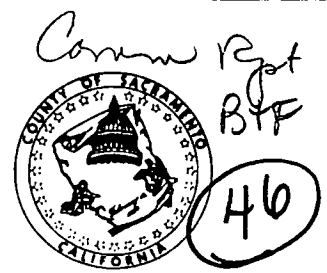




**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



May 4, 1987

CITY MANAGER'S OFFICE  
**RECEIVED**  
MAY 20 1987

City Council of the  
City of Sacramento  
Sacramento, California

**APPROVED**  
BY THE CITY COUNCIL  
MAY 26 1987  
OFFICE OF THE  
CITY CLERK

Honorable Members in Session:

**SUBJECT:** Proposed Reduction of the Rental Rehabilitation Program Interest Rate from 3% to 0% and Revision of Program Description

**SUMMARY**

This report recommends the adoption of the attached resolution which provides for a reduction of the Rental Rehabilitation Program interest rate from 3% to 0% in order to enhance the marketability of the program and revision of the Program Description to reflect the changes.

**BACKGROUND**

The Federal Rental Rehabilitation Program (RRP) was enacted on November 30, 1983, for the purpose of providing additional standard housing affordable to lower-income renters. This is being accomplished through a "split-subsidy" approach which is designed to: 1) increase the supply of private market rental housing to lower-income tenants by providing federal funds to rehabilitate existing rental units; and 2) prevent the displacement of existing low-income tenants for post-rehabilitation rent increases, by providing rental assistance in the form of Section 8 Certificates or Housing Vouchers.

The RRP construction funding may only be used to finance the rehabilitation of privately-owned, primarily residential, rental properties in which at least 70% of the units are occupied by low-income families. In order to leverage the maximum amount of

5-26-87  
All Districts

1512R

1)

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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City Council of the  
City of Sacramento  
May 4, 1987  
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private capital, rehabilitation subsidies are generally limited to fifty percent of the cost of rehabilitation, not to exceed \$5,000 per unit. The balance of the rehabilitation cost is normally financed through the private market.

Within this basic framework, local governments have the flexibility to design and operate programs unique to their needs. The construction funds are provided to the local government in the form of a grant; however, the locality may utilize this grant to subsidize the rehabilitation in either the form of a low interest loan or an outright grant to the property owner. In the City and County of Sacramento, the subsidies have been in the form of a 15-year, 3% interest loan for 50% of the cost of rehabilitation up to \$5,000 per unit. By providing these funds in the form of a loan versus a grant, loan repayment or pay-off proceeds are rolled back into a locally-administered revolving loan pool providing for future loans.

In previous years of high interest rates, the spread between private market rates and the RRP 3% rate provided for a substantial reduction in the effective rate to the borrower considering the 50/50 construction financing split. However, due to the drop in interest rates in the private market, the reduced effective change in rate to the borrower is not providing the necessary incentive to be involved in the program, particularly considering program Affirmative Marketing and Prevailing Wage Rate requirements.

Since the inception of the program, the City of Sacramento has received \$768,600 and loaned \$497,000 in RRP funding. The remaining balance of \$271,000 has been difficult to loan, despite extensive program marketing, including advertising in newspapers of general circulation; minority newspapers; the Sacramento Apartment Owners' Association Magazine; direct mailings of informational program flyers to owners of complexes having four or more units, as identified from County Assessor's records; and, currently, direct mailing of informational flyers to owners of units that house existing Section 8 Certificate holders.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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In March of 1987, the U.S. Department of Housing and Urban Development (DHUD) notified all grantees that the OMB had given DHUD approval to "de-obligate" and reallocate RRP funds based upon specific qualitative and quantitative performance measures; the most significant of these measures being, the extent of funds committed. This presents two possible scenarios; 1) the "de-obligation" or loss of previously-allocated funding that has not been committed; or 2) the reallocation of additional new funding (from a pool of "de-obligated" funds), up to a maximum of 30% of the grantee's initial allocation. An additional consideration is that fiscal year 1987 (and beyond) funding amounts will be based upon previous performance.

As the prevailing wage and affirmative marketing requirements of the program cannot be modified, staff is recommending that the current program interest rate of 3% be reduced to 0%, providing a more attractive and competitive program in today's market. The 0% interest rate, when combined with the private market interest rate of approximately 10% for required matching funds, will result in an overall effective rate of approximately 5%. This reduction in the overall rate will provide an additional incentive for investors to participate in the rehabilitation of rental housing for the low-income.

As can be seen from the attached monitoring report, HUD has been critical of our total fund obligation rate (among other things). This report is particularly intended to address their concerns. We feel that the decrease in program interest rate will go a long way toward increasing the marketability of the program. The monitoring report, along with our detailed response, is attached for your information.)

## FINANCIAL DATA

For fiscal year 1984, the City received an initial allocation of \$298,000 and an additional \$89,600 in reallocation funding, all of which has been expended. For fiscal year 1985, an allocation of \$291,000 was received, of which \$161,000 has been expended. For fiscal year 1986, the City has received a \$140,000 allocation. Total current available funding is \$271,000 (see breakdown below).

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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City of Sacramento  
May 4  
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<u>FISCAL YEAR</u>	<u>ALLOCATION</u>	<u>EXPENDITURE</u>	<u>BALANCE</u>
1984 (initial)	\$298,000	\$298,600	\$ -0-
1984 (reallocation)	89,600	89,600	-0-
1985	291,000	161,000	131,000
1986	140,000	-0-	140,000
Total	<u>\$768,600</u>	<u>\$497,000</u>	<u>\$271,000</u>

If the Agency can successfully expend the \$271,000 funding remaining, the City may be eligible to receive a fiscal year 1987 funding allocation of up to \$300,000 and reallocation funding of up to \$90,000. However, if the Agency is unsuccessful in its efforts to utilize the RRP funds in a timely manner, DHUD may "de-obligate" unutilized funding from previous allocations and/or decrease the proposed fiscal year 1987 allocation.

## ENVIRONMENTAL REVIEW

Non-project specific policy changes within our rehabilitation program are exempt from environmental review. Individual projects within the program are reviewed as necessary.

## POLICY IMPLICATIONS

The action proposed in this report will reduce the Rental Rehabilitation Program interest rate from 3% to 0%. With the exception of the proposed change of interest rate, the program will continue to be administered in accordance with program guidelines, as previously approved and within previously-designated neighborhoods. The revised Program Description is attached as "Exhibit A".

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of May 4, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

- AYES: Glud, Moose, Pettit, Sanchez, Sheldon, Simpson,  
Wooley, Yew, Amundson
- NOES: None
- ABSENT: Simon, Wiggins

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

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City Council of the  
City of Sacramento  
May 4, 1987  
Page Five

RECOMMENDATION

The staff recommends adoption of the attached resolution approving the reduction of Rental Rehabilitation Program interest rate from 3% to 0%.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COUNCIL:

*for: Solon Wirban Jr.*  
WALTER J. SLIPE  
City Manager

Contact Person: John Molloy

# RESOLUTION NO. 87-423

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF **APPROVED**  
BY THE CITY COUNCIL

May 26, 1987

MAY 26 1987

OFFICE OF THE  
CITY CLERK

## RENTAL REHABILITATION PROGRAM INTEREST RATE REDUCTION AND DESCRIPTION REVISION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1: The reduction in the interest rate for the Rental Rehabilitation Program from 3% to 0% is approved.

SECTION 2: The 1986 Rental Rehabilitation Program Description is amended to read as set forth in Exhibit "A" attached and incorporated by reference.

SECTION 3: The Executive Director is authorized to implement the changes outlined in the description of the 1986 Rental Rehabilitation Program as amended.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CLERK

0861L



13 APR 1987

Mr. Walter J. Slipe  
City Manager  
City of Sacramento  
915 "I" Street, Room 109  
Sacramento, CA 94814

BILL EDGAR -  
87-012  
U.S. Department of Housing and Urban Development  
San Francisco Regional Office, Region IX  
450 Golden Gate Avenue  
San Francisco, California 94102-3448

I AM ASSUMING  
SITRA IS  
HANDLING  
RESPONSE.

WJS

Dear Mr. Slipe:

SUBJECT: Report on In-Depth Rehabilitation Monitoring  
CDBG Entitlement, Rental Rehabilitation and  
Section 312 Loan Programs  
Lump Sum Draw-down Agreement  
Program Numbers: B-85-MC-06-0003  
R-84/85/86-MC-06-0212  
Exit Interview: March 27, 1987

From March 2 through March 6 and March 23 through March 27, 1987, Bill Macabe, Rehabilitation Management Specialist, met with Charlotte Kirby-Leonard, Rehabilitation Loan Officer, and others of your staff, to monitor the subject programs. An exit meeting was held on March 27, 1987, with John Dangberg, Program Manager, Rehabilitation Activities.

The purpose of our monitoring visits are to help grantees improve productivity, efficiency, and overall management of the programs. As a part of the monitoring visit, the following areas were reviewed:

1. Program progress and compliance with applicable laws, regulations, and terms of the grant agreement.
2. The Cash and Management Information (C/MI) System, including verification of the information provided and accountability of the rehabilitation program funds.
3. Eligibility of projects, costs, and quality of rehabilitation.
4. Minority Business Enterprise (MBE) Contracts

Program Progress and Compliance with Regulations:

A. Rental Rehabilitation Program (RRP)

As of March 30, 1987, our records indicate that the City of Sacramento has committed \$547,051 of the \$810,400 allocated to the City for Fiscal Years (FY) 1984, 1985, and 1986, or a commitment rate of 67%. With these funds, 28 structures containing 155 units were rehabilitated. HUD is asking that 95% of the funds allotted for the years of 1984, 1985, and 1986, be committed by September 30, 1987.

To meet this goal, your City must commit an average of \$38,200 per month of RRP funds. Our review of potential projects with staff indicates that this goal is entirely within the realm of expectation. Workload for the City appears to be large enough to accomplish the 95% commitment by September 30, 1987.

We do have some concern with respect to the number of units being rehabilitated for housing families (see 511.10(k) of the regulations). The regulations require that an equitable share of the available grant amounts (at least 70%) be made available to rehabilitate units containing two or more bedrooms. Our last report (3/31/87) indicates that of 73 units committed, only 32 or 43% were two bedrooms or more in size. We encourage you to concentrate your efforts to secure a larger percentage of two or more bedroom units.

Field inspections made in connection with the RRP monitoring noted that the rehabilitation was of good quality, which was a pleasure to note.

A persistent complaint of the owners of the RRP projects was what they considered an inordinate amount of time for the Housing Authority to refer Section 8 qualified tenants to their units. Several stated that said times exceeded a month, sometimes by quite a bit. Please have Community Development and Housing staff review this and coordinate future efforts.

#### B. CDBG Rehabilitation Program

##### Finding

The files contain no evidence that a cost estimate of the items in the work write-up is being done. Staff indicated that informal review of bid prices is made to ascertain if the bid is in the ball park. This practice is not in accordance with OMB Circular A-102, Attachment G, which governs program accountability. A-102 requires accountability of HUD funds that are expended for the various activities. Failure to do a cost estimate removes the accountability control and leaves your agency subject to the vagaries of the market.

##### Recommendations:

Your staff should develop a document, for inclusion in the construction file, showing that the work write-up, whether developed by staff or by the borrower/contractor, was costed out and found to be reasonable for the work listed.



Your staff has done a commendable job in reducing the rehabilitation delivery cost per dollar from 28 cents in 1986 to 8 cents this year. The effort was timely and very effective. However, we do have one important observation. Our monitoring letter of April 18, 1986, recognized the intended effort to reduce administrative costs, but advised against a reduction of rehabilitation standards as a method. Unfortunately, this method was selected as one of your approaches. We reiterate our concern in adopting this approach. We feel the reduction of rehabilitation standards will result, in the long run, in a larger number of deteriorating structures, and a shorter economic life.

C. Section 312 Rehabilitation Loan Program

In F/Y 1986 (October 1, 1985 through September 30, 1986) the City of Sacramento only processed one loan for \$12,250, due primarily to the late date Section 312 funds became available from HUD. We noted no problem in the review of this loan.

D. Lump-sum Drawdown Agreement

Review of the Lump Sum Drawdown Agreement disclosed that the document meets the requirements of 570.513 of the regulations as to content and use. The opening deposit was \$331,449. While the beginning balance, as of January 1, 1986, was \$155,012. Interest earned was \$8,766 with \$1,022 of subsidy release. The balance as of December 21, 1986, was \$66,449.

E. General Recommendations

Following is a list of recommendations and observations that we feel will improve the files and operations. The remarks apply across the board and are applicable to all your rehabilitation programs:

1. The Lead-Based Paint (LBP), notices given are the result of a misunderstanding. Your staff has been giving LBP notices to the owner's precluding the use of LBP. However, the notices that should be given to the owners and tenants, with evidence in the file of such delivery, warn the owners and tenants of the dangers of Lead-Based Paint poisoning. We have sent copies of such notices to your staff for use under separate cover.
2. Some of the forms in the files are not being utilized, such as "check sheets" to record case progress and

sheets to record pertinent remarks. Other forms are not being dated. Often the sheets are most valuable for reference if problems evolve in case administration. We suggest they be utilized.

3. When other than the low bidder is chosen by the owner, City procedures require the recordation of the reason for this action on the bid selection sheet. This notation was not evident on the "Bank" loan. Valley construction was low bidder (\$21,888); Rio Cal Construction was selected (\$23,750), with no reason for the choice recorded.
4. Some of the eight sample cases that were reviewed utilized documents that involved the agency in the selection of contractors, such as "Instruction of Bidders" and "Notice of Contractors". We are told that the use of these documents have been discontinued. We concur with this discontinuance since use of these documents could involve the Agency in the bidding requirements, and therefore be subject to OMB Circular A-102. We have enclosed a memorandum on the subject for your guidance.

#### E. Cash Management Information System and Fund Accountability

Review of the procedures of the Agency's accounting operation verifies that the checks, balances, and reconciliations appear to be sufficient for the proper operation of the programs monitored.

#### G. Eligibility of Projects and Quality of Rehabilitation

Review of files, maps, target areas, and program guidelines, establish that the projects are eligible. With respect to the quality of rehabilitation, a number of deficient items were observed during the field inspection and were left with Mr. Dangberg for follow-up. These items listed came from observation by Bill Macabe or from complaints by owners.

Owners on the list that had reported problems were Lam, Shields, Banks, Jones, Marker, and Dawson. Most of the problems were of minor nature, with the exception of the Lam case. Please inform us of your resolution of these complaints. Our monitoring letter of April 18, 1986, recommended that a system be developed to notify borrowers of the need to report problems prior to the expiration of the construction warranty period. We reiterate this suggestion.

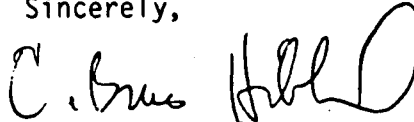
H. Minority Business Enterprise Contractors

Six minority contractors shared in \$221,863 worth of rehabilitation contracts. Please continue your efforts to increase minority participation.

We ask that you respond to the "finding" listed above, including actions taken on recommendations made as well, within 30 days of the date of this letter. In addition, please let us know the results of the review by the Community Development and Housing staffs of the Section 8 tenant problem as noted by the RRP owners.

Thank you for the courtesy extended to Bill Macabe on his visits. If you have any questions please call Bill Macabe at (415) 556-3317.

Sincerely,



C. Bruce Hibbard, Director  
Rehabilitation and Technical  
Services Division, Office of CPD

cc: John Dangberg  
Program Manager

Trish Davey, SHRA



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



May 13, 1987

Mr. C. Bruce Hibbard  
Director, Rehabilitation and Technical Services Division  
Office of Community Planning and Development  
Department of Housing and Urban Development  
450 Golden Gate Avenue  
San Francisco, California 94102

Subject: In-Depth Rehabilitation Monitoring Report Response  
B-85-MC-06-0003  
R-84/85/86-MC-06-0212  
City of Sacramento

Dear Mr. Hibbard:

From March 2 through March 6 and March 23 through March 27, 1987 Bill Macabe, Rehabilitation Management Specialist, monitored the City of Sacramento's Housing Rehabilitation Programs. The resulting Monitoring Report (Report) dated May 13, 1987, addressed program progress and compliance with regulations. The Report contained one "finding", to which the City was asked to respond. The City was also asked to review and respond to a problem Rental Rehabilitation Program borrowers had expressed they were having with the qualification of tenants under the Section 8 program. In addition to responding to the requested items, we have included several clarifications and responses to the additional comments and suggestions contained in the Report.

1. HUD FINDING: No evidence of cost estimates in file.

HUD RECOMMENDATION: Staff should develop a document for inclusion in the construction file, stating that costs have been found to be reasonable.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

HUD Rehabilitation Monitoring Report Response

May 13, 1987

Page 2

RESPONSE: In June of 1986 the Rehabilitation Division implemented streamlining procedures at the recommendation of HUD. In developing these procedures, staff generally followed the techniques suggested in HUD publication HUD-CPD-733 "Streamlining Rehabilitation Procedures". Under streamlined procedures, the program office does not do a cost estimate of a project prior to bidding. This is due to the fact that program staff only provide a listing of required and optional repairs to a borrower, not completed work specifications. The borrower, with the assistance of a contractor of their choice, determines which optional repairs are to be completed and the type or grade of fixtures, appliances and other materials that are to be used. The contractor then prepares work specifications (plans if necessary), and a Bid and Proposal. The borrower then selects the Bid and Proposal of their choice (solicitation of at least three contractor proposals is recommended) and submits it to the program office for funding. A review to determine compliance with the program guidelines, clarity of work specifications, and cost reasonableness of the Bid and Proposal is performed by program staff after submittal for funding by the borrower.

Under this review process, our staff have been returning over 40% percent of the proposals submitted for funding due to either guideline compliance problems, unclear work specifications or unreasonable costs. File documentation in the form of an "Inadequate Proposal" letter is contained in the construction file of these cases. Once a Bid and Proposal has been accepted, acknowledgment of the review process is evidenced in the file by the signatures of the Rehabilitation Specialist and the Rehabilitation Supervisor adjacent to the "Reviewed by:" statement on the "Request for Loan/Grant Process" (old form 0295R attached).

To further document the file, as requested in the Report, the "Request for Loan/Grant Process" form has been modified (new form 1395R attached). A statement has been added to the form, which specifically states that the costs have been reviewed and that they are within reasonable ranges for comparable work found in this area. This added statement was reviewed with Mr. Macabe prior to his departure and he indicated that this would satisfy HUD requirements.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

HUD Rehabilitation Monitoring Report Response

May 13, 1987

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2. HUD REQUEST FOR FOLLOW-UP ON RENTAL REHAB COMPLAINTS: Monitoring interviews with Rental Rehab Program borrowers produced complaints about the inordinate amount of time it has taken for the Housing Authority to refer Section 8 tenants to their units.

RESPONSE: Problems in this area have been recognized by staff and steps have been taken to alleviate the problem. Housing Authority staff have implemented a process with a 30 day turn around time from the date that the RRP borrower provides complete tenant information, to eligibility determination. This time frame has been adhered to since inception. In the case of filling vacant units from the eligible waiting list, the process is inherently cumbersome. Individuals on the waiting list may opt to remain on the list and wait for a free standing certificate/voucher; or may receive their assistance immediately if they agree to move into the rehabilitated property for a minimum of one year. Generally, families on the list are not interested in moving from their existing homes if they are relatively high on the list. Therefore, RRP borrowers must contact a number of prospective tenants before they are able to find one willing to move into their complex. We are not aware of any procedures under the guidelines that would mitigate this problem.

To generally assist RRP borrowers, a list is in preparation that will indicate all vacant units in RRP projects. This list will be provided to new Certificate/Voucher recipients at their briefing meeting.

3. RESPONSE TO OTHER COMMENTS AND SUGGESTIONS:

- a. **Administrative Cost Reduction:** Thank you for your commendation in our substantial reduction in the cost to administer our Housing Rehabilitation programs. However, clarification with regards to the lowering of Rehabilitation Standards in connection with the reduction of Administrative costs is necessary.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

HUD Rehabilitation Monitoring Report Response

May 13, 1987

Page 4

The Report indicates that the Property Rehabilitation Standards have been reduced in an effort to cut administrative costs. While the Property Rehabilitation Standards have been relaxed, the intent was to provide more families access to the program rather than reduce administrative costs. We have found that many families are not able to correct life threatening deficiencies or make repairs to prevent the precipitous deterioration of the structure due to the high cost of bringing the entire property up to stringent code requirements. We therefore have revised the Property Rehabilitation Standards in the area of incipient and non-threatening code violations, although this type of deficiency is pointed out to the borrower in the inspection report. The option of correcting the minor problems is left to the borrower. The revised Property Rehabilitation Standards continue to require the correction of; 1) life threatening code violations; 2) Termite Report findings; 3) deficiencies that might cause the precipitous deterioration of the property; and 4) items that contribute to the blight of the neighborhood.

- b. **Rental Rehabilitation Program:** In an effort to accelerate the rate of commitment of funds in the RRP, we have submitted a recommendation to our governing body to reduce the program interest rate from 3% to 0%. If approved, the program will be extensively marketed under the new rate. We feel that the change in the interest rate will increase the marketability of the program.

Additionally, Neighborhood Development and Rehabilitation staff are reviewing census data to determine the possibility of expanding RRP target areas. Per your request, we will continue to concentrate our efforts to secure a larger percentage of units with two or more bedrooms.

- c. **Lead-Based Paint Noticing:** As indicated in the Report, Mr. Macabe has clarified a misunderstanding in the LBP noticing requirements and provided us with the proper notice which is now included in each project. For your information, we are currently reviewing the new regulations for Lead-Based Paint Hazard Elimination, published February 17, 1987, for implementation of inspection, testing and abatement procedures by the September 21, 1987 deadline.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

HUD Rehabilitation Monitoring Report Response

May 13, 1987

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- d. **Use of Checksheets/Recording of Dates:** We are currently revising our file chrono and check sheet forms to conform with a newly implemented computer program. This new program tracks the progress of Rehab clients from intake to loan payoff.
- e. **Selection of Other Than Low Bidder:** Investigation into the "Banks" case, has revealed that this was not a case of the borrower choosing other than the low bidder, but rather a case of the contractor withdrawing his bid due to workload concerns. Attached for your review is a written statement from the contractor to document our files.
- f. **Problems Reported by Borrowers:** Clients who were processed under the full assistance program are being assisted in contacting their contractors for correction of any warranty or workmanship concerns. Clients who have received assistance under the streamlined process are being informed that they must contact their contractor to work out warranty repairs or other concerns regarding the work. In the case of the later, unless fraud or gross negligence is involved, the program will provide only limited assistance in the event the contractor fails to respond. It is ultimately the borrowers responsibility to take any further action against the contractor through the California State Contractor's License Board.

The Report reiterates a recommendation that a system be developed that notifies borrowers that the warranty period is near expiration. Such a system was implemented in May of 1986 as a result of the previous recommendation. At the time of final payment on a project, a post card is completed and filed for mailing in ten months. A note to the homeowner on the post card, reminds them that they have approximately two months left on their contract warranty. A copy of this post card is attached for your review.



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

HUD Rehabilitation Monitoring Report Response

May 13, 1987

Page 6

I am in hopes that this response has adequately answered the Monitoring Report "finding" and other concerns. Once again, thank you for your suggestions and comments.

Sincerely,

---

WILLIAM H. EDGAR,  
Executive Director

WHE/JEM/JWD/gmb

cc: Walter Slipe

1561R

(DISCONTINUED FORM)  
REQUEST FOR LOAN/GRANT PROCESS

OWNER: \_\_\_\_\_ City \_\_\_\_\_ County \_\_\_\_\_

\_\_\_\_ Loan  
\_\_\_\_ Retro

ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

-----  
\_\_\_\_ Paint Rebate

\_\_\_\_ Oak Park

\_\_\_\_ DPH

Contract Amount: \$ \_\_\_\_\_

Contract Days: \_\_\_\_\_

Contractor: \_\_\_\_\_

Relocation Amount \_\_\_\_\_

Relocation Days \_\_\_\_\_

Contract Breakdown

Code & PRS: \$ \_\_\_\_\_

GPI: \$ \_\_\_\_\_ \$ \_\_\_\_\_

RETROFIT: \$ \_\_\_\_\_

Total Contract \$ \_\_\_\_\_

Reviewed by \_\_\_\_\_  
Specialist

Attachments:

Work Write-Up, Plans,  
Bid Proposal  
Needs Verification

\_\_\_\_\_  
Property Rehabilitation Supervisor Date

0295R

(REVISED FORM)  
REQUEST FOR LOAN/GRANT PROCESS

Case Number \_\_\_\_\_

OWNER: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

City \_\_\_\_\_ County \_\_\_\_\_

\_\_\_\_\_ Loan

\_\_\_\_\_ Paint Rebate

\_\_\_\_\_ Retro

\_\_\_\_\_ Oak Park

\_\_\_\_\_ Del Paso Heights

Contract Amount: \$ \_\_\_\_\_

Relocation Amount: \$ \_\_\_\_\_

Contractor: \_\_\_\_\_

Relocation Days: \_\_\_\_\_

Contract Days: \_\_\_\_\_

Contract Breakdown:

Code & PRS: \$ \_\_\_\_\_

GPI: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Retrofit: \$ \_\_\_\_\_

Total Contract \$ \_\_\_\_\_

I have reviewed the Contractor's Bid & Proposal forms and Work Write-up specifications as submitted and find the work items, as specified, meet all the Housing and Redevelopment Agency Program Guidelines currently approved.

I have also reviewed the submitted project costs and find them within reasonable ranges for comparable work found in this area at this time.

\_\_\_\_\_  
Specialist

Date: \_\_\_\_\_

**Attachments:**

Work Write-up      Bid Proposal  
Plans              Needs Verification

Approved as to forms:

\_\_\_\_\_  
Property Rehabilitation Supervisor

Date: \_\_\_\_\_

VALLEY CONSTRUCTION COMPANY

May 7, 1987

Housing Rehabilitation Office  
488 I Street  
Sacramento, CA 95814

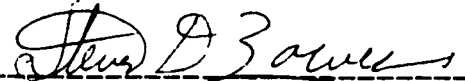
Dear Sirs:

Per your request, I am sending you this letter to document the Herbert and Sue Banks file with the facts relating to the withdrawal of our bid on the project.

In May of 1986 Valley Construction Company was the low bidder on the Herbert and Sue Banks rehabilitation/flood repair project. During that same month our company was also the low bidder on six other rehabilitation projects. We were informed by the Rehabilitation office that the Banks job was in need of an immediate start date due to the flood damage. Unfortunately, due to our workload at the time, we did not feel that we would be able to start the job for some time and therefore verbally withdrew our bid.

I submit this letter to you as our official notice of bid withdrawal.

Thank You,



STEVE BOWERS

Valley Construction Company

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

## WARRANTY EXPIRATION NOTIFICATION

### Sacramento Housing and Redevelopment Agency

Dear Homeowner,

We would like to remind you that your Rehabilitation Construction Contract included a one year warranty by your contractor for all work and materials. It has now been approximately ten months since your project was completed. Therefore, if you are experiencing any difficulties with the work that was completed by your contractor, please contact him/her immediately as your warranty will expire soon. If your contractor fails to respond to your requests for repairs, you may wish to contact the State Contractors License Board by phone at 366-5153 or in writing at 3128 Bradshaw Road, Sacramento, CA 95826.

\_\_\_\_\_  
Contractor

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
License Number

Sacramento Housing and Redevelopment Agency  
Housing Rehabilitation Division  
P.O. Box 1834  
Sacramento, CA 95809

STAMP

TO: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

46

EXHIBIT A

HUD RENTAL REHABILITATION PROGRAM

PROGRAM DESCRIPTION

FISCAL YEAR 1986  
Revised April 1987

1. Program Activities

a. Objectives

To provide financial assistance for the rehabilitation of a minimum of 28 substandard rental housing units in selected neighborhoods.

To provide housing assistance through Section 8 certificates or housing vouchers to 28 low income families.

b. Operations - Rehabilitation

The program will be marketed in the selected neighborhoods by the Rehabilitation Division of Sacramento Housing and Redevelopment Agency (SHRA).

Proposals from eligible owners will be evaluated in accordance with adopted criteria (see Section (b)-6). Those proposals which best meet the criteria and goals of the program will be selected for loan processing.

Loans and subsequent rehabilitation activities will be processed in accordance with the Rental Housing Rehabilitation Program Guidelines adopted by SHRA.

c. Rehabilitation Financing

Loans will be made for selected projects to cover 50% of the eligible rehabilitation costs, up to a maximum of \$5,000 per housing unit.

Loan terms will be 0% simple interest per annum for fifteen years. Principal and interest may be deferred for the term of the loan.

d. Section 8 Certificates and Vouchers

Section 8 certificates and vouchers will be administered by the Leased Housing Division of SHRA.

One certificate or voucher will be given to each eligible family.

2. Neighborhood Selection: This program will be operated only in neighborhoods where all of the following conditions are found:
- a. The median income of the neighborhood does not exceed 80% of the median income for the Sacramento SMSA.
  - b. The current rents, generally, are below the Fair Market Rents (FMR) established for the Section 8 Existing Housing Program.
  - c. The character of the neighborhood indicates that rents are not likely to increase at a rate significantly greater than rent increases that can reasonably be anticipated to occur in the market area for the five-year period following the selection of the neighborhood.

Selection of neighborhoods is based on an analysis of 1980 Census Tract and Block Group data, field surveys and discussions with informed persons. Census data used in the analysis included:

- a. Median income.
- b. Income distribution of renter households.
- c. Number of rental units by number of dwelling units per structure.
- d. Number and percentage of rental units with gross rents less than 1980 Fair Market Rents, by number of bedrooms.
- e. Median gross rents.

The results of the above analysis were subjectively evaluated and refined through field surveys of tentatively-selected areas and discussions with persons with knowledge of the current rental situation and trends. A margin of error was allowed by selecting only those neighborhoods in which a minimum of 60% of the units were rented at least 10% below the 1980 FMR.

3. Lower Income Benefit: The program is designed so that 70% of all grant amounts will be used for the benefit of lower-income families. The reasons for a reduction from the 100% lower-income benefit standard mandated by legislation are as follows:
- a. The reduction is necessary to meet the following objectives:
    - 1) To minimize the displacement of tenants in project to be rehabilitated; and

2) To provide a reasonable margin of error due to unforeseen, sudden changes in neighborhood rent; failure to complete rehabilitation of project due to unanticipated circumstances; or other reasonable contingencies.

b. A rental rehabilitation program that meets the 100% benefit standard cannot be developed.

The public has been advised of this inability.

The 70% benefit will be ensured through the project selection criteria. Consideration will be given only to those projects in which at least 70% of the current residents have incomes below 80% of the area median, adjusted for family size. As part of the application process, owners will be required to complete a Tenant Information Form containing information on each tenant's income and the number of persons living in each unit.

Tenant eligibility will be established by the Central Tenant Selection Office (CentSO) of SHRA. Initial data will come from the Tenant Information Form. When necessary, eligibility workers will visit the project site to obtain additional information.

Once eligibility is established Section 8 Certificates and Housing Vouchers will be issued and administered by the Leased Housing Division of SHRA. Tenants who earn less than 80% of the area median income, and who are eligible for assistance, will be given either a Voucher or a Certificate and will be allowed to continue in occupancy, if they so desire. Eligible tenants living in units that do not have the right number of bedrooms will receive either a Certificate or Voucher for relocation purposes.

Units which are vacant prior to rehabilitation will be offered to families on the current Section 8 Existing waiting list. Families accepting the unit will be given a Section 8 Certificate or Voucher for the appropriate number of bedrooms.

4. Use of Rental Rehabilitation Grants for Housing for Families: The program is designed so that at least 70% of all grant amounts will be used for the rehabilitation of units containing two or more bedrooms. In addition, efforts will be made to utilize a minimum of 15% of the grant amount for the rehabilitation of units with three or more bedrooms.



Toward achieving the two- and three-bedroom targets, the Agency will affirmatively seek proposals from owners of structures with multi-bedroom units. This emphasis will be expressed in all program description materials distributed to owners, investors and realtors. Initially, this information will be mailed to owners of all multi-family structures having four or more units each in the target neighborhoods. In the event this solicitation does not yield sufficient suitable proposals, announcements of funding availability will be sent to owners of single-family, duplex and triplex structures in the target areas.

Additionally, the rehabilitation staff will work closely with realtors familiar with the target areas, with the Apartments Owners' Association, and with CDBG and Redevelopment staff and Project Area Committees, to identify suitable and available structures which might be linked to potential investors.

In evaluating competing proposals, priority will be given to projects in which over 70% of the units have two or more bedrooms. Higher priority will be given to projects with units containing three or more bedrooms.

5. Use of Rental Rehabilitation Grants for Units in Substandard Condition that are Occupied by Very Low-income Families: The program is designed so that at least 50% of the units to be rehabilitated must be occupied by families with very low incomes (below 50% of the area median). The project selection criteria will give priority to projects which do not exceed this minimum.
6. Selection of Proposals: Proposals will be solicited periodically and, to the extent feasible, will be competitively evaluated in batches. This will provide an opportunity for selection of projects which best meet program goals. A rating system will be developed to assist in the evaluation. Criteria for selection will include:
  - a. Location: The project must be in a designated neighborhood. *OR WHERE THE CONDITIONS OF*
  - b. Condition: The property must need physical rehabilitation work to comply with the local building codes and the Sacramento Property Rehabilitation Standards. The total cost of the rehabilitation must exceed a minimum of \$1,000 per unit.
  - c. Feasibility: The property must be financially feasible of being rehabilitated.

- d. Low-income Tenants: At least 70% of the units in the project must be occupied by low-income families. Higher consideration will be given to projects which exceed the 70% minimum.
- e. Very Low-income Tenants: At least 50% of the units in the project must be occupied by very low-income families. Higher priority will be given to projects with units containing three or more bedrooms.
- f. Large-family Units: Priority will be given to projects in which over 70% of the units have two or more bedrooms. Higher priority will be given to projects with units containing three or more bedrooms.
- g. Use of Vouchers and Certificates: Priority will be given to projects in which the greatest number of certificates or vouchers can be used and will assist families with the greatest need for financial assistance.
- h. Relocation: Priority will be given to projects which require the least amount of relocation of existing tenants.
- i. Size of Project: Preference will be given to projects containing between two and twelve units.

Successful applicants will be required to sign a Rental Rehabilitation Loan Agreement setting forth the standards and conditions for the loan, and to prepare a management plan to assure the property is adequately maintained and operated.

Incentives for maintenance will be achieved through a required 10% minimum equity investment. Higher priority will be given to projects which exceed this minimum.

7. Financial Feasibility: Specific projects have not been identified at this time. Financial feasibility will be a prime consideration in the selection process. Minimum financial requirements include:
  - a. A maximum loan-to-value ratio of 90%, including loans from all sources.
  - b. A contribution of 50% of the cost of rehabilitation, through either investor cash or a conventional loan.
  - c. A positive cash flow after rehabilitation.

Data to be provided by the applicant and evaluated includes:

- a. An application for financial assistance.
  - b. Proof of ownership.
  - c. A personal financial statement.
  - d. A copy of the applicant's income tax returns for the past two years.
  - e. A current balance sheet and operating statement.
  - f. A work write-up and cost estimate.
  - g. Current and proposed rents.
  - h. If supplemental financing will be used in conjunction with the loan, a signed written commitment from a lending institution, that supplemental funds will be available, to assure full and satisfactory completion of the rehabilitation work. The commitment letter will include the terms of the loan.
  - i. A management plan to assure that the project will be adequately maintained.
  - j. A relocation plan, including cost estimates.
8. Neighborhood Preservation: It is anticipated that the Rental Rehabilitation Program will have a positive impact on neighborhood preservation programs. For the most part neighborhoods selected for this program are either Community Development Block Grant Target Areas or redevelopment areas. This program will complement other efforts and funding programs in these areas.
9. Schedule for Committing Rehabilitation Grant Amounts: The following schedule is anticipated for the year following execution of the grant agreement:
- First Quarter: Organize program; amend marketing strategy based on 1984 and 1985 experiences; solicit first round of proposals.
- Second Quarter: Evaluate proposals; select first round participants; negotiate and prepare loan documents (50% committed).
- Third Quarter: First round loan closing (50% of grant funds); solicit second round of proposals.

Fourth Quarter: Evaluate proposals; select second round participants; negotiate and prepare loan documents; second round loan closings (100% of grant funds).

10. Need for Rental Assistance: It is anticipated that the full allocation of one certificate or voucher for each \$5,000 of Rental Rehabilitation grant will be necessary.
11. Affirmative Marketing: It is the policy of the City/County of Sacramento that assisted rental units shall be available to all persons, regardless of race, religion, national origin, age, color or sex. It is further the policy of the City/County of Sacramento that affirmative marketing steps be taken by the administering Agency and any participating owner.

The following are the affirmative marketing procedures and requirements to be used in this program:

- a. Methods for informing the public, owners and potential tenants about fair housing laws and this affirmative action policy.

--- Copies of this program will be distributed to concerned organizations such as the Fair Housing Commission, the Community Housing Resources Board (CHRB), the Apartment Owners' Association and the Board of Realtors.

--- The program will be advertised in newspapers of general circulation and the following minority newspapers: The Sacramento Observer, El Hispano and Nichi Bei Times.

--- The informational packet prepared for prospective owners will contain information on non-discrimination and affirmative action requirements.

- b. Requirements and practices of each owner in carrying out the affirmative marketing procedures and requirements:

--- As a condition for loan approval, the owner shall be required to sign a loan agreement which includes the provision that the owner agrees to affirmatively market vacant units for seven years in compliance with these regulations and practices.

--- The Equal Housing Opportunity logo shall be prominently displayed in the apartment building.

--- The Equal Housing Opportunity logo or statement shall be used in all advertisements.

--- Repeated findings of discriminatory actions or failure to affirmatively market.

--- Repeated findings by the Fair Housing Commission of discriminatory actions, or failure to abide by the affirmative marketing requirements, shall constitute sufficient justification for a declaration of default.

12. Organizational Structure: The Rehabilitation Division of the Sacramento Housing and Redevelopment Agency (SHRA) will be responsible for administering the Rental Rehabilitation Program.

Sacramento Housing and Redevelopment Agency  
630 I Street  
Sacramento, California 95814  
Phone: 916-440-1350

Contact Person: Charlotta Kirby-Leonard  
Loan Officer

13. Public Housing Authority Participation: The Sacramento Housing and Redevelopment Agency functions as the Public Housing Authority and the Community Development Administrative unit for both the City and County of Sacramento. The City Council/Board of Supervisors is the governing body for both functions. This arrangement will assure maximum PHA and Community Development coordination for the program. Housing rehabilitation and the Section 8 Certificate/Voucher programs will be coordinated internally through the existing administrative structure.

The PHA has adopted a resolution agreeing to participate in the program and to provide certificates and vouchers in support of the rehabilitation program.

The person responsible for administering the certificates and the vouchers will be:

Kim King, Program Manager  
Leased Housing Division  
630 I Street  
Sacramento, California 95814  
Phone: 916-440-1390

14. Need for Higher Average per Unit Grant Amounts: Not applicable.