



**REPORT TO THE CITY COUNCIL,
REDEVELOPMENT AGENCY, and
HOUSING AUTHORITY
City of Sacramento**
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

PUBLIC HEARING
November 15, 2005

Honorable Mayor and
Members of the City Council

Subject: Approval of the 2006 Sacramento Housing and Redevelopment Agency
Proposed Budget

Location/Council District: City wide

Recommendation: Staff recommends adoption of the attached resolutions commencing on page 14 approving the 2006 Proposed Budget for the Sacramento Housing and Redevelopment Agency.

Contact:

Anne M. Moore, Executive Director, (916) 440-1333
Satoshi Matsuda, Finance Director, (916) 440-1370

Presenter: Anne M. Moore, Executive Director

Department: Sacramento Housing and Redevelopment Agency

Summary: This report requests approval of the 2006 Sacramento Housing and Redevelopment Agency proposed budget. This budget, totaling \$227,360,939 represents an expenditure increase of 2.4 percent evenly distributed between operations and projects. The operating budget totals \$176,821,590 including \$92,171,159 for housing assistance payments, \$53,586,258 for operational costs, and \$31,064,173 for debt service. Funding for new projects totals \$50,539,349. The total number of staff positions is 308.53, a net decrease of 16.9 positions.

Commission Action: At its meeting of November 2, 2005, the Sacramento Housing and Redevelopment Commission adopted a motion recommending the approval of the attached resolution. The votes were as follows:

AYES: Burns, Burruss, Coriano, Fowler, Gale, Gore, Hoag, Piatkowski, Shah, Simon, Stivers.

NOES: None.
ABSENT: None.

Approval of the 2006 SHRA Proposed Budget

Background Information: The annual budget of the Sacramento Housing and Redevelopment Agency (Agency) incorporates the budgets of the Redevelopment Agency of the City of Sacramento, the Redevelopment Agency of the County of Sacramento, the Housing Authority of the City of Sacramento, and the Housing Authority of the County of Sacramento.

The Agency partners with the City and County, residents, businesses, and other stakeholders to revitalize low-income communities, older commercial corridors, and converted military bases. As in the past, our efforts will include the construction and improvement of infrastructure and community facilities, financial support for commercial development bringing or retaining jobs and retail services, programs to increase homeownership and rehabilitate housing, and intervention to convert crime-ridden rental properties to provide safe and affordable housing.

The Agency has development five organizational goals that define our key businesses and strategies. Goals One and Two relate to our affordable housing initiatives. Goals Three and Four relate to our community development initiative. Goal Five focuses on implementing effective and efficient management practices to enhance customer service and project delivery. The five goals are presented in the attachment Transmittal Letter, along with highlights of key initiatives for 2005.

A comprehensive discussion of Agency structure, goals, activities, and accomplishments can be found in the accompanying Sacramento Housing and Redevelopment Agency 2006 Proposed Budget document.

Financial Considerations: Approximately 74 percent of the Agency's revenue is from Federal sources. The annual entitlement amounts are determined by local demographics, national economy, and Congressional limitations and have declined almost three percent for the 2006 fiscal period. Local revenues from redevelopment areas (representing approximately 25 percent of Agency revenue) are anticipated to increase 23 percent due to the strength of the real estate market during 2005. However due to the appreciation of real estate the revenue increase does not provide increased market strength. The limited revenues combined with a growing population and decreasing affordability provide significant challenges.

A complete discussion of revenues and goals is provided in the accompanying 2006 Proposed Budget

Environmental Considerations: The proposed action not subject to environmental review per CEQA Guidelines Section 15378(b)(4) (government fiscal activities), and per NEPA regulations at 24 CFR Section 58.34 (a)(3) (administrative and management activities). The budget includes the allocation of funds for specific programs and projects; however, those programs and projects that have the potential to result in a physical change to the environment will be subject to environmental review prior to approval or commitment of funds for expenditure for that program or project.

Approval of the 2006 SHRA Proposed Budget

Policy Considerations: The recommended action is consistent with Agency policies and no policy change is being recommended.

M/WBE Considerations: The action proposed in this report is not subject to M/WBE requirements. Specific activities within the budget will be reviewed for M/WBE compliance when implemented.

Respectfully Submitted by: 
ANNE M. MOORE
Executive Director

Recommendation Approved:

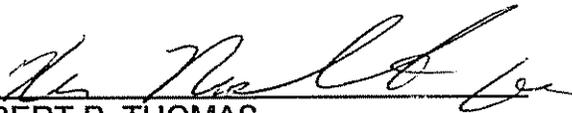

ROBERT P. THOMAS
City Manager

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November 2, 2005

City Council, Housing Authority and
Redevelopment Agency of the City of Sacramento
Board of Supervisors, Housing Authority and
Redevelopment Agency of the County of Sacramento
Sacramento Housing and Redevelopment Commission
Sacramento Housing and Development Corporation
Sacramento, California

INTRODUCTION

The proposed 2006 Sacramento Housing and Redevelopment Agency Budget totals \$227,360,939, an increase of 2.4 percent, due predominantly to growth in redevelopment tax increment revenues. The operating budget totals \$176,821,590 which has increased 2.14 percent from 2005, includes \$92,128,354 for housing assistance payments, \$53,629,063 for operational costs, and \$31,064,173 for debt service. Funding available for new projects totals \$50,539,349.

While the Agency's proposed budget shows a slight increase, anticipated reductions in the federal HUD budget will have a very significant impact on the Agency's financial condition. Approximately three-quarters of the Agency's revenues come from federal Department of Housing and Urban Development (HUD) for the Housing Choice Voucher (HCV), Public Housing, Community Development Block Grant (CDBG) and HOME programs. All of these HUD programs have seen a decline in funding and significant program modifications in past years. Additional reductions are expected for HUD programs in 2006; however, the federal HUD budget has not been approved prior to the beginning of the federal fiscal year. We developed the Agency budget with our best guesses as to the outcome of the HUD budget; however, our nation's response to the devastation of this year's hurricanes is likely to reduce HUD funding even further.

Based on our expectations of 2006 HUD funding, the Agency's proposed budget includes the reduction of 16.9 positions, primarily in our HCV and Public Housing Programs. We have reduced funding for Housing Authority service and supplies to the amount of revenues anticipated for 2006. This has resulted in non-funding of nearly a million dollars worth of services and supplies based on actual 2004 expenditures and 2005 projected expenditures. We are recommending a budget that will require some amendment or service level reduction during next year, once we understand the true impact of the HUD budget upon our programs. At that time we will be prepared to recommend short-term and long-term actions needed to align housing authority expenditures to ongoing revenues. Areas of focus will include 1) actions necessary to implement the new asset management model that HUD is requiring of all housing authorities, 2) reviewing other comparable California housing authorities operations and salary and classification structures, 3) increasing rents or converting to project based vouchers for our non-public housing units, 4)

(4)

identifying efficiencies and reducing staff with the implementation of a new software system, 5) potential savings from the outsourcing of certain housing management and maintenance services, and 6) developing a real estate reinvestment and disposition strategy. Until the funding deficit is eliminated, the controlled hiring program in effect since 2003 will continue.

Significant 2005 Accomplishments

We participated in many significant projects and policy initiatives in 2005. Highlights of accomplishments for each of the Agency's goals are listed below. The Agency goals were modified in 2002 to define our key businesses and strategies.

Goal One: Develop, preserve and finance a continuum of affordable housing opportunities

- Completed the 360-unit renovation of Phoenix Park adding a new Resident Activity Center, laundry facilities and tot lots.
- Issued over \$53 million in tax-exempt mortgage revenue bonds and \$16 million in Agency loans to create or preserve over 1,200 affordable housing units.
- Completed the rehabilitation of 45-60 units of transitional housing at the Mather Community campus.
- Broke ground on the Globe Mills Adaptive Reuse project, a 143-unit affordable senior and market rate housing development in Alkali Flat.
- Purchased Greenfair site from HUD for new infill development project.
- Provided funds for the acquisition of the troubled Westerner Mobile Home Park.
- Completed the Fremont Mews project in the Central City adding 119 new rental units, of which 49 are affordable.

Goal Two: Provide and maintain effective and efficient Agency-owned housing and tenant-based rental assistance programs

- Provided conventional housing to approximately 3,400 very low-income households with a lease up rate at 97 percent.
- Provided assistance to an average of 10,800 families per month in the Housing Choice Voucher program with a 98 percent lease up rate.
- Reduced HCV average housing assistance costs by nine percent, in-line with new HUD funding constraints.
- Received HUD approval to designate four public housing developments (288 units) as elderly-only.
- Improved the service level of public housing maintenance and management resulting in higher HUD assessment scores.

Goal Three: Revitalize lower income neighborhoods to create healthy and sustainable communities

- Completed the Locke historic subdivision and sale of the underlying land to the building owners.
- Completed the restoration of the Old Florintown School.
- Initiated construction of Del Paso Boulevard Streetscape and obtained funding for the last phase of Stockton Boulevard Streetscape.
- Completed numerous park improvements including DixieAnne neighborhood tot lot, accessible play structure in Southside Park and Gardenland Park spray feature in the City and Florin Creek Park (Southgate Parks) and Hampton Street Park (Arcade Parks) in the County.
- Installed neighborhood street lighting in several low-income neighborhoods: in the City Dixieanne, Marshall Park, North City Farms and Mansion Flats, Rancho Cordova and in the County on Capitales Drive.

Goal Four: Eliminate blight and promote economic development in redevelopment areas and identified transitional neighborhoods including commercial corridors and converted military bases

- Completed significant new infrastructure improvements in the Mather Commerce Center. New buildings and leasing activity resulted in creation of over 500 new jobs, for a total of 5,600 jobs at Mather.
- Began planning for the adoption of a new redevelopment area in the remainder of the former Mather Air Force Base.
- Completed infrastructure projects and rehabilitation of facilities at McClellan and maintained employment at approximately 10,500 jobs.
- Completed Phase 1 of the Watt Avenue streetscape improvement project and began construction of Phase 2.
- Adopted a new redevelopment area for the Florin Road area around Florin Mall.
- Completed 33 storefront improvements in Downtown and in other older commercial corridors in the City and County.
- Issued over 400 hiring credit vouchers in the Enterprise Zones and the Local Agency Military Base Recovery Area.

2006 INITIATIVES

In 2006, the Agency will continue to partner with the City and County of Sacramento to initiate projects and policies to maximize affordable housing opportunities for low-income, very low-income, and extremely low-income households and revitalize low-income communities. We will also continue strategies to revitalize low-income communities, older commercial corridors, and converted military bases. Our initiatives include infrastructure and community facility improvements, financial assistance for commercial development, homeownership and housing

rehabilitation assistance, and intervention to transform troubled rental properties into safe and affordable housing that complements the surrounding neighborhoods.

The Agency's goals are presented below along with highlights of our key initiatives for 2006.

Goal One: Develop, preserve and finance a continuum of affordable housing opportunities.

- Acquire land and select developers to complete 284 new homes in Del Paso Nuevo
- Implement the Single Room Occupancy Hotel strategies to rehabilitate existing hotels and create new units for very low-income tenants.
- Assist owner-occupied rehabilitation and first-time homebuyers with the State Cal-Home Programs funds of \$2 million received in 2005.
- Produce 500 affordable housing units through the issuance of tax-exempt mortgage revenue bonds and Agency loans.
- Obtain approval for refinancing and rehabilitation of the 124-unit Riverview Plaza apartment complex.
- Partner with the County to implement the Mental Health Services Act (Proposition 63) to develop housing opportunities for the mentally ill.
- Select a developer to construct up to 400 mixed-income residential homeowners units at the former Greenfair housing site.
- Completion of new housing developments in the central city including 18th & L Streets, St. Anton Building at 21st & L Streets and Plaza Lofts at 8th & J Streets.
- Begin construction of the 122-unit Capitol Lofts homeownership project, an adaptive reuse of the former CADA warehouse.
- Complete construction of the Cottage Housing development at McClellan, an 82 unit permanent transitional housing development.
- Partner with the County Department of Human Assistance to begin implementation of the 10-year Plan to End Chronic Homelessness.
- Continue implementation of the City and County's mixed income and affordable housing policies.

Goal Two: Provide and maintain effective and efficient Agency-owned housing and tenant-based rental assistance programs.

- Continue to provide conventional housing to 3,428 (of which 3,188 are public housing and 238 of other units managed and maintained by the Agency) very low-income households with a goal to continue lease up at 97 percent.
- Maintain the maximum feasible lease up in the Housing Choice Voucher program while reducing operating cost to federal funded levels.

Goal Three: Revitalize lower income neighborhoods to create healthy and sustainable communities

- Implement financing strategy and initiate projects for the Parker Homes/McClellan Heights area master plan
- Construct mixed use developments including North Watt Avenue, Regent Place, Donner Field, 4th Avenue Lofts and Marysville Boulevard/Grand Avenue sites
- Work closely with the County Department of Neighborhood Services, Municipal Services Agency and District Attorney in the areas of code enforcement, community prosecution, and capital improvements in low income neighborhoods.
- Begin the Locke Boarding House rehabilitation
- Begin construction of the La Valentina townhomes, 36 units at the La Valentina light rail station.
- Identify \$20 million in new projects for Oak Park redevelopment bonds.
- Support the City to identify \$1 million in CDBG projects for existing City facility upgrades to serve low-income communities.
- Complete feasibility study for Dos Rios light rail station.

Goal Four: Eliminate blight and promote economic development in redevelopment areas and identified transitional neighborhoods including commercial corridors and converted military bases

- Complete Swanston Station Light Rail master plan and infrastructure study.
- Complete the Del Paso Boulevard Phase 1 and Franklin Boulevard Phase 2 Streetscape Projects and begin the final phase of Stockton Boulevard Streetscape.
- Partner with the City of Sacramento to secure a \$4 million State infrastructure bank loan to finance infrastructure improvements in the 65th Street Redevelopment Area.
- Complete construction of nearly \$30 million of infrastructure projects at Mather and McClellan.
- Identify projects and issue new redevelopment bonds for the Mather/McClellan and Del Paso Heights redevelopment areas.
- Determine the financial feasibility of a bond issuance for North Sacramento, Stockton Boulevard and Richards Boulevard redevelopment areas.
- Originate 35-40 commercial loans and rebates for exterior façade improvements for businesses located in redevelopment and targeted commercial areas.
- Complete special planning area (SPA) and Streetscape Master Plan for Auburn Boulevard redevelopment area.
- Begin planning for SPA and Streetscape Master Plan on Auburn Boulevard section of Foothill Farms.
- Complete adoption of Mather II redevelopment area
- Institute planning for amendment of McClellan/Watt redevelopment portion of the Merged Mather/McClellan redevelopment area.

OVERVIEW OF FUNDING SOURCES

The Agency is funded primarily from four sources: the HUD Housing Choice Voucher Program, HUD Public Housing Program, HUD Community Development Programs, and local redevelopment revenues. The three Federal sources provide approximately three-quarters of our total revenues. Following is an overview of the status of each funding source and impact on the Agency's proposed 2006 budget.

Housing Choice Voucher (HCV) Program

HUD has made major changes to the HCV program over the last three years, and has reduced administrative funds to run the program each of those years. In 2004 the Council and Board approved a number of changes to our local program designed to reduce our program costs to match the funding constraints imposed by HUD. Voucher subsidies were lowered, rent increases were restricted, and other rule changes were implemented to enable the program to provide housing assistance to the maximum number of families within available funding. We also added program integrity measure including increased background checks and fraud investigation. We have maintained our lease up rate at around 98 percent.

The HCV budget for housing assistance payments (HAP) to participating landlords is expected to remain unchanged for 2006 at \$92 million. This level of funding will allow us to assist eleven thousand low-, very low- and extremely low-income families or 44,000 individuals.

HUD reduced HCV administrative fees by about 8 percent since 2003. This reduced level of funding for administration has been assumed for 2006. Based on this assumption, we anticipate a deficit of \$733,000 for program administration. To address this shortfall we propose to reduce 4.1 positions and to cover the remaining deficit with prior years' program surplus funds.

To avoid a shortfall in future years HCV staff must continue to work diligently to find additional program efficiencies and reduce costs without compromising the level of service to our customers. In 2005 we converted to a new management information system that have improved the accuracy of the HAP payment amounts, has significantly decreased time to prepare programmatic reports, improved tracking of landlord financial obligations to the Agency and, expected by the end of the year, better financial information necessary to meet HUD reporting requirements.

Also, we are cautiously optimistic that the HCV administrative fee budget will be increased somewhat based on the congressional versions of the HUD budget. If the approved HUD budget is favorable, the current HCV operating deficit of 11 percent may be reduced to five percent.

Public Housing Program

Our City and County Public Housing Programs support 3,188 units, housing approximately 6,750 individuals. HUD does not fully reimburse our Housing Authority for the actual cost of operating our public housing units. In 2005 HUD funded all housing authorities at only 88.8 percent of the HUD established full subsidy funding level, about a one million dollar reduction. The Agency's 2006 proposed budget was developed with the assumption that HUD's reduced reimbursement level will be at 90 per cent of full subsidy level. HUD's reduced funding level of one million dollars is compounded by increasing cost of energy, materials and labor. We have partially addressed this by eliminating eight positions and by maximizing the use of Housing Capital Funds for permitted operational use. Even with these actions, the services and supplies accounts will be about a million dollars less than 2004 actual expenditures and 2005 projected expenditures. Under our current operating scenario, the Public Housing Programs' deficit will continue to grow, as our costs increase faster than HUD funding or rents. Other housing authorities across the nation are facing similar funding reductions. It has been reported that San Francisco and Charlotte Housing Authorities, for example, have reduce their staff by 27 and 33 percent respectively.

Staff proposes to report back to the governing boards early in 2006 with a comprehensive and aggressive plan to address the 2006 shortfall and identify longer term initiatives for financial sustainability. Our plan will include 1) actions necessary to implement the new asset management model that HUD is requiring of all housing authorities, 2) reviewing other comparable California housing authorities operations and salary and classification structures, 3) increasing rents or converting to project based vouchers for our non-public housing units, 4) identifying efficiencies and reducing staff with the implementation of the new software system, 5) outsourcing of management and maintenance services, and 6) developing a real estate reinvestment and disposition strategy. Until the funding deficit is eliminated, the controlled hiring program in effect since 2003 will continue.

HUD Community Development Programs

The HUD community development programs make up 11 percent of the Agency revenues and include the CDBG, HOME, and miscellaneous special grants the Agency receives from HUD. In 2006, it is anticipated that the overall CDBG revenues will decrease by six percent. The County CDBG program is expected to be decreased by 16 percent as Rancho Cordova has elected to receive its share directly from HUD. HOME revenues for 2006 show a smaller decrease of two percent.

The Community Development departments are reducing 1.8 positions as a result of the decreased funding. Because of uncertainty of HUD funding, the CDBG budgets include contingency funds which can be reduced if actual funding levels are lower than anticipated.

Redevelopment Agencies

There is some bright news with respect to the Agency's major funding sources. We anticipate total tax increment revenues to be \$47.8 million in 2006 an increase of 20 percent from our 2005 budgeted revenues. This growth will enable the Merged Downtown and Oak Park redevelopment areas to issue over \$120 million in new bonds in 2005 and for Stockton Boulevard and North Sacramento redevelopment areas to obtain approval for a California Infrastructure and Economic Development Bank loan of \$4 million each in 2005. During 2006, we will begin work on another bond issue for the Mather/McClellan Merged redevelopment area and several City redevelopment areas.

Local redevelopment revenues make up 25 percent of the Agency's 2006 revenues. In 2003 the total actual tax increment revenues was \$35.6 million, in 2004 it increased to \$40.7 million and for 2006 we are budgeting \$47.8 million. The City project areas are expected to increase by 14 percent to \$35.4 million since 2004; the County project areas are expected to increase by 18 percent to \$8.3 million and joint areas by 50 percent to \$4.1 million during the same time period.

Even though the news is generally positive for most redevelopment areas, there are some offsets. The Agency will pay an estimated \$3.2 million to the Educational Revenue Augmentation Fund (ERAF) in 2006 and a major assessment reduction appeal will result in \$370,000 being refunded during the 2005-06 property tax period for the Army Depot project area. Although it is the last scheduled ERAF payment currently legislated, time will tell if it is the last ERAF payment for the foreseeable future.

Other Sources

Miscellaneous revenue sources account for the remaining one percent of revenue the Agency receives. The most notable portion of these is the Low-Income Housing Trust Funds generated from fees on new commercial development in the City and County. Based on the construction activities projected for 2006, staff anticipates that \$1,145,000 will be available for new housing projects in the County and \$1,250,000 in the City.

2006 BUDGET SUMMARY

The total budget (operating plus capital) has grown 2.4 percent, from \$222,092,647 to \$227,360,939 for 2006. The operating budget totals \$176,821,590 including \$92,171,159 for housing assistance payments, \$53,586,258 for operational costs, and \$31,064,173 for debt service. Funding available for new projects totals \$50,539,349. The total operating budget increased approximately \$3.7 million, or 2.14 percent, over the prior year.

We are proposing an interim budget until the recommendations for changes to our Public Housing programs can be developed in conjunction with the changes being imposed by HUD.

This budget proposes a net decrease of 16.9 positions. The Housing Authority operations is reducing 12.1 positions for the HCV and Public Housing programs, Administrative departments by 2.0 positions, Community Development by 1.8 positions and affiliated organizations by 1.0 position. Eleven of the positions had been unfunded for 2005. All the positions proposed for elimination are currently vacant. The Agency has had a controlled hiring program in effect since 2003 as the 1) HUD programmatic changes and reductions in funding have been implemented and 2) State ERAF shifts have been implemented for four years. This controlled hiring program will continue in effect until the structural deficits of each funding source have been eliminated.

Even with the proposed elimination of positions, Employee Services costs are expected to increase by \$1,471,071, or 5.9 percent, from last year. The increase is due to retirement related costs. Because of the poor fiscal condition of the Housing Authority operations, no cost of living adjustment has been budgeted for 2006.

The overall Services and Supplies budget has increased \$463,400 or 3.3 percent.

The Housing Assistance Payments (HAPs) for the HCV Program total \$92,171,159, a slight decrease of 2.9 percent from last year. These reductions are a direct result of major changes HUD has imposed on the program over the last several years.

Costs related to debt service payments have increased by more than \$3,971,751 or 14.7 percent for the bond issuance and for two Infrastructure Bank loans approved during 2005.

Redevelopment expenses have increased more than \$1.4 million or 12 percent. Much of this increase is due to the higher Education Revenue Augmentation Fund (ERAF) payments to address the state budget deficit for 2005-06 fiscal year and the increasing amount of pass through payments as tax increment revenues increase.

SUMMARY

Although we have had very challenging year with the HUD changes, we have been very productive. Because of our efforts, tens of thousands of low-income families, senior citizens and disabled individuals have a safe and decent place to live. We have continued to add to the affordable housing inventory. We will have invested over \$70 million into local projects this year which have leveraged additional millions of investment by the private sector. We will continue to make measurable progress in developing projects and programs that benefit low-income communities and business districts throughout the City and County.

I would like to thank the Board of Supervisors and the City Council for your leadership and support of the Agency. Thanks to the members of the Sacramento Housing and Redevelopment Commission for their investment of time for public meetings, selection panels, work sessions and community tours. I would also like to express my sincere appreciation to the SHRA staff who continues to provide exceptional talent and expertise and tireless dedication to serving the Sacramento community.

RECOMMENDATIONS

I recommend that the proposed 2006 budget containing the proposed staffing levels, goals and projects, and accompanying resolutions be approved.



Anne M. Moore
Executive Director

RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

BUDGET FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY FOR 2006; RELATED FINDINGS, APPROVALS, DELEGATIONS, AND IMPLEMENTING AUTHORITIES; INCLUDING AUTHORITIES FOR HUD SUBMISSIONS, GRANTS AND FUND TRANSFERS

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (Agency) is comprised of four separate legal entities: Redevelopment Agency of the City of Sacramento, Housing Authority of the City of Sacramento, Redevelopment Agency of the County of Sacramento, and Housing Authority of the County of Sacramento.
- B. The Agency received annual funding from a combination of federal, state, and local sources.
- C. The sources of Agency revenues require the Agency to have an operating budget adopted prior to the start of each new fiscal period.

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

Section 1. The proposed action does not constitute a project under the California Environmental Quality Act ("CEQA"), as provided in CEQA Guidelines Section 15378(b)(2), or a federal undertaking under the National Environmental Policy Act ("NEPA"). The budget includes the allocation of funds for activities; however, none of the activities within the budget are approved. Each such activity must have individual environmental review prior to consideration of any action in furtherance of such activity

Section 2. The 2006 Operating Budget totaling \$176,821,590 and the 2006 Project Budget totaling \$50,539,349, all as further described in the "2006 Proposed Budget," a copy of which is on file with the Agency Clerk, are approved as the Budget of the Sacramento Housing and Redevelopment Agency ("SHRA") for the 2006 fiscal year, incorporating the budgets of the Redevelopment Agency of the City of Sacramento, the Redevelopment Agency of the County of Sacramento, the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento and contingent upon their respective approvals.

- Section 3. A total of 308.53 SHRA positions (reflecting a decrease of 16.9 positions from the 2005 SHRA Budget), are approved subject to classification review by the Executive Director of SHRA ("Executive Director").
- Section 4. The budgeted amount for any item in the SHRA Budget may be amended by majority vote of the governing body of each entity actually undertaking and funding the activity. Such an amendment to the SHRA Budget so enacted shall be deemed to have been approved by all of the entities originally establishing the budget without further action of the remaining entities.
- Section 5. The Executive Director is authorized to submit the Annual Housing Operating Budgets and all supporting documents for 2006 to the United States Department of Housing and Urban Development ("HUD"), including all required amendments for utilities and other miscellaneous adjustments. Furthermore, the Executive Director is authorized to amend the 2006 SHRA Budget to reflect actual HUD approved expenditures and revenues for HUD funded programs and projects.
- Section 6. The proposed expenditures under the 2006 Housing Operating Budgets are necessary in the efficient and economical operation of SHRA housing to serve low-income families.
- Section 7. The housing financial plan set forth in the 2006 Housing Operating Budgets is reasonable in that:
- a. It indicates a source of funding adequate to cover all proposed expenditures.
 - b. It does not provide for use of federal funding in excess of amounts payable under the provisions of the pertinent regulations.
- Section 8. All proposed rental charges and expenditures contemplated by the 2006 Housing Operating Budgets shall be consistent with provisions of law and the Annual Contributions Contract.
- Section 9. The Executive Director is authorized to submit applications to HUD for Capital Fund Plan funding. If such grants are awarded, the Executive Director is authorized to accept the grant or grants, execute all related documents and amend the budget accordingly. The Executive Director is directed to comply with all policies, procedures, and requirements prescribed by HUD as a condition of such grants. The Executive Director is authorized to submit the Comprehensive Plan or annual statement to HUD, after receiving public comments and resident review.

Section 10. The Executive Director is authorized to obtain flood insurance through the federal flood insurance program as required by HUD for SHRA properties and is authorized to purchase insurance for SHRA and enter into agreements with risk retention pools or other similar organizations, provided that insurance requirements, coverage and terms are commercially reasonable and provided that the cost does not exceed the approved budget.

Section 11. Subject to availability under the 2006 SHRA Budget of any required SHRA funds, the Executive Director is authorized to approve conversion of conventional dwelling units to non-dwelling use as long as the use is approved by HUD and consistent with adopted SHRA policy and governing board direction.

Section 12. The expenditure of tax increment funds for activities benefiting the homeless will benefit the Merged Downtown Redevelopment Project Area in that it will provide housing for a homeless population which remains in or frequents the Merged Downtown Redevelopment Project Area and is perceived as a blighting influence by business owners, property owners, workers and residents, and, as a result, impedes redevelopment of the Merged Downtown Redevelopment Project Area.

Section 13. The Executive Director is authorized and directed to approve, submit, and implement the Comprehensive SHRA Annual Plans, future Comprehensive 5-Year Plans, attachments, and/or amendments to comply with the Quality Housing and Responsibility Act of 1998.

Section 14. The Executive Director is authorized to submit to HUD the one year action plan for Community Development Block Grant (CDBG), Home Investment Partnership (HOME), Emergency Shelter Grant (ESG) and Housing Opportunities for People With AIDS (HOPWA). If such grants are awarded, the Executive Director is authorized to accept the grant or grants, execute all related documents and amend the budget accordingly. The Executive Director is directed to comply with all policies, procedures, and requirements prescribed as a condition of such grants. The Executive Director is authorized to amend by the amount of the difference the Capital Reserve Project in the event that the actual entitlement exceeds, or is less than, that estimated in the budget.

Section 15. The Executive Director is authorized to submit grant applications for any and all activities within the jurisdiction of SHRA. If such grants are awarded, the Executive Director is authorized to accept the grant or grants (provided that the activities are fully funded by the grant or within the SHRA Budget), execute all related documents and amend the budget. The Executive Director is directed to comply with all policies, procedures, and requirements prescribed as a condition of such grants. Such budget expenditure amendments are permitted for positions, services and supplies, equipment and projects; and include but are not limited to the following:

HUD Brownsfield Economic Development Initiative	\$ 1,000,000.00
DOL Workforce Grant	\$ 100,000.00
HCD Exterior Accessibility Grants for Renters Program	\$ 500,000.00

Section 16. The Executive Director is authorized to enter into necessary contracts with HUD and state granting agencies for homeless programs transferred to the County but for which SHRA was the designated recipient or contracting agency. The Executive Director is authorized to accept such grants and to transfer program responsibility to the County pursuant to governing board approvals, subject to County acceptance of such transfer.

Section 17. During 2005, tax increment funds from the Merged Downtown Redevelopment Project Area have contributed to programs and activities of other areas and departments which benefit the Downtown Project Area. Subject to the limitations of the funding sources, the Executive Director is authorized to reimburse the Merged Downtown Project Area for funds advanced to other programs as monies become available from the close of the 2005 fiscal year.

Section 18. On an annual basis, HUD requires SHRA to conduct a physical inventory, analyze receivables for collectability and accordingly, reconcile and adjust related financial records; the Executive Director is authorized to amend the budget and financial records as needed for such adjustments.

Section 19. The Executive Director is authorized to make transfers of fund balances to accommodate reserve requirements. The Executive Director may allocate and transfer any available fund balances to accounts held for future projects or reduce budget shortfalls in any other fund balances, provided monies so used are not otherwise restricted by law or regulations related to the funding source.

- Section 20. The SHRA Budget is controlled at the fund group level. Except as provided in this resolution, no expenditure will exceed the approved budget.
- Section 21. The Executive Director is authorized to amend the SHRA Budget to appropriate for expenditure all revenues received in SHRA revolving funds
- Section 22. The Executive Director is authorized to increase or decrease operating budget appropriations up to \$100,000. Operating budget appropriation increases and decreases in excess of \$100,000 must be approved by the appropriate governing board.
- Section 23. The Executive Director is authorized to transfer appropriations up to \$100,000 per transaction in operating budgets and contingency reserves.
- Section 24. All project appropriations in existence as of December 31, 2005 will be carried over and continued in 2006.
- Section 25. All multi-year operating grant budgets in existence as of December 31, 2005 shall be continued in 2006.
- Section 26. The Executive Director is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project or activity.
- Section 27. The Executive Director is authorized to transfer project appropriations among fund groups (such as among funds within a redevelopment project area).
- Section 28. All encumbrances for valid purchase orders and contracts in effect as of December 31, 2005 may remain in effect in 2006. The Executive Director is authorized to increase the SHRA Budget for valid encumbrances as of December 31, 2005, but only to the extent that the applicable division's 2005 operating budget appropriations exceeded 2005 expenditures.
- Section 29. The Executive Director is authorized to amend the SHRA Budget to reflect all required debt service payments, loan repayments, and other existing obligations based on actual higher tax increment revenues.
- Section 30. The Executive Director is authorized to transfer funding of approved capital projects within the respective project area funds in compliance with approvals, bond covenants, tax laws and applicable redevelopment laws and regulations.

- Section 31. The Executive Director is authorized to execute internal administrative loans and reconcile available revenues as needed for redevelopment purposes to assure receipt of anticipated redevelopment area tax increment revenues.
- Section 32. The proposed planning and administrative expenses for the redevelopment low and moderate income funds are necessary for the production, improvement and/or preservation of low and moderate income housing during the 2006 SHRA Budget year.
- Section 33. The Executive Director is authorized to implement internal loans between SHRA managed funds as reflected in the SHRA Budget and as consistent with bond covenants, tax laws and applicable redevelopment laws and regulations.
- Section 34. The Executive Director is authorized to exercise default remedies and take other actions to protect SHRA assets under contracts, loans, disposition and development agreements, owner participation agreements, and other SHRA agreements and to appropriate the associated revenues in the SHRA Budget. The Executive Director is authorized to enter into "loan work outs," to the extent reasonably necessary to protect SHRA assets, and in entering such "work outs," the Executive Director is authorized to rewrite the terms of the loan as if the loan were made according to current loan program underwriting criteria (including forgiveness of principal as necessary to reflect underwriting the loan at current fair market value of the subject property).
- Section 35. The Executive Director is authorized to delegate authority to the County Department of Human Assistance to administer Emergency Shelter Grants (ESG) and Housing Opportunities for Persons With AIDS (HOPWA) programs and expend funds and to execute contracts with the appropriate entities to carry out the activities contained within the terms of the Action Plan utilizing ESG and HOPWA funds, strictly in accordance with the terms of the Action Plan and funding source requirements.
- Section 36. The Executive Director is authorized to incorporate the changes listed on Exhibit A as part of the 2006 Budget.
- Section 37. If any entity requires a separate resolution for any action approved within his resolution other than resolutions for approval or amendment of projects, programs or the SHRA Budget, the Sacramento Housing and Redevelopment Commission is delegated the authority to approve and deliver such resolution.
- Section 38. This resolution shall take effect immediately.

EXHIBIT A

**SUMMARY OF CHANGES TO SACRAMENTO HOUSING
AND REDEVELOPMENT AGENCY PROPOSED 2005 BUDGET**

Proposed 2006 Total Operating Budget	\$176,821,590.00
Revised Proposed 2006 Total Operating Budget	\$0
Proposed 2006 New Projects	\$ 50,539,349.00
Revised Proposed 2005 New Projects	\$0
TOTAL SHRA BUDGET	\$227,360,939.00

RESOLUTION NO. _____

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF NOVEMBER 15, 2005

BUDGET FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY FOR 2006; RELATED FINDINGS, APPROVALS, DELEGATIONS, AND IMPLEMENTING AUTHORITIES; INCLUDING AUTHORITIES FOR HUD SUBMISSIONS, GRANTS AND FUND TRANSFERS

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (Agency) is comprised of four separate legal entities: Redevelopment Agency of the City of Sacramento, Housing Authority of the City of Sacramento, Redevelopment Agency of the County of Sacramento, and Housing Authority of the County of Sacramento.
- B. The Agency received annual funding from a combination of federal, state, and local sources.
- C. The sources of Agency revenues require the Agency to have an operating budget adopted prior to the start of each new fiscal period.

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

Section 1. The proposed action does not constitute a project under the California Environmental Quality Act ("CEQA"), as provided in CEQA Guidelines Section 15378(b)(2), or a federal undertaking under the National Environmental Policy Act ("NEPA"). The budget includes the allocation of funds for activities; however, none of the activities within the budget are approved. Each such activity must have individual environmental review prior to consideration of any action in furtherance of such activity

Section 2. The 2006 Operating Budget totaling \$176,821,590 and the 2006 Project Budget totaling \$50,539,349, all as further described in the "2006 Proposed Budget," a copy of which is on file with the Agency Clerk, are approved as the Budget of the Sacramento Housing and Redevelopment Agency ("SHRA") for the 2006 fiscal year, incorporating the budgets of the Redevelopment Agency of the City of Sacramento, the Redevelopment Agency of the County of Sacramento, the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento and contingent upon their respective approvals

- Section 3. A total of 308.53 SHRA positions (reflecting a decrease of 15.9 positions from the 2005 SHRA Budget), are approved subject to classification review by the Executive Director of SHRA ("Executive Director").
- Section 4. The budgeted amount for any item in the SHRA Budget may be amended by majority vote of the governing body of each entity actually undertaking and funding the activity. Such an amendment to the SHRA Budget so enacted shall be deemed to have been approved by all of the entities originally establishing the budget without further action of the remaining entities.
- Section 5. The Executive Director is authorized to submit the Annual Housing Operating Budgets and all supporting documents for 2006 to the United States Department of Housing and Urban Development ("HUD"), including all required amendments for utilities and other miscellaneous adjustments. Furthermore, the Executive Director is authorized to amend the 2006 SHRA Budget to reflect actual HUD approved expenditures and revenues for HUD funded programs and projects.
- Section 6. The proposed expenditures under the 2006 Housing Operating Budgets are necessary in the efficient and economical operation of SHRA housing to serve low-income families.
- Section 7. The housing financial plan set forth in the 2006 Housing Operating Budgets is reasonable in that:
- a. It indicates a source of funding adequate to cover all proposed expenditures.
 - b. It does not provide for use of federal funding in excess of amounts payable under the provisions of the pertinent regulations.
- Section 8. All proposed rental charges and expenditures contemplated by the 2006 Housing Operating Budgets shall be consistent with provisions of law and the Annual Contributions Contract.
- Section 9. The Executive Director is authorized to submit applications to HUD for Capital Fund Plan funding. If such grants are awarded, the Executive Director is authorized to accept the grant or grants, execute all related documents and amend the budget accordingly. The Executive Director is directed to comply with all policies, procedures, and requirements prescribed by HUD as a condition of such grants. The Executive Director is authorized to submit the Comprehensive Plan or annual statement to HUD, after receiving public comments and resident review.

Section 10. The Executive Director is authorized to obtain flood insurance through the federal flood insurance program as required by HUD for SHRA properties and is authorized to purchase insurance for SHRA and enter into agreements with risk retention pools or other similar organizations, provided that insurance requirements, coverage and terms are commercially reasonable and provided that the cost does not exceed the approved budget.

Section 11. Subject to availability under the 2006 SHRA Budget of any required SHRA funds, the Executive Director is authorized to approve conversion of conventional dwelling units to non-dwelling use as long as the use is approved by HUD and consistent with adopted SHRA policy and governing board direction.

Section 12. The expenditure of tax increment funds for activities benefiting the homeless will benefit the Merged Downtown Redevelopment Project Area in that it will provide housing for a homeless population which remains in or frequents the Merged Downtown Redevelopment Project Area and is perceived as a blighting influence by business owners, property owners, workers and residents, and, as a result, impedes redevelopment of the Merged Downtown Redevelopment Project Area.

Section 13. The Executive Director is authorized and directed to approve, submit, and implement the Comprehensive SHRA Annual Plans, future Comprehensive 5-Year Plans, attachments, and/or amendments to comply with the Quality Housing and Responsibility Act of 1998.

Section 14. The Executive Director is authorized to submit to HUD the one year action plan for Community Development Block Grant (CDBG), Home Investment Partnership (HOME), Emergency Shelter Grant (ESG) and Housing Opportunities for People With AIDS (HOPWA). If such grants are awarded, the Executive Director is authorized to accept the grant or grants, execute all related documents and amend the budget accordingly. The Executive Director is directed to comply with all policies, procedures, and requirements prescribed as a condition of such grants. The Executive Director is authorized to amend by the amount of the difference the Capital Reserve Project in the event that the actual entitlement exceeds, or is less than, that estimated in the budget.

Section 15. The Executive Director is authorized to submit grant applications for any and all activities within the jurisdiction of SHRA. If such grants are awarded, the Executive Director is authorized to accept the grant or grants (provided that the activities are fully funded by the grant or within the SHRA Budget), execute all related documents and amend the budget. The Executive Director is directed to comply with all policies, procedures, and requirements prescribed as a condition of such grants. Such budget expenditure amendments are permitted for positions, services and supplies, equipment and projects; and include but are not limited to the following:

HUD Brownsfield Economic Development Initiative	\$ 1,000,000.00
DOL Workforce Grant	\$ 100,000.00
HCD Exterior Accessibility Grants for Renters Program	\$ 500,000.00

Section 16. The Executive Director is authorized to enter into necessary contracts with HUD and state granting agencies for homeless programs transferred to the County but for which SHRA was the designated recipient or contracting agency. The Executive Director is authorized to accept such grants and to transfer program responsibility to the County pursuant to governing board approvals, subject to County acceptance of such transfer.

Section 17. During 2005, tax increment funds from the Merged Downtown Redevelopment Project Area have contributed to programs and activities of other areas and departments which benefit the Downtown Project Area. Subject to the limitations of the funding sources, the Executive Director is authorized to reimburse the Merged Downtown Project Area for funds advanced to other programs as monies become available from the close of the 2005 fiscal year.

Section 18. On an annual basis, HUD requires SHRA to conduct a physical inventory, analyze receivables for collectability and accordingly, reconcile and adjust related financial records, the Executive Director is authorized to amend the budget and financial records as needed for such adjustments.

Section 19. The Executive Director is authorized to make transfers of fund balances to accommodate reserve requirements. The Executive Director may allocate and transfer any available fund balances to accounts held for future projects or reduce budget shortfalls in any other fund balances, provided monies so used are not otherwise restricted by law or regulations related to the funding source.

Section 20. The SHRA Budget is controlled at the fund group level. Except as provided in this resolution, no expenditure will exceed the approved budget.

- Section 21. The Executive Director is authorized to amend the SHRA Budget to appropriate for expenditure all revenues received in SHRA revolving funds.
- Section 22. The Executive Director is authorized to increase or decrease operating budget appropriations up to \$100,000. Operating budget appropriation increases and decreases in excess of \$100,000 must be approved by the appropriate governing board.
- Section 23. The Executive Director is authorized to transfer appropriations up to \$100,000 per transaction in operating budgets and contingency reserves.
- Section 24. All project appropriations in existence as of December 31, 2005 will be carried over and continued in 2006.
- Section 25. All multi-year operating grant budgets in existence as of December 31, 2005 shall be continued in 2006.
- Section 26. The Executive Director is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project or activity.
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Section 36. The Executive Director is authorized to incorporate the changes listed on Exhibit A as part of the 2006 Budget.

Section 37. If any entity requires a separate resolution for any action approved within this resolution other than resolutions for approval or amendment of projects, programs or the SHRA Budget, the Sacramento Housing and Redevelopment Commission is delegated the authority to approve and deliver such resolution.

Section 38. This resolution shall take effect immediately

**SUMMARY OF CHANGES TO SACRAMENTO HOUSING
AND REDEVELOPMENT AGENCY PROPOSED 2005 BUDGET**

Proposed 2006 Total Operating Budget	\$176,821,590.00
Revised Proposed 2006 Total Operating Budget	\$0
Proposed 2006 New Projects	\$ 50,539,349.00
Revised Proposed 2005 New Projects	\$0
TOTAL SHRA BUDGET	\$227,360,939.00

RESOLUTION NO. _____

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF NOVEMBER 15, 2005

BUDGET FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY FOR 2006; RELATED FINDINGS, APPROVALS, DELEGATIONS, AND IMPLEMENTING AUTHORITIES; INCLUDING AUTHORITIES FOR HUD SUBMISSIONS, GRANTS AND FUND TRANSFERS

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (Agency) is comprised of four separate legal entities: Redevelopment Agency of the City of Sacramento, Housing Authority of the City of Sacramento, Redevelopment Agency of the County of Sacramento, and Housing Authority of the County of Sacramento.
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**SUMMARY OF CHANGES TO SACRAMENTO HOUSING
AND REDEVELOPMENT AGENCY PROPOSED 2005 BUDGET**

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