (24 CFR 941 Subpart F);
5. Assistance to low- and very low-income tenants in tenant-based assistance programs to ensure the continuation of their tenancy in the event of program reductions; and

6. For any purposes authorized for the use of operating funds under the ACC, including maintenance and modernization, augmentation of operating reserves, protective services, and resident services.

Administration

Program Administration and Oversight

Program administration of the Section 32 program includes three major components: (1) rehabilitation; (2) resident services and homeownership assistance, and (3) property sale and loan closing. A project manager will be responsible for the program's implementation, reporting, and maintaining the program's three major components in balance through intensive coordination.

Rehabilitation. Three construction technicians experienced in housing rehabilitation and contract administration will be assigned to the program. They will conduct the physical needs assessments, prepare bidding documents, coordinate the contractor bidding and selection process with the Agency's procurement and compliance division, and administer the construction contracts. Other persons necessary for the housing rehabilitation functions will be the Agency's supervising architect, CAD operator, and support staff.

Homeownership Services. The Agency's Homeownership Program staff will be in charge of the activities necessary to inform and financially assist low-income purchasers for the Section 32 homes. As described above under Purchaser Eligibility and Selection, under the direction of the project manager, they will manage the dissemination of information to public housing residents, HCV participants, and low-income households within the general public. They will determine initial eligibility, manage the contracts with local housing counseling agencies, and make the Agency's resources known and available to potential purchasers.

Property Sale and Closing. The final component, property sale and closing, is overseen by the Agency's Real Estate Division, experienced in property management and disposition. Responsibilities include coordination with the housing rehabilitation staff (e.g., timing of notices of completion), obtaining appraisals, drawing financial and closing documents, requesting title transfer from HUD, and ensuring that the proper documentation is sent to the Agency's finance division, portfolio management, and project manager. In the event of HCV purchasers under the Agency's HCV homeownership program, the independent entity will perform its inspection and review functions prior to loan closing.

Records, Accounts and Reports

The Agency will maintain all records, accounts, reports, and files that relate to the implementation of the revised Section 32 program and will submit all required monitoring and financial reports to HUD, including annual sales reports. All Section 32 financial transactions are maintained in separate fund accounts by the Agency's finance department, which provides the central financial record-keeping services for both capital expenditures and receipts and

personnel charges related to the program. The Agency will ensure that the receipt, retention and use of sales proceeds are covered in the regular independent audits of the Agency's public housing operations. Sales reports will be reported through PIC and the Annual Plan.

Individual purchaser records are maintained by the Agency's Portfolio Management Department. These files include income certifications, mortgage eligibility, HQS verification and rehabilitation work, settlement statements, and copies of all loans and title documents. If applicable, relocation notices and expenses will also be maintained in the purchaser files. If a unit is sold, repayment and recapture information is also included in the file.

The program files maintained by the project manager will include relocation notices, financial records, and procurement documents related to moving services.

Budget

Budget and Staffing

The first year budget estimate for the rehabilitation and disposition of an average home is \$104,150 per unit. Of this amount, total construction costs on average (including blueprints, plans and construction management) are estimated at \$99,000, the balance of \$5,150 being total administrative costs per house. The all-inclusive cost estimates for the program for the first year, described above under Administration, are as follows:

Rehabilitation, Construction Management	\$99,000 per house
Homeownership Services:	\$950 per house
Counseling:	\$250 per house over a two-year period
Relocation (moving and services)	\$1,450 per house
Property Sale/Closing:	\$1,000 per house
<u>Project Management:</u>	<u>\$1,500 per house</u>
Total Estimated Cost	\$104,150 per house

Budget notes: The rehabilitation costs assume Davis-Bacon wage rates. Marketing/outreach is carried out by the Agency's homeownership and real estate staff, the former coordinating its work with the nonprofit counseling agencies. The counseling costs represent current contractual agreements for the three-part series of counseling seminars described above under Counseling. These costs average \$250 per participant and assume that one-third will not complete the courses or achieve mortgage eligibility by the time that the vacant homes are sold.

List of Properties

County

Count	Address	Street	Type	City	Zip
1	3837	A	ST	N. HIGHLD	95660
2	6428	CRAIGHURST	DR	N. HIGHLD	95660
3	3821	FLORAL	DR	N. HIGHLD	95660
4	6505	LA CIENEGA	DR	N. HIGHLD	95660
5	6426	Larchmont	DR	N. HIGHLD	95660
6	6589	Melrose	DR	N. HIGHLD	95660
7	4255	SLOAN	WY	N. HIGHLD	95660
8	7672	THRIFTY	WY	N. HIGHLD	95660
9	7679	THRIFTY	WY	N. HIGHLD	95660
10	2264	EL MANTO	DR	RNCH CRDVA	95670
11	3112	PORTSMOUTH	DR	RNCH CRDVA	95670
12	2336	ROSADO	WY	RNCH CRDVA	95670
13	255	ARCANO	WY	RIO LINDA	95673
14	6434	BOLIN	WY	RIO LINDA	95673
15	6461	LINN	WY	RIO LINDA	95673
16	100	W. Monticello	AV	RIO LINDA	95673
17	9960	Lincoln Village	DR	RNCH CRDVA	95827
18	9925	REDSTONE	WY	RNCH CRDVA	95827
19	3836	DRY CREEK	RD	SACRAMENTO	95838
20	3917	Dry Creek	RD	SACRAMENTO	95838
21	3917	HAYWOOD	ST	SACRAMENTO	95838
22	3125	SCOTLAND	DR	ANTELOPE	95843

City

Count	Address	Street	Type	Zip
1	142	ARCADE	BL	95815
2	212	ARCADE	BL	95815
3	2891	GROVE	AV	95815
4	71	Redondo	AV	95815
5	136	REDONDO	AV	95815
6	7650	17th	AV	95820
7	3917	36th	ST	95820
8	7359	15th	ST	95822
9	7441	19th	ST	95822
10	2145	63rd	AV	95822
11	1436	68th	AV	95822
12	2252	ARLISS	WY	95822
13	2161	BERG	AV	95822
14	1611	FLORIN	RD	95822
15	7563	MEADOWAIR	WY	95822
16	1920	Quincy	AV	95822
17	7509	SCHREINER	ST	95822
18	1543	STERLING	ST	95822
19	1429	STODDARD	ST	95822

EXHIBIT A
Attachment A

20	7470	SYLVIA	WY	95822
21	7542	TWILIGHT	DR	95822
22	1444	WACKER	WY	95822
23	8004	38th	AV	95824
24	7709	40th	AV	95824
25	7714	40th	AV	95824
26	7726	40th	AV	95824
27	7730	40th	AV	95824
28	7732	40th	AV	95824
29	8000	CAPISTRANO	WY	95824
30	8020	CAPISTRANO	WY	95824
31	7616	VALLECITOS	WY	95828
32	7717	VALLECITOS	WY	95828
33	7701	18th	ST	95832
34	7705	18th	ST	95832
35	7791	19th	ST	95832
36	7807	19th	ST	95832
37	7676	22nd	ST	95832
38	1801	71st	AV	95832
39	1803	71st	AV	95832
40	7834	AMHERST	ST	95832
41	7885	Ann Arbor	WY	95832
42	2270	BABETTE	WY	95832
43	2274	BABETTE	WY	95832
44	2515	CADJEW	AV	95832
45	2327	John Still	DR	95832
46	7708	LYTLE	ST	95832
47	7712	LYTLE	ST	95832
48	7750	LYTLE	ST	95832
49	7759	LYTLE	ST	95832
50	7684	SWEETBRIER	WY	95832
51	1044	Westward	WY	95833
52	3628	Clay	St	95838
53	65	Olmstead	DR	95838
54	1021	South	AV	95838

Attachment B: Physical Needs Assessment

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry												
Kitchen												
Dining Room												
Living Room												
Bathroom 1												
Bathroom 2												
Bedroom 1												
Bedroom 2												
Bedroom 4												
Other room												
Garage												
Exterior Bldg.												
Siding on ext. walls												
Stucco on ext. walls												
Roofing and Gutters												
Exterior doors												
Electricity												
Screens												
Chimney												
Landscaping												
Irrigation												
Trees												
Driveway												
Sidewalks/ Patios												
Fireplace												
HVAC												
Other												

EXHIBIT A
Attachment B

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry	4	no	4	4	4	4						
Kitchen	4	no	4	4	4	4	4	4	4	4	4	
Dining Room	4	no	4	4	4	4						
Living Room	4	no	4	4	4	4						
Bathroom 1	4	no	4	4	4	4	4	4	4		4	4-tile
Bathroom 2												
Bedroom 1	4	no	4	4	4	4						
Bedroom 2	4	no	4	4	4	4						
Bedroom 3	4	no	4	4	4	4						
Other room												
Garage		5		4	3							4-opnr
Exterior Bldg.												
Siding on ext. walls	Paint											
Stucco on ext. walls	both sides and the rear have stucco along with front and return to house side.											
Roofing and Gutters	Replace roofing over garage											side. Needs paint complete
Exterior doors	Replace with new											
Electricity	Electricity in place. Panel sizing may change due to load changes and circuits added											
Screens	New with new windows											
Chimney	Clean and Inspect											
Landscaping	New design											
Irrigation	needs irrigation											
Trees	trimming needed											
Driveway	driveway to remain											
Sidewalks/ Patios	replacement needed											
Fireplace												
Fireplace	masonry											
HVAC												
HVAC	install new central system gas pack.											

Attachment C: Homeownership Programs

Terms	First-Time Homebuyer	Target Area Homebuyer Program	American Dream Downpayment Initiative	Mortgage Assistance Program MAP	CalHome Assistance Program	Mortgage Credit Certificate Program MCC	Expanded Home Program	Teacher Purchase Program
Type of Assistance	FTHB							
Down Payment and Closing Cost	Down Payment and Closing Cost	Down Payment and Closing Cost	Down Payment / Closing Cost Acquisition/ Rehabilitation	Mortgage Assistance	Down Payment, Closing Cost, and Mortgage Assistance	Income tax Credit	Income tax credit plus down payment assistance	Teacher Purchase Program
Max Amount	\$5,000	\$5,000	\$10,000	\$20,000	\$25,000	15% income tax credit	15% income tax credit plus \$7,500	
Interest Rate	0%	5%	3%	3%	3%	N/A	5%	
Payments	Deferred	Deferred	Deferred/ Forgiven	Deferred	Deferred	N/A	3 years forgiven	
Homebuyer Income (Max.)	80% Area Median	110% Area Median	80% Area Median	80% Area Median	80% Area Median	100% 1-2 person 115% 3+ person	100% 1-2 person 115% 3+ person	
First-Time Homebuyer	Yes	No	Yes, displaced homemaker	Yes	Yes, displaced homemaker	Yes, except in certain target areas	Yes, except in certain target areas	
Location	Countywide	Target Areas	Countywide	Countywide	Certain City Areas Unincorporated County	Countywide	Countywide	
Affordability Ratios	N/A	N/A	N/A	28-35%	28-35%	N/A	N/A	
Loan Term	30 years	30 years/45 resale agt	10 years forgiven	30 years	30 years	life of mortgage	3 years forgiven	
First Mortgage Types	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA and Conventional	FHA, CalHFA, and Conventional	FHA and Conventional no CalHFA	FHA, VA, Conventional no CalHFA	
Homebuyer Education	Yes	Yes	Yes	Yes	Yes	No	Yes	

**Agreement for Sacramento Housing and Redevelopment
Agency (SHRA) to Act as
Purchase and Resale Entity (PRE)
For Vacant Section 32 Homeownership
Single Family Homes**

THIS AGREEMENT, dated _____, is by and between the Housing Authority of the City of Sacramento (the Housing Authority) and the Sacramento Housing and Redevelopment Agency (SHRA) for a term of five years. The organizations are distinct and separate legal entities.

Whereas, the Housing Authority has need for the services of a Purchase and Resale Entity (PRE) to purchase, preserve, rehabilitate, and sell vacant single family houses for sale to qualified low income owner occupant first time home buyers (qualified home buyers) and SHRA has agreed to offer its services as a PRE and provide the services required, now, therefore, the parties agree as follows.

1. **SERVICES.** SHRA will perform the obligations set forth in this AGREEMENT, including those identified in Exhibit A, Scope of Services.
2. **WRITTEN NOTICE.** Any notice of termination or other communication having a material effect on the AGREEMENT shall be serviced by U. S. Mail on the signatories listed.
3. **COMPLIANCE.** SHRA shall comply with all applicable federal, state and local laws, rules and regulations, including the Section 32 Homeownership Plan of the Housing Authority of the City of Sacramento.
4. **AGREEMENT.** The Housing Authority of the City of Sacramento will sell 54 currently vacant Section 32 Homeownership houses using seller carry back loans or similar arrangements for Fair Market Value in “as is” condition to SHRA as a Purchase and Resale Entity. After five years, any houses not sold by SHRA as PRE shall return ownership to the Housing Authority from which the property originated. SHRA shall not encumber any of the houses without the advance written permission of the Housing Authority.
5. **JUDICIAL RULING.** If any provision of this AGREEMENT as applied to either party or to any circumstances shall be determined by a court to be void or unenforceable, the same shall in no way affect any other provision of this AGREEMENT or the validity or enforceability of the AGREEMENT.

6. **INDEPENDENT CONTRACTOR.** SHRA, in carrying out the services to be provided under this AGREEMENT, is acting as an “independent contractor” and shall do so without discrimination or bias in accordance with the Fair Housing Act and implementing regulations. Although the Housing Authority reserve the right to determine the delivery schedule for the work to be performed and to evaluate the quality of the completed performance, the Housing Authority will not control the means or manner of the SHRA’s performance. SHRA is responsible for determining the appropriate means and manner of performing the work within the established annual budget, as determined by the Housing Authority.

7. **MUTUAL INDEMNIFICATION.** 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 Housing Authority under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, the Housing Authority 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 Housing Authority under or in connection with any work, authority or jurisdiction delegated to the Housing Authority under this Agreement.

Neither the Housing Authority 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 SHRA under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, SHRA shall fully indemnify, defend and hold the Housing Authority 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.

8. **WARRANTY.** SHRA hereby warrants that as PRE, internal controls are in place to protect against fraud, or issue of funds, or other property by employees and/or agents. SHRA is accountable to the Housing Authority for the recordkeeping, reporting, and audit requirements of Section 24 CFR 906.33.

9. **COMPENSATION.** SHRA as PRE shall limit its administrative and overhead costs, and any compensation or profit that may be realized by the PRE, to amounts that are reasonable in relation to its responsibilities and risks. Accordingly, the initial funding for SHRA as PRE shall be set at \$2,341,106, which shall be structured as a seller carry back loan from the City Public Housing Homeownership funds, In the event the final sales price is insufficient to repay the seller carry back loan the Housing Authority shall reduce a portion of the seller carry back loan to balance the transaction.

10. **TERMINATION OF AGREEMENT.** The AGREEMENT may be terminated under the following conditions.
- a. By written mutual agreement of both parties. Termination of this provision may be immediate.
 - b. The Housing Authority may terminate this AGREEMENT if SHRA fails to provide services, or fails to meet performance standards as specified in this AGREEMENT (or subsequent modifications of this agreement), within the time specified herein or any extension thereof. Termination under this provision may be immediate.
 - c. Failure of SHRA or the Housing Authority to comply with the provisions of this AGREEMENT and all applicable federal, state, and local laws and rules may be cause for termination of this contract.
 - d. Failure to sell all properties to qualified home buyers within five years.
 - e. If this AGREEMENT is terminated pursuant to Section 10 c, above, then SHRA shall calculate its expenses incurred up to the date of termination and submit them for payment. Any funds held by SHRA as PRE shall be returned to the City Public Housing Homeownership Fund.
11. **SUBCONTRACTING.** No portion of this agreement may be contracted or assigned to any other individual, firm or entity without the express and prior written approval by the Housing Authority. Approval shall not be unreasonably withheld.

**HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO**

**SACRAMENTO HOUSING and
REDEVELOPMENT AGENCY**

La Shelle Dozier
Executive Director

James Shields
Director of Administration

Exhibit A Scope of Services

The Purchase and Resale Entity (PRE) shall perform as follows:

1. The Sacramento Housing and Redevelopment Agency (SHRA), as the designated PRE, shall accept title to vacant Section 32 Homeownership single family houses located within the City of Sacramento through seller carry back loans or similar arrangements. There are currently a total of 54 vacant single family houses from the Section 32 Homeownership Plan that will be transferred to the PRE effective upon execution of this AGREEMENT, or as soon as reasonably possible thereafter.
2. The PRE shall develop a plan to preserve, rehabilitate, and sell the homes to qualified low income owner occupant first time home buyers (qualified home buyers). "Preservation" shall include securing, managing, and caring for the homes to protect their integrity and appearance within the neighborhood in which each house is located. "Rehabilitation" includes developing repair specifications and performing construction to ensure the houses are move-in ready and all major systems have a useful life of at least 15 years. "Qualified home buyers" means identifying low income families with the motivation and means to purchase the houses, and providing them with homeowner education that is generally recognized to help lead to successful homeownership. All vacant houses are to be rehabilitated and sold to qualified home buyers within five years. Any Section 32 houses not sold by the PRE within that time shall have ownership revert to the originating housing authority.
3. The PRE shall secure the expertise of real estate appraiser(s), whom shall act on behalf of the PRE and perform appraisals (or update previous appraisals) of the properties for establishing fair market value of the home after rehabilitation.
4. The PRE shall secure the expertise of a professional realtor(s) to assist in the sale of each home in a timely manner and ensure that each sale is consistent with real estate laws of California. The homes will be sold at Fair Market Value via a Public Sale.
5. The PRE will secure the expertise of qualified personnel, organizational and/or financial institutions to provide homeownership counseling, training, and technical assistance to each qualified purchaser.
6. The PRE will identify a budget for the plan to sell vacant single family homes, including all preservation, rehabilitation or repair costs, professional service expenses, counseling, legal, financial, etc. SHRA will be paid for its actual and documented expenses and may draw needed funds for expenses as a line

of credit from the City and County Public Housing Homeownership fund to be repaid upon the sale of each house.

7. The PRE will keep accurate records and evidence of the sale of each home and the funds provided. Documentation provided to the Housing Authority include final closing statements, deed restrictions, loan agreements, administrative and other expenses incurred in preparing each home for sale and qualifying home buyers.
8. The Housing Authority of the City of Sacramento Public Housing Homeownership fund shall incur any gain or shall bear any loss associated with the sale of the home to a qualified home buyer. SHRA shall not incur any benefit or loss from its activities related to the preservation, renovation, or sale of the vacant Section 32 houses.



OFFICE OF PUBLIC HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
 77 W. Jackson Blvd., Room 2401
 Chicago, Illinois 60604-3507
 Phone: (312) 353-6236 Fax: (312) 886-6413

JUL 17 2014

Ms. LaShelle Dozier
 Executive Director
 Sacramento City Housing Authority
 801 12th Street
 Sacramento, CA 95814

Dear Ms. Dozier:

The Department has reviewed the Sacramento City Housing Authority's and the Sacramento County Housing Authority's (SCHA) request for an amendment to its Section 32 Homeownership Plans (Plans). The Special Applications Center (SAC) received the SCHA's amendment request on March 18, 2014. Supplemental information was received through May 1, 2014.

Originally Approved Plans

Housing Authority	PIC Application	Originally Approved	Date of Approval
Sacramento City	DDA0001329	132	May 31, 2006
Sacramento County	DDA0001181	65	May 31, 2006
Total		197	

The Plans were revised to rescind approval for 31 units. These 31 units were then included in approved disposition applications. Details of the Plans after rescission are as follows:

PIC Application	Originally Approved	Approval Rescinded	Rescinded Units Included in Application	Disposition Approval Date	Remaining Approved Units
DDA0001329	132	25	DDA0004426	1-3-2013	107
DDA0001181	65	6	DDA0004650	9-28, 2012	59
Total	197	31			166

On April 3, 2013, the Department approved an amendment to convey a total of 76 units to a Purchase and Resale Entity (PRE) - Sacramento Housing and Redevelopment Agency (SHRA). The SAC also approved substitution of 18 units and rescission of approval for the remaining 43 unsold units approved under DDA0001329 and DDA0001181. The SAC created two new applications DDA0005046 and DDA0005047 in the PIC for the PRE units. Details of the amendment are as follows:

Sacramento City: DDA0001329

Originally Approved	Rescinded and Included in DDA0004426	Remaining Units After Rescission	Rescinded 4/3/2013	Substituted Units transferred to PRE	Sold Units	Transferred to PRE DDA0005046	Remain Approved non-PRE
132	25	107	34	12	21	38	21

Sacramento City: DDA0005046 - PRE

Development Name	Development Number	PRE Approved Units
Colonial Heights 1 Clauss Court	CA005000104	31
River Oaks	CA005000105	12
Gibson Oaks - 480 Redwood Avenue	CA005000107	7
Total		50

Sacramento County: DDA0001181

Originally Approved	Rescinded and Included in DDA0004650	Remaining Units After Rescission	Rescinded 4/3/2013 Request	Substituted Units transferred to PRE	Sold Units	Transferred to PRE DDA0005047	Remain Approved Non-PRE
65	6	59	9	6	25	20	25

Sacramento County: DDA0005047 - PRE

Development Name	Development Number	PRE Approved Units
Alta Arden/6045 Dry Creek/Fair Oaks/EI P	CA007000202	7
Family Turnkey - 4 Sites	CA007000203	12
Alta Arden/6045 Dry Creek/Fair Oaks/EI P	CA007000204	5
Alta Arden/6045 Dry Creek/Fair Oaks/EI P	CA007000205	2
Total		26

In the current request, the SCHA requested to add four units in application DDA0005046 (two units in CA005000104 and two units in CA005000107); and remove four units from application DDA0005047 (two units in CA007000203 and two units in CA007000205). The SAC has completed its review and based on the information provided by the SCHA, SCHA's request to amend the Plan, as identified below, is hereby approved.

Sacramento City: DDA0005046 - PRE

Development Name	Development Number	PRE Approved Units
Colonial Heights 1 Clauss Court	CA005000104	33
River Oaks	CA005000105	12
Gibson Oaks - 480 Redwood Avenue	CA005000107	9
Total		54

Sacramento County: DDA0005047 - PRE

Development Name	Development Number	PRE Approved Units
Alta Arden/6045 Dry Creek/Fair Oaks/El P	CA007000202	7
Family Turnkey - 4 Sites	CA007000203	10
Alta Arden/6045 Dry Creek/Fair Oaks/El P	CA007000204	5
Alta Arden/6045 Dry Creek/Fair Oaks/El P	CA007000205	0
Total		22

The SAC made appropriate changes in the Public and Indian Housing Information Center (PIC) applications DDA0005046 and DDA0005047 to reflect the amendment. There is no change to the total approved units.

Enclosed is the amended PRE document EXHIBIT-A, which should be made a part of the amended Plans. If the PRE is unable to sell units within a five-year timeframe, the PRE must transfer ownership of the units back to the SCHA. All other conditions of the original approvals dated May 31, 2006, and the amendment dated April 3, 2013, remain as stipulated.

A copy of this amendment letter will be sent to the HUD San Francisco HUB for their records. If you have any questions or require additional information regarding this approval, please contact Surendra Patel, General Engineer at (312) 913 8340.

Sincerely,


for Tamara S. Gray
Director

Enclosure

EXHIBIT – A (Revised May 2014)

Housing Authorities of the City and County of Sacramento

Amendment to Section 32 Homeownership Plans approved May 21, 2006

(Added December 2012)

Page 11 - Method of Sale

Sale of Vacant Houses via PRE

Sacramento County: 22 Units

Sacramento City: 54 Units

For 76 vacant single-family houses in the Section 32 homeownership program as of December 2012, the Housing Authorities of the City and County of Sacramento desire to use a Purchase and Resale Entity (PRE) to preserve, renovate, and sell the homes. The Agency will act as the PRE by purchasing vacant single-family houses in the Section 32 program for fair market value given their "as is" conditions and utilizing seller financing. Prior to commencing service as PRE, the Agency will enter into an agreement with these housing authorities to fulfill all regulatory requirements for operation as a PRE at 24 CFR 906.19.

The Agency as PRE will preserve, renovate, and sell the houses to qualified low-income families. The Agency also will be responsible for identifying and preparing qualified low-income families who are ready for homeownership and want to purchase the houses.

The Agency's expenses will be paid from a line of credit from the City and County Public Housing Homeownership funds. The line of credit will be repaid by the Agency as each house is sold. Any proceeds remaining will accrue to the respective funds from which they originally were withdrawn. The Agency may permit houses to be subjected to developer or contractor liens securing rehabilitation costs, which shall be reimbursed only from proceeds upon sale to eligible homebuyers. Any loss on the sale of a house, after documented expenses, will be deducted from the seller financing to balance the sales transaction. The Agency will provide reports on the costs involved and sale of each house.

The Agency will have five years to sell renovated houses to low-income families. If any house is not sold within five years of its sale to the Agency, that house will be transferred back to the originating Housing Authority.

RESOLUTION NO. 2014 -

Adopted by the City Council of the City of Sacramento

on date of

AUTHORIZATION TO EXECUTE DOCUMENTS RELATED TO THE SECTION 32 PROGRAM PRE AGREEMENT; ACCEPT AND TAKE OWNERSHIP OF UP TO 54 PROPERTIES AND EXECUTE A SELLER CARRY BACK LOAN; ACCEPT AND USE FUNDS FROM THE PUBLIC HOUSING HOMEOWNERSHIP PROGRAM; AMEND THE AGENCY BUDGET, AND ENTER INTO AGREEMENTS AND CONTRACTS NECESSARY TO IMPLEMENT THE ACTIVITIES

BACKGROUND

- A. The Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento (collectively "Housing Authority") currently owns 54 vacant single family homes that are part of a United States Department of Housing and Urban Development (HUD)-approved Section 32 Homeownership Plan that authorizes the sale of single family homes to qualified low-income owner occupant first time home buyers (qualified home buyers).
- B. Vacant Section 32 homes typically require considerable renovation prior to sale to a qualified home buyer.
- C. These homes are not required for the foreseeable needs of the Housing Authority (Cal. Health & Safety Code §34315.7) and, as part of its asset repositioning strategy, the Housing Authority desires to provide affordable homeownership opportunities to qualified home buyer households.
- D. The Housing Authority previously designated the Sacramento Housing and Redevelopment Agency (SHRA) as a Purchase and Resale Entity (PRE) pursuant to Resolution No. 2012-019 dated December 4, 2012. HUD approved the designation of SHRA as a PRE on April 3, 2013. As a designated PRE, SHRA has the authority to accept transfer of ownership of all vacant Section 32 single family homes from the Housing Authority using seller carry back loans for Fair Market Value given their "as is" condition. SHRA, as the PRE, is to facilitate the preservation, renovation and sale of the units to qualified home buyers, subject to a five-year time limit as required by HUD.
- E. The recommended actions are categorically exempt pursuant to the California Environmental Quality Act Guidelines Section 15301.

- F. The recommended actions will be categorically excluded under National Environmental Policy Act regulations, pursuant to 24 CFR 58.35(a)(3)(i) and 24 CFR 58.35(a)(5). One property (1044 Westward Way) lies within a special flood hazard area and is subject to additional environmental review per 24 CFR 55.20.

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

- Section 1. After due consideration of the information presented herein, and at a duly noticed public hearing held on September 17, 2014, at the Sacramento Housing and Redevelopment Commission, the statements in the Background, including the environmental statements, are found to be true and correct.
- Section 2. SHRA is authorized to execute documents, as approved to form by Agency counsel, relating to the PRE Agreement with the Housing Authority that establishes SHRA as the PRE.
- Section 3. SHRA is authorized to accept and take ownership of up to 54 of the Housing Authority's vacant single family homes through a seller carry back loan or loans or similar arrangements for Fair Market Value given their "as is" condition, in an amount not to exceed \$5.5 million dollars.
- Section 4. SHRA is authorized to accept and appropriate up to \$2,341,106 from the City Public Housing Homeownership Fund to pay the expenses attributed to the Section 32 homes located in the City, including preservation costs, renovation expenses and sales fees. The proceeds from the sale of each of the homes shall first be returned to the Fund to pay the renovation and sale costs for the remaining homes. Upon completion of renovation and sale of all of the homes, the remaining funds shall be applied to repay the seller carry back loan and any remaining funds shall be returned to the City Public Housing Homeownership Fund to be reallocated to the program to fund the renovation of future Section 32 homes.
- Section 5. SHRA is authorized to amend the Agency budget, and enter into any loan agreements, contracts, or documents as approved as to form by Agency counsel, necessary to implement the activities authorized by this resolution.

Table of Contents:

- Exhibit A – Amended Section 32 Homeownership Plan
Exhibit B – PRE Agreement with SHRA
Exhibit C – HUD Approval Letter dated July 17, 2014

**SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY**

**AMENDED
SECTION 32 HOMEOWNERSHIP PLAN
FOR THE HOUSING AUTHORITIES OF THE
CITY AND COUNTY OF SACRAMENTO**

Office of the Executive Director
Public Housing Authorities
801 12th Street
Sacramento, California 95814

Initially approved: February 2005
Amended October, 2014

SECTION 32 HOMEOWNERSHIP PLAN

Amended October 2014

Executive Summary

The Sacramento Housing and Redevelopment Agency (Agency) requests that HUD approve a Section 32 homeownership program for the rehabilitation and sale of the 212 remaining two- and three-bedroom single family homes in the public housing inventory of the Housing Authorities of the City and County of Sacramento (collectively the public housing authorities [PHA]). The homes will be sold to low-income families as prescribed by the Section 32 regulations at 24 CFR Part 906.

The Department of Housing and Urban Development approved a 5(h) Homeownership Program for the Sacramento PHAs on December 29, 1996, which was adopted by the Sacramento Housing and Redevelopment Commission on May 21, 1997. At that time, the Agency included its entire inventory of 389 scattered single family homes in the program since their operation and maintenance were not cost-effective. To date, 60 of those homes have been sold. Although the program has been successful in gaining homeownership for public housing residents and Housing Choice Voucher participants, several obstacles prevented the Agency from meeting its ambitious sales goals in the previously approved plan. Most significant was the number of existing residents in units authorized for sale under the 5(h) homeownership plan who declined to purchase or who were not eligible to purchase their units; consistent with 5(h) regulations, the Agency could not cause those families to relocate.

To more effectively accomplish its homeownership goals, the Agency has recently requested HUD to allow it to reduce the number of homes to be sold under the 5(h) program to 73, all of which are vacant. The Agency's request for a reduction of units in its 5(h) plan was accompanied by the statement that it would submit a Section 32 Homeownership Program for the remaining homes as quickly as possible.

Goals and Objectives of the Homeownership Plan

The goal of the proposed Section 32 program is to provide 212 homeownership opportunities for the public housing residents, Housing Choice Voucher holders, and other low-income households in the City and County of Sacramento. The average resale price for a home in the Sacramento region is now over \$315,000, with very few homes on the market for under \$200,000. The Section 32 program will re-open this opportunity for Sacramento's lower income families.

The Sacramento Housing and Redevelopment Agency will provide direct assistance to the low-income purchasers, including downpayment and closing cost assistance, counseling, relocation, and subordinate financing, as well as manage the procurement, rehabilitation, marketing, and sales of the homes. The Agency will cooperate with local lending institutions and a variety of public and private lenders to arrange financing at the lowest available interest rates, and to secure

other subsidies to attain affordability for families with incomes at or below 80 percent of the area median income (AMI) whose credit and debt allow them to qualify for private mortgages. The Agency's staff is experienced in implementing homeownership and single family rehabilitation programs. The Agency operates a number of first-time homebuyer programs available to Section 32 purchasers, including downpayment and closing cost assistance, deferred second loans, the American Dream Initiative second loan financing and Mortgage Credit Certificates. (Please see Attachment C for a chart of Agency homeownership programs.) In addition, public housing residents in the Family Self Sufficiency (FSS) program build equity through Federal Home Loan Bank-funded Individual Development Accounts which match on a 3-to-1 basis the savings that families accrue for downpayments. Therefore, public and privately funded programs are available to assist candidates for the program who demonstrate their eligibility for homeownership.

In addition to current residents and voucher holders and waiting list candidates, the Consolidated Plan of the City and County of Sacramento identifies 5,000 low-income families in the Agency's jurisdiction with qualifying incomes for homeownership. Given its on-going commitment to homeownership, which has created over 4,384 low-income and very low-income homeowners during the past six years alone, the Agency believes this Section 32 homeownership program is workable with sound potential for long-term success.

Method of Sale: Property Description

See Attachment A for the list of properties.

~~The Agency will sell the 212 two- and three-bedroom single family homes directly to low-income tenants or eligible families in fee simple conveyance. The list in Attachment A includes the HUD project number, street address, bedroom distribution, vacancy at the time of application, and number of household residents currently in the units.~~

Amended October 2014

For 76 vacant single-family houses in the Section 32 homeownership program as of December 2012, the Housing Authorities of the City and County of Sacramento desire to use a Purchase and Resale Entity (PRE) to preserve, renovate and sell the homes. The Agency will act as the PRE by purchasing vacant single-family houses in the Section 32 program for fair market value given their "as-is" conditions and utilizing seller financing. Prior to commencing service as PRE, the Agency will enter into an agreement with these housing authorities to fulfill all regulatory requirements for operation as a PRE at 24 CFR 906.19.

The Agency as PRE will preserve, renovate, and sell the houses to qualified low-income families. The Agency also will be responsible for identifying and preparing qualified low-income families who are ready for homeownership and want to purchase the houses.

The Agency's expenses will be paid from a line of credit from the City and County Public Housing Homeownership funds. The line of credit will be repaid by the Agency as each house is sold. Any proceeds remaining will accrue to the respective funds from which the originally were withdrawn. The Agency may permit houses to be subjected to developer or contractor liens

securing rehabilitation costs, which shall be reimbursed only from proceeds upon sale to eligible homebuyers. Any loss on the sale of a house, after documented expenses, will be deducted from the seller financing to balance the sales transaction. The Agency will provide reports on the costs involved and sale of each house.

The Agency will have five years to sell renovated houses to low-income families. If any house is not sold within five years of its sale to the Agency, that house will be transferred back to the originating Housing Authority.

Repair or Rehabilitation

The 212 properties included in the Section 32 program need a range of rehabilitation work to meet or exceed applicable local codes and Housing Quality Standards. The majorities of homes were built in the 1950s and 1960s, and have similar characteristics with the homes sold or being rehabilitated under the current 5(h) program. In addition to housing authority maintenance and unit turnover records for the homes to be included under the Section 32 program, the current rehabilitation work being undertaken on the 5(h) homes provides a reasonable basis for estimating Section 32 rehabilitation costs. Those costs are estimated at an average of \$95,000 for the rehabilitation work, including HUD requirements for lead-based paint and asbestos assessment and remediation. Attachment B provides the Physical Need Assessment form used by the Agency and an example of the condition of a typical single family property in the PHA homeownership program.

Upon rehabilitation completion, the major components will have a remaining useful life that is sufficient to justify a reasonable expectation that homeownership will continue to be affordable by the purchasers over time. Accordingly, the major building systems will have a remaining useful life of 5 – 15 years. The Agency will continue its practice of providing the homeowner a warranty policy through an established company. It will cover the major systems for one year, after which time the homeowner assumes responsibility. The minimal cost of the policy is included in the purchase price.

The after-rehab value of the three-bedroom properties, estimated at \$220,000, is based on current appraisals for the homes sold under 5(h) and a list of 350 comparable single family homes sold in the last quarter of 2004 in the same neighborhoods in which the majority of the Section 32 homes are located. The estimated value for two-bedroom properties (ten percent of the units) is \$190,000. The comparables included the following values: floor space 900 – 1,000 square feet; lot square footage – 6,800 to 8,000 square feet; year built range from 1956 to 1958; and all one-story homes.

The rehabilitation plan for each unit includes the following (shown also on the Implementation Schedule):

- Physical needs inspection of the unit by an Agency construction technician
- Scope of work and specifications prepared, including architectural plans on an as-needed basis

- Bidding package prepared for a group of 5-15 homes, depending on condition and location
- Selection of contractor(s)
- Compliance monitoring established for Davis-Bacon wages, minority and small business enterprises, etc.
- Construction contract administration
- Close-out: final inspection, completion and occupancy notices, etc.

Contract award and administration follow federal procurement standards and California public contract code, when applicable (depending on the source of funds used for rehabilitation). Hazardous materials (asbestos and lead-based paint) will be abated. When a prospective purchaser with disabilities requests accessible features, the features will be added in accordance with 24 CFR parts 8 and 9.

If an HCV homeownership participant chooses to purchase a Section 32 home, the Agency will provide an independent entity to perform the following rehabilitation duties:

- Conduct the initial housing quality standards (HQS) inspection; and
- Review the independent inspection report.

(Additional HCV-related duties by the independent housing entity are described below under “Sale and Financing.”)

See Attachment B for the Physical Need Assessment form and an example of the condition of a typical property

Purchaser Eligibility and Selection

Selection Process

The Agency’s homeownership staff will offer the right of first refusal to the residents occupying the units, all of whom are below the low-income (80 percent of area median income) standard for the program, according to the PHA’s annual income recertifications. The homeownership staff will provide information on the Section 32 program, its application process and eligibility requirements.

The Agency has been operating a 5(h) homeownership program since 1999 and an HCV homeownership program available to public housing residents and HCV participants for the past three years. As a result of communicating about these programs, there are over 80 HCV and resident households who are currently in the counseling and credit-repair process, working toward mortgage eligibility. In addition there are also 155 families participating in the Family Self-Sufficiency (FSS) Program, many of whom are already involved in savings plans under the

Agency's Individual Development Account program. Because of these prior outreach efforts, the Agency will turn its information and marketing efforts toward these households already in the homeownership counseling process, following the right of refusal process with the current occupants of the units.

Additionally, the Agency in March 2005 will contact current public housing residents and Housing Choice Voucher holders with incomes between 50 percent of median and 80 percent of median in order to maintain a pool of potentially eligible households. As these priority purchasers work their way through homeownership counseling and mortgage eligibility, they will be given priority in home purchase.

If there are not sufficient eligible purchasers from these sources of applicants, the Agency will broadly market the program to other low-income families in the city and county. (Please see Attachment - Affirmative Marketing Plan.) Low-income residents in rental affordable housing developments with homeownership counseling and savings plans in place will be contacted as part of the Affirmative Marketing Plan.

Eligibility is limited to households who are capable of assuming the financial obligations of homeownership, as outlined below. Applicants who have met basic eligibility standards are required to attend homebuyer counseling programs if they have not previously enrolled or completed the required courses or need further attention for credit repair. Upon completing the homebuyer counseling program and obtaining a mortgage commitment, applicants will be given the choice of properties in the program. The rehabilitation schedule for the single family properties will be available to the participants throughout the program.

To summarize, the selection process will start with the public housing resident occupying the unit followed by families enrolled in Agency's FSS program and HCV homeownership candidates that responded to previous outreach and information sessions and are undertaking homeownership counseling and credit repair. For all of those and any further participants from public housing, the voucher program, and the general public, an initial determination of eligibility is made on the basis of the following requirements:

Eligibility Requirements

In order to be selected as a participant in this program, applicants shall meet the following selection criteria:

1. Each applicant must complete a program application, with references.
2. At least one family member must be gainfully employed or have an established source of continuing homeownership-appropriate income for a period of at least two (2) years.
3. Applicants must be current in all rent obligations for at least twelve months and not have any outstanding charges for damages to any apartment nor incurred excessive maintenance charges in the past year;
4. Acceptance as a participant is conditioned upon receipt of an acceptable credit report.

5. Participants shall not have an income greater than 80 percent of area median income for their respective family size.
6. Participants must be able to afford an average monthly estimate for mortgage principal and interest, insurance, real estate taxes, utilities, maintenance and other regularly recurring homeownership cost not to exceed the sum of 35 percent of income and any subsidy that will be available for such payments.
7. Participants must demonstrate the ability to contribute from their own resources a portion of the downpayment that is not less than one percent of the purchase price of the housing.
8. Purchasers shall occupy the home as their principal residence and be a first-time homebuyer. (“First-time homebuyer” means that neither the purchaser nor spouse has owned a home during the last three years, with the following exceptions: a displaced homemaker who worked primarily without remuneration and who owned a home with a previous spouse; and a purchaser with children who is legally separated but who owned a home with a previous spouse.)
9. Participants must complete homebuyer counseling programs (described in more detail under “Counseling”).

Sale and Financing

Method of Sale and Ownership

All properties will be made available for sale after completion of the rehabilitation work. They will be sold as fee simple property.

Below-market Financing

The Sacramento Section 32 homeownership program will provide below market purchase prices to ensure the homes affordability to eligible buyers. The market value of the properties will be established by appraisal, and the affordable price (the discounted market price) will be established based on what a low-income household could afford for two- and three-bedroom homes. The calculation of affordability, which determines the affordable purchase price, includes monthly estimates for mortgage principle and interest, insurance, real estate taxes, utilities, maintenance and other recurring costs such as flood insurance and mortgage insurance. These costs may not exceed 35 percent of income plus any other subsidy used for monthly payments.

The difference between the affordable price and the market value of the home will be captured in a promissory note and deed of trust (non-cash deferred payment second mortgage) as described below under Limitation on Resale Profit (906.29).

One percent of the purchase price of the house must come from the resident's own funds, as described above under Purchaser Eligibility and Selection.

Homebuyer Subsidies

The Agency's experience in its homeownership programs, including the 5(h) program, shows that first mortgage interest rates are usually at or slightly below the low end of the current market, due in part to FHA-insured loan programs and lenders' Community Reinvestment Act programs. The one exception where interest rates are one to two points below market is the California Housing Finance Agency's Local Government Partnership Program, which unfortunately carries severe restrictions on recapture.

The most prevalent source of subsidies for low-income purchasers is downpayment and closing cost assistance and second mortgage assistance programs, both Agency-sponsored and private lender sponsored. In addition, private lenders offer downpayment grants as part of their Community Reinvestment Act activities. For example, Citibank has continued California Federal's downpayment grant program that ranges from \$5,000 to \$8,000 per low-income household. The Agency also offers second mortgage assistance programs that carry deferred payment terms. Attachment C lists the Agency's homeownership programs and their terms. The homebuyer counseling programs required by the Agency cover all these forms of assistance, both public and private. The housing authorities also carry out a Family Self-Sufficiency Program for public housing residents which matches residents' savings 3 to 1 with grants from the Federal Home Loan Bank of San Francisco's Affordable Housing Program for their approved Individual Development Account (IDA) program.

Recapture and Anti-Speculation Provisions

Because the dwellings will be sold for less than their fair market value, the purchaser will execute a promissory note, payable to the housing authority, along with a mortgage securing the obligation of the note, for the difference between the initial affordable price (the discounted sales price) and the initial market value. This difference will be stated in the note as a dollar amount and will be a deferred payment loan due on resale. Subordinate financing, including mortgage assistance loans and other first-time homebuyer assistance, will be repaid at resale according to the terms of the assistance. (Some downpayment loans are forgiven proportionately over their term.)

For the first five year period, the purchaser who sells will be obligated to repay the housing authority loan and other subordinate homeowner subsidies, according to the individual program's terms. They will then be permitted to retain one-half of any resale profit attributable to appreciation in value over the initial market value, along with any portion of the resale profit that is attributable to documented capital improvements made by the owner after purchase, any personal initial investment (downpayment and closing costs) and the reasonable costs of resale. The balance of the resale profit will return to the housing authorities as sales proceeds, and used according to the Section 32 Homeownership Plan.

After the first five years of residency, the purchaser will be permitted to retain the resale profit attributable to appreciation in value over the initial market value, plus any documented capital

improvements, downpayment and closing costs. Subordinate financing will be due on sale, according to the terms of the assistance.

Homeowners will be protected against the loss of their initial investments. If the resale price of the home is below its initial market value, the home purchaser will receive all initial investments (downpayment and closing costs), the reasonable costs of resale, and reduction in principal amounts in the first mortgage by deducting those payments from the housing authority's loan repayment that captured the difference between the initial market value and the initial affordable sales price.

The Agency is not proposing to require resale restrictions for subsequent purchasers.

Recapture Analysis

Following is an example of the proposed resale provisions, somewhat simplified to demonstrate the major provisions of recapture before and after a 5-year owner-occupancy.

<u>Initial sale to low-income purchaser</u>		<u>Upon resale</u>
Fair market value	\$220,000	
Affordable sales price	\$160,000	
Housing authority subordinate loan	60,000	Repaid
First mortgage	\$145,000	Balance repaid
Downpayment (all sources, assume grants)	6,000	Equity to seller
Closing costs (local loan, deferred pmt.)	5,000	See note below
Mortgage assistance deferred pmt. Loan	9,000	Repaid

Upon sale at year 3, with an appraised value at \$230,000, the seller would repay the \$60,000 housing authority loan and \$9,000 mortgage assistance loan for a total of \$69,000. (We assume for sake of simplicity that the initial closing cost loan and the resale closing costs would cancel themselves out.) The seller would receive his/her downpayment equity (plus mortgage principal reduction, which is not shown), and one-half of the appreciation in value over the original fair market value (\$5,000), for a total of \$11,000.

Upon sale at year 7, with an appraised value at \$250,000, the seller would repay the same loans as stated above, receive his/her initial equity, and receive the \$30,000 appreciation between the initial market value and resale market value.

Determinations of market value will be made on the basis of appraisals made by an independent appraiser selected by the Agency.

The sale of Section 32 homes to HCV homeownership participants who use their vouchers for the purchase of the units will follow the procedures found in the Section 8 Homeownership Final Rule of October 12, 2000, namely that the Agency must provide an independent entity to perform the following administrative duties:

- Review the contract of sale;
- Conduct the initial housing quality standards (HQS inspection);

- Review the independent inspection report; and
- Determine the reasonableness of the sales price and any Agency-provided financing.

Protection against Fraud.

The Agency will place a title restriction conditioning the initial purchaser's right to resell the Section 32 home to compliance with the resale restrictions described above. In addition, all housing authority recordations against the properties and those placed by the Agency for downpayment and/or mortgage assistance include a requirement of owner-occupancy. Upon sale, all Agency documents and recorded liens are placed with the Agency's portfolio management department and the property transaction is sent to the servicing company that tracks and reports payments and title changes for all Agency loans.

Resident Consultation

The housing authority is currently operating a 5(h) "Homes for Sale" program for the sale of its single family inventory to low-income households and has operated a Housing Choice Voucher (HCV) homeownership program until December 31, 2004. As a result, public housing and HCV participants, some of whom are in various stages of homeownership counseling, are aware of the reasons for transitioning from the 5(h) program to Section 32. Specifically, the housing authority's 2005 Annual Plan, presented to the Resident Advisory Board in June 2004, and subsequently to the Sacramento Housing and Redevelopment Commission, City Council, and Board of Supervisors in public meetings, included the intent to apply for the Sec. 32 program.

At its public meeting of November 3, 2004, the Sacramento Housing and Redevelopment Commission received a report on the status of the 5(h) program, including the need to concentrate on selling the vacant houses, submitting a request to HUD for that purpose, and applying to HUD for a Sec. 32 program which would enable the housing authority to sell more units efficiently. Two members of the Resident Advisory Board (RAB) are members of the Commission.

On December 16, 2004, SHRA staff presented to the RAB a review of the 5(h) and Sec. 32 programs and the reasons for their applications to HUD. A list of the resident representatives at the meeting is attached. The RAB representative to the Commission also commented favorably on the applications. SHRA did not receive any written comments, but three residents asked for a list of the single family properties, and they were mailed those lists.

On January 24, 2004, SHRA distributed through its Resident Services staff the same written information on the 5(h) and Sec. 32 programs to the housing authority's 23 resident councils (both city and county).

SHRA staff has held numerous meetings with the Sacramento Neighborhood Housing Services, the primary homeownership counseling agency working with public housing and HCV households on budgeting and credit issues in preparation for future homeownership opportunities. Of the over 400 households who submitted applications through the housing authority since 2002, 48 have purchased homes, 42 have been referred to lenders and are seeking housing, 57 have

completed counseling and are working on financing issues, and 245 remain in a variety of counseling activities.

Future consultation with residents will occur at many levels: 1) through the counseling agencies working with future homeowner purchasers in their counseling and credit-repair programs; 2) through information sessions described above under Purchaser Eligibility and Selection; and 3) through the public housing authorities' resident councils.

Counseling

All prospective and actual Section 32 purchasers receive (and are required to attend) home ownership counseling and training provided by local nonprofit organizations experienced in homeownership financing, maintenance, and overall responsibilities. The Agency has in the past contracted with ACORN Housing Corporation (AHC) formed by the Association of Community Organizations for Action Now (ACORN), Sacramento Neighborhood Housing Services (SNHS), and the Sacramento Home Loan Counseling Center (SHLCC). The Agency's cost for this counseling and training is included in the proposed budget.

The homebuyer counseling program is a three-part series. First is an introductory first-time homebuyer educational seminar that orients possible purchasers to the values and risks of homeownership and includes homebuyer readiness assessments. Applicants can attend any homebuyer seminar, which occur frequently. Home buyers receive a home buyer's certificate at the completion of the seminar that is good for affordable housing financing programs, such as Fannie Mae's community home buyer program.

Applicants then attend a credit and budget management seminar that provides financial counseling and budgeting techniques for managing household finances with a mortgage payment. The third counseling program covers home maintenance and good neighbor practices and focuses on the transition from renter to homeowner. This seminar is followed up with a home maintenance information/manual given to the new property owners.

In addition, the counseling organizations work with homeownership applicants over time on credit-repair plans. They track the participants' progress and report on their status to the Agency's resident services staff. When the participants' credit status has improved to the point where they are mortgage-eligible, the counseling agency reviews mortgage loan provisions and the various public and private assistance programs available. The Agency's homeownership staff assists the family in applying for the Agency's assistance.

Nonpurchasing Residents

The Agency will offer residents in units to be offered for sale the right of first refusal to purchase the unit. The resident's application will be evaluated on the eligibility standards described previously, as any other applicant. In the event the resident does not exercise the right of first refusal, the Agency's relocation staff will notify the resident in writing at least 90 days prior to

the displacement date that the unit will be vacated and that the resident household will be offered comparable housing within the public housing program. The Agency will provide a choice of comparable units, counseling, and payment of the actual costs of moving. The property will not undergo rehabilitation until the relocation has taken place.

The Agency has had considerable experience in carrying out relocation assistance, both through public housing modernization activity and other revitalization programs. The cost of relocation will be paid by sales' proceeds and is included in the Section 32 budget. The estimated costs of relocation per unit are as follows:

\$1,200	for the basic moving cost
200	for resident counseling
50	reimbursement for re-establishment of utility services
<u>1,450</u>	relocation expenses per unit

Assuming that 200 units will be occupied, the total relocation cost is estimated at \$290,000.

Two public housing units will be offered to the resident, consistent with the housing authorities' current policies on relocation contained in its approved Administrative Plan.

Sales Proceeds

The Agency assumes a two-tiered system for receiving proceeds: (1) the initial net proceeds from sale and (2) the resale proceeds over time representing the difference between the initial affordable sale price and the market value of the home. The proceeds will be retained by the Agency and used as follows:

1. Payment of administrative costs that are necessary and reasonable for carrying out the Section 32 Homeownership Plan;
2. Assistance to low-income families under the Agency's homeownership programs (Attachment C) that enable them to purchase dwellings at affordable costs from private or public owners;
3. Assistance to affordable housing developments serving low-income families, financed by other federal, state, or local housing programs, such as gap financing for multifamily housing under the Agency's Multifamily Loan Policies;
4. The development of additional public housing or that owned in whole or in part by Agency-controlled nonprofit corporations with dwelling units affordable to and occupied by very low-income and low-income households (24 CFR 941 Subpart F);
5. Assistance to low- and very low-income tenants in tenant-based assistance programs to ensure the continuation of their tenancy in the event of program reductions; and

6. For any purposes authorized for the use of operating funds under the ACC, including maintenance and modernization, augmentation of operating reserves, protective services, and resident services.

Administration

Program Administration and Oversight

Program administration of the Section 32 program includes three major components: (1) rehabilitation; (2) resident services and homeownership assistance, and (3) property sale and loan closing. A project manager will be responsible for the program's implementation, reporting, and maintaining the program's three major components in balance through intensive coordination.

Rehabilitation. Three construction technicians experienced in housing rehabilitation and contract administration will be assigned to the program. They will conduct the physical needs assessments, prepare bidding documents, coordinate the contractor bidding and selection process with the Agency's procurement and compliance division, and administer the construction contracts. Other persons necessary for the housing rehabilitation functions will be the Agency's supervising architect, CAD operator, and support staff.

Homeownership Services. The Agency's Homeownership Program staff will be in charge of the activities necessary to inform and financially assist low-income purchasers for the Section 32 homes. As described above under Purchaser Eligibility and Selection, under the direction of the project manager, they will manage the dissemination of information to public housing residents, HCV participants, and low-income households within the general public. They will determine initial eligibility, manage the contracts with local housing counseling agencies, and make the Agency's resources known and available to potential purchasers.

Property Sale and Closing. The final component, property sale and closing, is overseen by the Agency's Real Estate Division, experienced in property management and disposition. Responsibilities include coordination with the housing rehabilitation staff (e.g., timing of notices of completion), obtaining appraisals, drawing financial and closing documents, requesting title transfer from HUD, and ensuring that the proper documentation is sent to the Agency's finance division, portfolio management, and project manager. In the event of HCV purchasers under the Agency's HCV homeownership program, the independent entity will perform its inspection and review functions prior to loan closing.

Records, Accounts and Reports

The Agency will maintain all records, accounts, reports, and files that relate to the implementation of the revised Section 32 program and will submit all required monitoring and financial reports to HUD, including annual sales reports. All Section 32 financial transactions are maintained in separate fund accounts by the Agency's finance department, which provides the central financial record-keeping services for both capital expenditures and receipts and

personnel charges related to the program. The Agency will ensure that the receipt, retention and use of sales proceeds are covered in the regular independent audits of the Agency's public housing operations. Sales reports will be reported through PIC and the Annual Plan.

Individual purchaser records are maintained by the Agency's Portfolio Management Department. These files include income certifications, mortgage eligibility, HQS verification and rehabilitation work, settlement statements, and copies of all loans and title documents. If applicable, relocation notices and expenses will also be maintained in the purchaser files. If a unit is sold, repayment and recapture information is also included in the file.

The program files maintained by the project manager will include relocation notices, financial records, and procurement documents related to moving services.

Budget

Budget and Staffing

The first year budget estimate for the rehabilitation and disposition of an average home is \$104,150 per unit. Of this amount, total construction costs on average (including blueprints, plans and construction management) are estimated at \$99,000, the balance of \$5,150 being total administrative costs per house. The all-inclusive cost estimates for the program for the first year, described above under Administration, are as follows:

Rehabilitation, Construction Management	\$99,000 per house
Homeownership Services:	\$950 per house
Counseling:	\$250 per house over a two-year period
Relocation (moving and services)	\$1,450 per house
Property Sale/Closing:	\$1,000 per house
<u>Project Management:</u>	<u>\$1,500 per house</u>
Total Estimated Cost	\$104,150 per house

Budget notes: The rehabilitation costs assume Davis-Bacon wage rates. Marketing/outreach is carried out by the Agency's homeownership and real estate staff, the former coordinating its work with the nonprofit counseling agencies. The counseling costs represent current contractual agreements for the three-part series of counseling seminars described above under Counseling. These costs average \$250 per participant and assume that one-third will not complete the courses or achieve mortgage eligibility by the time that the vacant homes are sold.

List of Properties

County

Count	Address	Street	Type	City	Zip
1	3837	A	ST	N. HIGHLD	95660
2	6428	CRAIGHURST	DR	N. HIGHLD	95660
3	3821	FLORAL	DR	N. HIGHLD	95660
4	6505	LA CIENEGA	DR	N. HIGHLD	95660
5	6426	Larchmont	DR	N. HIGHLD	95660
6	6589	Melrose	DR	N. HIGHLD	95660
7	4255	SLOAN	WY	N. HIGHLD	95660
8	7672	THRIFTY	WY	N. HIGHLD	95660
9	7679	THRIFTY	WY	N. HIGHLD	95660
10	2264	EL MANTO	DR	RNCH CRDVA	95670
11	3112	PORTSMOUTH	DR	RNCH CRDVA	95670
12	2336	ROSADO	WY	RNCH CRDVA	95670
13	255	ARCANO	WY	RIO LINDA	95673
14	6434	BOLIN	WY	RIO LINDA	95673
15	6461	LINN	WY	RIO LINDA	95673
16	100	W. Monticello	AV	RIO LINDA	95673
17	9960	Lincoln Village	DR	RNCH CRDVA	95827
18	9925	REDSTONE	WY	RNCH CRDVA	95827
19	3836	DRY CREEK	RD	SACRAMENTO	95838
20	3917	Dry Creek	RD	SACRAMENTO	95838
21	3917	HAYWOOD	ST	SACRAMENTO	95838
22	3125	SCOTLAND	DR	ANTELOPE	95843

City

Count	Address	Street	Type	Zip
1	142	ARCADE	BL	95815
2	212	ARCADE	BL	95815
3	2891	GROVE	AV	95815
4	71	Redondo	AV	95815
5	136	REDONDO	AV	95815
6	7650	17th	AV	95820
7	3917	36th	ST	95820
8	7359	15th	ST	95822
9	7441	19th	ST	95822
10	2145	63rd	AV	95822
11	1436	68th	AV	95822
12	2252	ARLISS	WY	95822
13	2161	BERG	AV	95822
14	1611	FLORIN	RD	95822
15	7563	MEADOWAIR	WY	95822
16	1920	Quincy	AV	95822
17	7509	SCHREINER	ST	95822
18	1543	STERLING	ST	95822
19	1429	STODDARD	ST	95822

EXHIBIT A
Attachment A

20	7470	SYLVIA	WY	95822
21	7542	TWILIGHT	DR	95822
22	1444	WACKER	WY	95822
23	8004	38th	AV	95824
24	7709	40th	AV	95824
25	7714	40th	AV	95824
26	7726	40th	AV	95824
27	7730	40th	AV	95824
28	7732	40th	AV	95824
29	8000	CAPISTRANO	WY	95824
30	8020	CAPISTRANO	WY	95824
31	7616	VALLECITOS	WY	95828
32	7717	VALLECITOS	WY	95828
33	7701	18th	ST	95832
34	7705	18th	ST	95832
35	7791	19th	ST	95832
36	7807	19th	ST	95832
37	7676	22nd	ST	95832
38	1801	71st	AV	95832
39	1803	71st	AV	95832
40	7834	AMHERST	ST	95832
41	7885	Ann Arbor	WY	95832
42	2270	BABETTE	WY	95832
43	2274	BABETTE	WY	95832
44	2515	CADJEW	AV	95832
45	2327	John Still	DR	95832
46	7708	LYTLE	ST	95832
47	7712	LYTLE	ST	95832
48	7750	LYTLE	ST	95832
49	7759	LYTLE	ST	95832
50	7684	SWEETBRIER	WY	95832
51	1044	Westward	WY	95833
52	3628	Clay	St	95838
53	65	Olmstead	DR	95838
54	1021	South	AV	95838

Attachment B: Physical Needs Assessment

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry												
Kitchen												
Dining Room												
Living Room												
Bathroom 1												
Bathroom 2												
Bedroom 1												
Bedroom 2												
Bedroom 4												
Other room												
Garage												
Exterior Bldg.												
Siding on ext. walls												
Stucco on ext. walls												
Roofing and Gutters												
Exterior doors												
Electricity												
Screens												
Chimney												
Landscaping												
Irrigation												
Trees												
Driveway												
Sidewalks/ Patios												
Fireplace												
HVAC												
Other												

EXHIBIT A
Attachment B

Room or Area-Interior	Walls/Clg.	Lead Pnt.	Floors	Doors	Electrical	Windows	Cabinets	Countertops	Sinks	Appliances	Fixtures	Other
Entry	4	no	4	4	4	4						
Kitchen	4	no	4	4	4	4	4	4	4	4	4	
Dining Room	4	no	4	4	4	4						
Living Room	4	no	4	4	4	4						
Bathroom 1	4	no	4	4	4	4	4	4	4	4	4	4-tile
Bathroom 2												
Bedroom 1	4	no	4	4	4	4						
Bedroom 2	4	no	4	4	4	4						
Bedroom 3	4	no	4	4	4	4						
Other room												
Garage		5		4	3							4-opnr
Exterior Bldg.												
Siding on ext. walls	Paint											
Stucco on ext. walls	both sides and the rear have stucco along with front and return to house side.											
Roofing and Gutters	Replace roofing over garage											side. Needs paint complete
Exterior doors	Replace with new											
Electricity	Electricity in place. Panel sizing may change due to load changes and circuits added											
Screens	New with new windows											
Chimney	Clean and Inspect											
Landscaping	New design											
Irrigation	needs irrigation											
Trees	trimming needed											
Driveway	driveway to remain											
Sidewalks/ Patios	replacement needed											
Fireplace												
Fireplace	masonry											
HVAC												
HVAC	install new central system gas pack.											

Attachment C: Homeownership Programs

Terms	First-Time Homebuyer	Target Area Homebuyer Program	American Dream Downpayment Initiative	Mortgage Assistance Program MAP	CalHome Assistance Program	Mortgage Credit Certificate Program MCC	Expanded Home Program	Teacher Purchase Program
Type of Assistance	FTHB							
Down Payment and Closing Cost	Down Payment and Closing Cost	Down Payment and Closing Cost	Down Payment / Closing Cost Acquisition/ Rehabilitation	Mortgage Assistance	Down Payment, Closing Cost, and Mortgage Assistance	Income tax Credit	Income tax credit plus down payment assistance	Income tax credit plus down payment assistance
Max Amount	\$5,000	\$5,000	\$10,000	\$20,000	\$25,000	15% income tax credit	15% income tax credit plus \$7,500	15% income tax credit plus \$7,500
Interest Rate	0%	5%	3%	3%	3%	N/A	5%	5%
Payments	Deferred	Deferred	Deferred/ Forgiven	Deferred	Deferred	N/A	3 years forgiven	3 years forgiven
Homebuyer Income (Max.)	80% Area Median	110% Area Median	80% Area Median	80% Area Median	80% Area Median	100% 1-2 person 115% 3+ person	100% 1-2 person 115% 3+ person	100% 1-2 person 115% 3+ person
First-Time Homebuyer	Yes	No	Yes, displaced homemaker	Yes	Yes, displaced homemaker	Yes, except in certain target areas	Yes, except in certain target areas	Yes, except in certain target areas
Location	Countywide	Target Areas	Countywide	Countywide	Certain City Areas Unincorporated County	Countywide	Countywide	Countywide
Affordability Ratios	N/A	N/A	N/A	28-35%	28-35%	N/A	N/A	N/A
Loan Term	30 years	30 years/45 resale agt	10 years forgiven	30 years	30 years	life of mortgage	3 years forgiven	3 years forgiven
First Mortgage Types	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA, and Conventional	FHA, CalHFA and Conventional	FHA, CalHFA, and Conventional	FHA and Conventional no CalHFA	FHA, VA, Conventional no CalHFA	FHA, VA, Conventional no CalHFA
Homebuyer Education	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes

**Agreement for Sacramento Housing and Redevelopment
Agency (SHRA) to Act as
Purchase and Resale Entity (PRE)
For Vacant Section 32 Homeownership
Single Family Homes**

THIS AGREEMENT, dated _____, is by and between the Housing Authority of the City of Sacramento (the Housing Authority) and the Sacramento Housing and Redevelopment Agency (SHRA) for a term of five years. The organizations are distinct and separate legal entities.

Whereas, the Housing Authority has need for the services of a Purchase and Resale Entity (PRE) to purchase, preserve, rehabilitate, and sell vacant single family houses for sale to qualified low income owner occupant first time home buyers (qualified home buyers) and SHRA has agreed to offer its services as a PRE and provide the services required, now, therefore, the parties agree as follows.

1. **SERVICES.** SHRA will perform the obligations set forth in this AGREEMENT, including those identified in Exhibit A, Scope of Services.
2. **WRITTEN NOTICE.** Any notice of termination or other communication having a material effect on the AGREEMENT shall be serviced by U. S. Mail on the signatories listed.
3. **COMPLIANCE.** SHRA shall comply with all applicable federal, state and local laws, rules and regulations, including the Section 32 Homeownership Plan of the Housing Authority of the City of Sacramento.
4. **AGREEMENT.** The Housing Authority of the City of Sacramento will sell 54 currently vacant Section 32 Homeownership houses using seller carry back loans or similar arrangements for Fair Market Value in “as is” condition to SHRA as a Purchase and Resale Entity. After five years, any houses not sold by SHRA as PRE shall return ownership to the Housing Authority from which the property originated. SHRA shall not encumber any of the houses without the advance written permission of the Housing Authority.
5. **JUDICIAL RULING.** If any provision of this AGREEMENT as applied to either party or to any circumstances shall be determined by a court to be void or unenforceable, the same shall in no way affect any other provision of this AGREEMENT or the validity or enforceability of the AGREEMENT.

6. **INDEPENDENT CONTRACTOR.** SHRA, in carrying out the services to be provided under this AGREEMENT, is acting as an “independent contractor” and shall do so without discrimination or bias in accordance with the Fair Housing Act and implementing regulations. Although the Housing Authority reserve the right to determine the delivery schedule for the work to be performed and to evaluate the quality of the completed performance, the Housing Authority will not control the means or manner of the SHRA’s performance. SHRA is responsible for determining the appropriate means and manner of performing the work within the established annual budget, as determined by the Housing Authority.

7. **MUTUAL INDEMNIFICATION.** 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 Housing Authority under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, the Housing Authority 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 Housing Authority under or in connection with any work, authority or jurisdiction delegated to the Housing Authority under this Agreement.

Neither the Housing Authority 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 SHRA under this Agreement. It is also understood that, pursuant to Government Code Section 895.4, SHRA shall fully indemnify, defend and hold the Housing Authority 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.

8. **WARRANTY.** SHRA hereby warrants that as PRE, internal controls are in place to protect against fraud, or issue of funds, or other property by employees and/or agents. SHRA is accountable to the Housing Authority for the recordkeeping, reporting, and audit requirements of Section 24 CFR 906.33.

9. **COMPENSATION.** SHRA as PRE shall limit its administrative and overhead costs, and any compensation or profit that may be realized by the PRE, to amounts that are reasonable in relation to its responsibilities and risks. Accordingly, the initial funding for SHRA as PRE shall be set at \$2,341,106, which shall be structured as a seller carry back loan from the City Public Housing Homeownership funds, In the event the final sales price is insufficient to repay the seller carry back loan the Housing Authority shall reduce a portion of the seller carry back loan to balance the transaction.

10. **TERMINATION OF AGREEMENT.** The AGREEMENT may be terminated under the following conditions.
- a. By written mutual agreement of both parties. Termination of this provision may be immediate.
 - b. The Housing Authority may terminate this AGREEMENT if SHRA fails to provide services, or fails to meet performance standards as specified in this AGREEMENT (or subsequent modifications of this agreement), within the time specified herein or any extension thereof. Termination under this provision may be immediate.
 - c. Failure of SHRA or the Housing Authority to comply with the provisions of this AGREEMENT and all applicable federal, state, and local laws and rules may be cause for termination of this contract.
 - d. Failure to sell all properties to qualified home buyers within five years.
 - e. If this AGREEMENT is terminated pursuant to Section 10 c, above, then SHRA shall calculate its expenses incurred up to the date of termination and submit them for payment. Any funds held by SHRA as PRE shall be returned to the City Public Housing Homeownership Fund.
11. **SUBCONTRACTING.** No portion of this agreement may be contracted or assigned to any other individual, firm or entity without the express and prior written approval by the Housing Authority. Approval shall not be unreasonably withheld.

**HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO**

**SACRAMENTO HOUSING and
REDEVELOPMENT AGENCY**

La Shelle Dozier
Executive Director

James Shields
Director of Administration

Exhibit A Scope of Services

The Purchase and Resale Entity (PRE) shall perform as follows:

1. The Sacramento Housing and Redevelopment Agency (SHRA), as the designated PRE, shall accept title to vacant Section 32 Homeownership single family houses located within the City of Sacramento through seller carry back loans or similar arrangements. There are currently a total of 54 vacant single family houses from the Section 32 Homeownership Plan that will be transferred to the PRE effective upon execution of this AGREEMENT, or as soon as reasonably possible thereafter.
2. The PRE shall develop a plan to preserve, rehabilitate, and sell the homes to qualified low income owner occupant first time home buyers (qualified home buyers). "Preservation" shall include securing, managing, and caring for the homes to protect their integrity and appearance within the neighborhood in which each house is located. "Rehabilitation" includes developing repair specifications and performing construction to ensure the houses are move-in ready and all major systems have a useful life of at least 15 years. "Qualified home buyers" means identifying low income families with the motivation and means to purchase the houses, and providing them with homeowner education that is generally recognized to help lead to successful homeownership. All vacant houses are to be rehabilitated and sold to qualified home buyers within five years. Any Section 32 houses not sold by the PRE within that time shall have ownership revert to the originating housing authority.
3. The PRE shall secure the expertise of real estate appraiser(s), whom shall act on behalf of the PRE and perform appraisals (or update previous appraisals) of the properties for establishing fair market value of the home after rehabilitation.
4. The PRE shall secure the expertise of a professional realtor(s) to assist in the sale of each home in a timely manner and ensure that each sale is consistent with real estate laws of California. The homes will be sold at Fair Market Value via a Public Sale.
5. The PRE will secure the expertise of qualified personnel, organizational and/or financial institutions to provide homeownership counseling, training, and technical assistance to each qualified purchaser.
6. The PRE will identify a budget for the plan to sell vacant single family homes, including all preservation, rehabilitation or repair costs, professional service expenses, counseling, legal, financial, etc. SHRA will be paid for its actual and documented expenses and may draw needed funds for expenses as a line

of credit from the City and County Public Housing Homeownership fund to be repaid upon the sale of each house.

7. The PRE will keep accurate records and evidence of the sale of each home and the funds provided. Documentation provided to the Housing Authority include final closing statements, deed restrictions, loan agreements, administrative and other expenses incurred in preparing each home for sale and qualifying home buyers.
8. The Housing Authority of the City of Sacramento Public Housing Homeownership fund shall incur any gain or shall bear any loss associated with the sale of the home to a qualified home buyer. SHRA shall not incur any benefit or loss from its activities related to the preservation, renovation, or sale of the vacant Section 32 houses.



OFFICE OF PUBLIC HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
 77 W. Jackson Blvd., Room 2401
 Chicago, Illinois 60604-3507
 Phone: (312) 353-6236 Fax: (312) 886-6413

JUL 17 2014

Ms. LaShelle Dozier
 Executive Director
 Sacramento City Housing Authority
 801 12th Street
 Sacramento, CA 95814

Dear Ms. Dozier:

The Department has reviewed the Sacramento City Housing Authority's and the Sacramento County Housing Authority's (SCHA) request for an amendment to its Section 32 Homeownership Plans (Plans). The Special Applications Center (SAC) received the SCHA's amendment request on March 18, 2014. Supplemental information was received through May 1, 2014.

Originally Approved Plans

Housing Authority	PIC Application	Originally Approved	Date of Approval
Sacramento City	DDA0001329	132	May 31, 2006
Sacramento County	DDA0001181	65	May 31, 2006
Total		197	

The Plans were revised to rescind approval for 31 units. These 31 units were then included in approved disposition applications. Details of the Plans after rescission are as follows:

PIC Application	Originally Approved	Approval Rescinded	Rescinded Units Included in Application	Disposition Approval Date	Remaining Approved Units
DDA0001329	132	25	DDA0004426	1-3-2013	107
DDA0001181	65	6	DDA0004650	9-28, 2012	59
Total	197	31			166

On April 3, 2013, the Department approved an amendment to convey a total of 76 units to a Purchase and Resale Entity (PRE) - Sacramento Housing and Redevelopment Agency (SHRA). The SAC also approved substitution of 18 units and rescission of approval for the remaining 43 unsold units approved under DDA0001329 and DDA0001181. The SAC created two new applications DDA0005046 and DDA0005047 in the PIC for the PRE units. Details of the amendment are as follows:

Sacramento City: DDA0001329

Originally Approved	Rescinded and Included in DDA0004426	Remaining Units After Rescission	Rescinded 4/3/2013	Substituted Units transferred to PRE	Sold Units	Transferred to PRE DDA0005046	Remain Approved non-PRE
132	25	107	34	12	21	38	21

Sacramento City: DDA0005046 - PRE

Development Name	Development Number	PRE Approved Units
Colonial Heights 1 Clauss Court	CA005000104	31
River Oaks	CA005000105	12
Gibson Oaks - 480 Redwood Avenue	CA005000107	7
Total		50

Sacramento County: DDA0001181

Originally Approved	Rescinded and Included in DDA0004650	Remaining Units After Rescission	Rescinded 4/3/2013 Request	Substituted Units transferred to PRE	Sold Units	Transferred to PRE DDA0005047	Remain Approved Non-PRE
65	6	59	9	6	25	20	25

Sacramento County: DDA0005047 - PRE

Development Name	Development Number	PRE Approved Units
Alta Arden/6045 Dry Creek/Fair Oaks/El P	CA007000202	7
Family Turnkey - 4 Sites	CA007000203	12
Alta Arden/6045 Dry Creek/Fair Oaks/El P	CA007000204	5
Alta Arden/6045 Dry Creek/Fair Oaks/El P	CA007000205	2
Total		26

In the current request, the SCHA requested to add four units in application DDA0005046 (two units in CA005000104 and two units in CA005000107); and remove four units from application DDA0005047 (two units in CA007000203 and two units in CA007000205). The SAC has completed its review and based on the information provided by the SCHA, SCHA's request to amend the Plan, as identified below, is hereby approved.

Sacramento City: DDA0005046 - PRE

Development Name	Development Number	PRE Approved Units
Colonial Heights 1 Clauss Court	CA005000104	33
River Oaks	CA005000105	12
Gibson Oaks - 480 Redwood Avenue	CA005000107	9
Total		54

Sacramento County: DDA0005047 - PRE

Development Name	Development Number	PRE Approved Units
Alta Arden/6045 Dry Creek/Fair Oaks/EI P	CA007000202	7
Family Turnkey - 4 Sites	CA007000203	10
Alta Arden/6045 Dry Creek/Fair Oaks/EI P	CA007000204	5
Alta Arden/6045 Dry Creek/Fair Oaks/EI P	CA007000205	0
Total		22

The SAC made appropriate changes in the Public and Indian Housing Information Center (PIC) applications DDA0005046 and DDA0005047 to reflect the amendment. There is no change to the total approved units.

Enclosed is the amended PRE document EXHIBIT-A, which should be made a part of the amended Plans. If the PRE is unable to sell units within a five-year timeframe, the PRE must transfer ownership of the units back to the SCHA. All other conditions of the original approvals dated May 31, 2006, and the amendment dated April 3, 2013, remain as stipulated.

A copy of this amendment letter will be sent to the HUD San Francisco HUB for their records. If you have any questions or require additional information regarding this approval, please contact Surendra Patel, General Engineer at (312) 913 8340.

Sincerely,

Alton Bailey
for Tamara S. Gray
Director

Enclosure

EXHIBIT – A (Revised May 2014)**Housing Authorities of the City and County of Sacramento****Amendment to Section 32 Homeownership Plans approved May 21, 2006****(Added December 2012)****Page 11 - Method of Sale****Sale of Vacant Houses via PRE****Sacramento County: 22 Units****Sacramento City: 54 Units**

For 76 vacant single-family houses in the Section 32 homeownership program as of December 2012, the Housing Authorities of the City and County of Sacramento desire to use a Purchase and Resale Entity (PRE) to preserve, renovate, and sell the homes. The Agency will act as the PRE by purchasing vacant single-family houses in the Section 32 program for fair market value given their "as is" conditions and utilizing seller financing. Prior to commencing service as PRE, the Agency will enter into an agreement with these housing authorities to fulfill all regulatory requirements for operation as a PRE at 24 CFR 906.19.

The Agency as PRE will preserve, renovate, and sell the houses to qualified low-income families. The Agency also will be responsible for identifying and preparing qualified low-income families who are ready for homeownership and want to purchase the houses.

The Agency's expenses will be paid from a line of credit from the City and County Public Housing Homeownership funds. The line of credit will be repaid by the Agency as each house is sold. Any proceeds remaining will accrue to the respective funds from which they originally were withdrawn. The Agency may permit houses to be subjected to developer or contractor liens securing rehabilitation costs, which shall be reimbursed only from proceeds upon sale to eligible homebuyers. Any loss on the sale of a house, after documented expenses, will be deducted from the seller financing to balance the sales transaction. The Agency will provide reports on the costs involved and sale of each house.

The Agency will have five years to sell renovated houses to low-income families. If any house is not sold within five years of its sale to the Agency, that house will be transferred back to the originating Housing Authority.