



**Sacramento
Housing &
Redevelopment
Agency**

March 2, 2005

Redevelopment Agency
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: APPROPRIATION OF OAK PARK TAX-EXEMPT BOND FUNDS AND
DEL PASO HEIGHTS TAX INCREMENT FUNDS FOR HOUSING
AUTHORITY OF THE CITY OF SACRAMENTO'S 5(H)
HOMEOWNERSHIP PROGRAM**

LOCATION & COUNCIL DISTRICT

Del Paso Heights Redevelopment Area – Council District 2
Oak Park Redevelopment Area – Council District 5

RECOMMENDATION

Staff recommends that the Redevelopment Agency of the City of Sacramento adopt the attached resolution on page 10, which

- allocates \$500,000 of Oak Park tax-exempt bond funds to rehabilitate six vacant single family houses in Oak Park owned by the Housing Authority of the City of Sacramento ("Housing Authority"), and;
- reprograms \$740,000 in Del Paso Heights tax increment and taxable bond funds to rehabilitate up to seventeen (17) vacant single family houses in Del Paso Heights owned by the Housing Authority; and
- authorizes the Executive Director to enter into and amend construction contracts, regulatory agreements, and loan documents necessary for the implementation of the project.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency
March 2, 2005
Page 2

CONTACT PERSONS

Tom Lee, Deputy Director, 440-1337
Leslie Fritzsche, Senior Management Analyst, 440-1301

FOR COUNCIL MEETING OF - March 15, 2005

SUMMARY

The Housing Authorities of the City and County have obtained HUD approval to rehabilitate and sell vacant single family houses in their public housing inventory. In order to accelerate the sale of these homes in the Oak Park and Del Paso Heights Redevelopment Areas, staff requests that tax increment funds be utilized to rehabilitate the homes in those areas.

RAC ACTION

At its regular meeting of December 9, 2004 the Del Paso Heights Redevelopment Advisory Committee voted to approve the actions recommended in this report. The votes were as follows:

AYES: Block, Hollis, Langston, Painter, Kawamoto, Thao, Anderson

NOES: None

ABSENT: Domingo, McKnight, Roberts

At its meeting on February 9, 2005, the Oak Park Project Area Committee adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Aungst, Curry-Evans, Davis, Ganson, Hilbert, Lackey, Lor, McDonald, Straub, Taylor, Thomas

NOES: None

ABSENT: None

ABSENTION: Redmond

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency
March 2, 2005
Page 3

COMMISSION ACTION

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

AYES: Burruss, Coriano, Gore, Harland, Hoag, Piatkowski, Stivers

NOES: Simon

ABSENT: Burns

BACKGROUND

Since 1997, the Agency has operated the 5(h) Homeownership Program. This program involves the rehabilitation and sale of up to 389 single family public housing units to lower income families. To date, 61 of those houses have been sold to public housing residents and participants in the Housing Choice Voucher (HCV) program who were given priority to purchase the housing if they met income and rental history requirements. Consistent with HUD regulations, the Agency could not cause families to relocate if they did not wish to participate in or were not eligible for the homeownership program. As a result, most of the homes could not be sold, causing the Agency to revise the program in October 2004 and limit it to the 73 vacant single family units in the city and the county. Please see Attachment IA and 1B for maps illustrating the location of the houses within the redevelopment areas.

The Housing Authority's estimates for rehabilitation, based on its experience to date, range from \$80,000 - \$110,000 for major improvements; \$60,000 - \$90,000 for moderate improvements, and \$20,000 to \$60,000 for minor repairs. Since many of the homes have been vacant for a number of years, the rehabilitation work necessary is extensive. Though there is a wide variety of rehabilitation needs among the houses, the type of work under each category is generally as follows:

Minor – Interior and exterior painting, lighting, flooring, new windows as needed, landscaping and fencing as needed, fire alarm systems, pest extermination, plumbing, bathroom fixtures, as needed.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency
March 2, 2005
Page 4

Moderate – Items listed in Minor category above plus new or modifications to kitchen cabinets, as needed; new kitchen and bathroom fixtures, as needed; new roofing, as needed; electrical repairs, new interior doors, as needed; HVAC, and water heater, as needed.

Major - Items listed in Minor and Moderate categories plus hazardous materials mitigation, as needed, structural, mechanical, and electrical repairs.

In the redevelopment areas, additional attention will be given to the exterior of the homes to ensure the renovation will enhance not only the property but will be an asset to the entire street. Elimination of chain link fences, new exterior paint treatments, lighting, new landscaping and irrigation are just a few of the façade improvements designed to improve the property's curb appeal.

To accelerate the rehabilitation and sale of the vacant homes in the city, staff is requesting that available Del Paso Heights tax increment and Oak Park tax exempt bond funds be utilized to provide construction funding. By utilizing this funding along with existing funds identified for the 5(H) program staff estimates that the rehabilitation and sale of all 73 homes can be completed within two years.

Del Paso Heights Funding

Staff requests that the Del Paso Heights tax increment and taxable bond funds be used to rehabilitate all 17 vacant houses in Del Paso Heights. The addresses and condition of the houses, based on initial inspections, may be found in Attachment II. The proposed allocation of \$740,000 will be insufficient to do all 17 homes in one phase so the Authority will rehabilitate the homes in potentially two phases utilizing the sales proceeds from the initial homes for the second phase. Staff estimates that the rehabilitation and construction-related costs for all 17 vacant homes will average \$75,300 per house, or \$1,280,000 total.

Oak Park Funding

Staff requests that Oak Park low/moderate tax-exempt bond funds be used to rehabilitate six homes within the redevelopment area. The addresses and condition of the houses, based on initial inspections, may be found in Attachment II.

Staff estimates that the rehabilitation and construction-related costs will average approximately \$84,000 per house, or approximately \$500,000 total. This average is higher than that found in Del Paso Heights because each of the homes in Oak Park are different and many require significant rehabilitation. The Del Paso Heights inventory

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency
March 2, 2005
Page 5

includes very similar housing stock so there will be some efficiencies in the renovation process.

Home Purchasers

HUD's program requirements state that priority in the sale of the homes must be given to public housing residents, Housing Choice Voucher (HCV) holders, households on the public housing and HCV waiting lists, and the general public who are low-income – in that order. Because the 5(h) program has been operating for a few years, the homes will be offered first to the households who have previously applied and are in the process of homebuyer counseling and credit repair. Households also participating in the housing authorities' Family Self-Sufficiency Program, which includes savings plans, will also be contacted as potential purchasers. Thereafter, lower income households in the general public will have the opportunity to submit applications.

All applicants must meet income thresholds, be current in all rental payments, have a good rental history, have an acceptable credit report, complete a series of homebuying and home maintenance seminars, and qualify for a mortgage. Household incomes cannot exceed 80 percent of the area median income. Homes will be sold at an affordable housing price with the Housing Authority carrying back a second deed of trust, if necessary, to make the homes affordable. Homes financed with redevelopment housing funds will carry a 45-year regulatory agreement, which will be subordinated to HUD's Annual Contributions Contract during the construction period. The homes are sold as fee simple property.

The proceeds received by the housing authorities from the sale, after the rehabilitation loans are repaid, are used to further homeownership among lower income families, support other affordable housing developments, and pay operating expenses in administering the program.

FINANCIAL CONSIDERATIONS

This report recommends allocating the following funds to the Housing Authority's 5(H) Homeownership Program:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency
March 2, 2005
Page 6

	Funding Source	Amount	Use
Del Paso Heights	Del Paso Heights Taxable Commercial Loan (1998 TAB)	\$387,000	Construction Loan
	Del Paso Heights Tax Increment – Development Assistance	\$150,000	Construction Loan
	Del Paso Heights Tax Increment – Commercial Loans	\$203,000	Construction Loan
SUBTOTAL		\$740,00	
Oak Park	Oak Park 1999 Tax Exempt Low/mod Capital Project Fund	\$500,000	Grant for Construction
SUBTOTAL		\$500,000	
TOTAL		\$1,240,000	

The funds allocated from all sources total \$1,240,000 for the rehabilitation and related construction costs of 23 homes. The funds will not be secured by a deed of trust on the property. The Agency will record a regulatory agreement approved by HUD to evidence tax increment income requirements. These documents will be subordinate to the HUD Declaration of Restrictions, which will be removed at sale.

The Del Paso Heights funds will be structured as a construction loan to the project and will be repaid from the proceeds of the Del Paso Heights homes. The homes that were sold under the 5(H) Program previously netted proceeds ranging between \$50,000 to \$100,000 per unit, depending on the amount of rehabilitation needed and the amount of carry-back financing the Agency provided to make them affordable to the public housing residents and HCV participants.

The Oak Park funds are tax-exempt bond funds and therefore can not be repaid. These funds along with any net proceeds after paying back the Del Paso Heights funds will be used to augment the Agency's homeownership and other affordable housing programs and to cover the cost of administering the 5(H) Homeownership Program.

POLICY CONSIDERATIONS

The Oak Park and Del Paso neighborhoods are plagued with high percentages of rentals and absentee owners. The rehabilitation of the 5(h) homes and their sale to lower income families will serve to not only improve the physical condition of the neighborhood but will strengthen the community by establishing pride of ownership and investment. The program will provide an opportunity for homeownership for families who

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency
March 2, 2005
Page 7

are currently priced out of the housing market.

Rehabilitating rental single family homes and selling them to new homeowners are activities endorsed by the Oak Park and Del Paso Heights Redevelopment Plans and Implementation Plans. The Housing Element of the City of Sacramento similarly supports increasing owner-occupancy throughout the city for low and moderate income households (Goal 3.3).

ENVIRONMENTAL REVIEW

The proposed action which includes the rehabilitation and sale of existing single family residences is exempt from environmental review under the CEQA Guidelines Section 15301(d) and under NEPA per HUD regulations at 24 CFR Sections 58.35(a)(3) and (a)(5).

M/WBE CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully submitted,

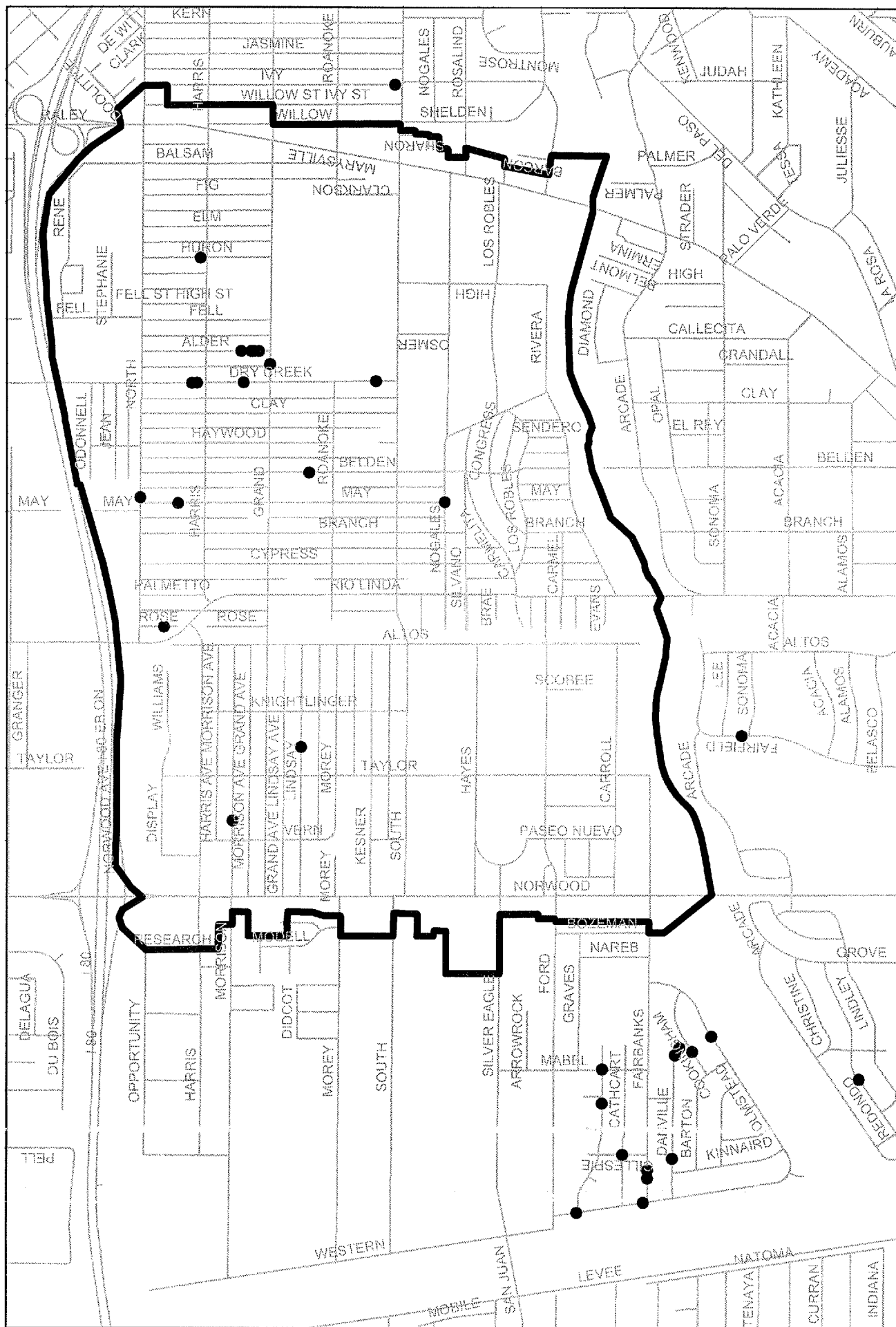

ANNE M. MOORE
Executive Director

Transmittal approved,


ROBERT P. THOMAS
City Manager

TABLE OF CONTENTS

- 1) Attachment IA - Location Map (Del Paso Heights) –Page 8
- 2) Attachment IB - Location Map (Oak Park) –Page 9
- 3) Attachment II – Location and Condition of Homes - Page 10
- 4) Redevelopment Agency Resolution – Page 11

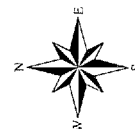


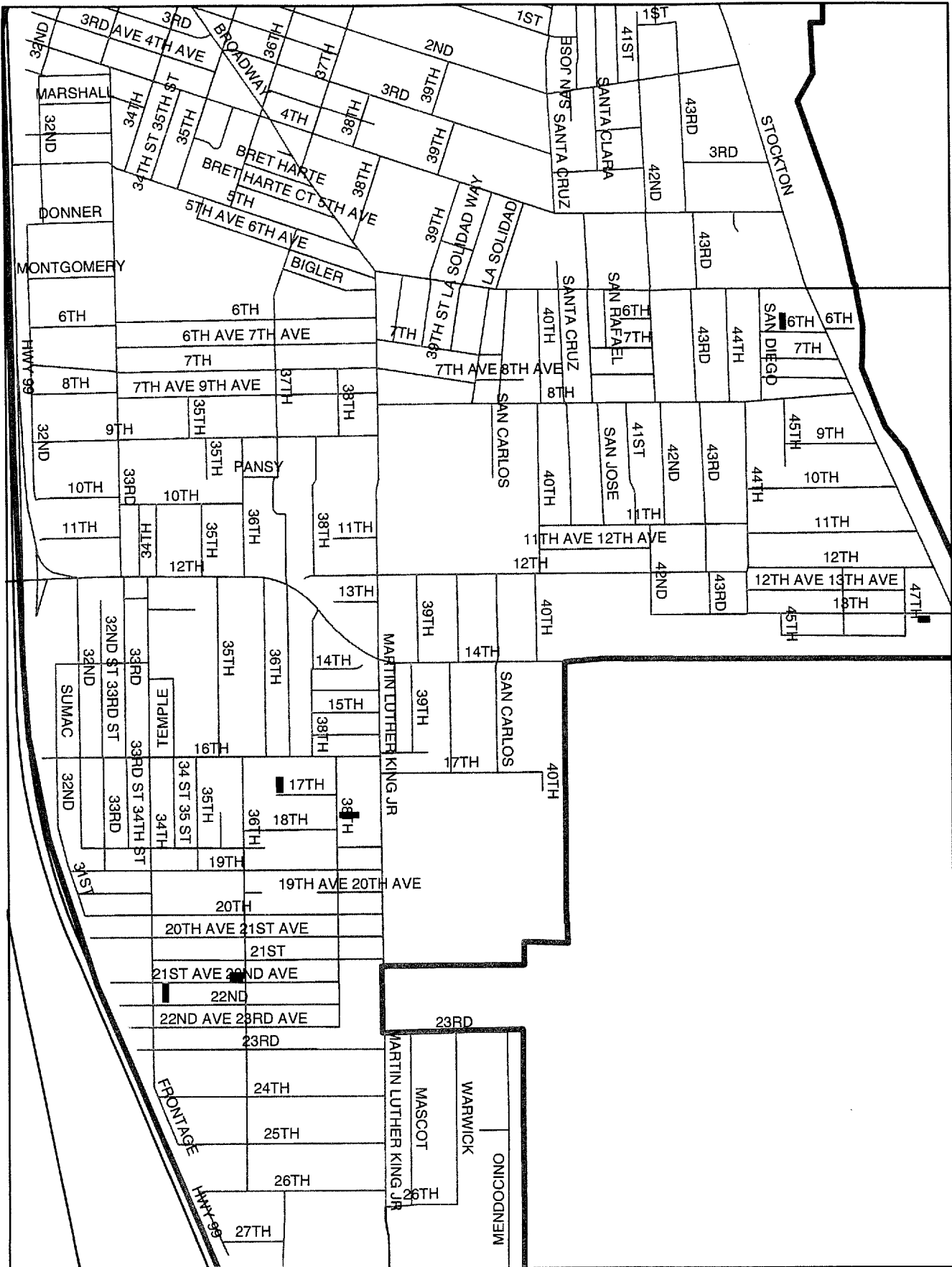
5(h) Vacant Homes in the Del Paso Heights RDA

Legend

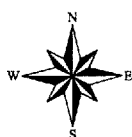
- 5(h) Units

Del Paso Heights RDA





Oak Park 5(h) Homes



Legend

- Subject Sites
- Oak Park RDA

Location and Condition of Vacant Units

Del Paso Heights Redevelopment Area	
Address	Rehab Type
3844 Alder Street	Major
3816 Alder Street	Moderate
3824 Alder Street	Moderate
3828 Alder Street	Major
3736 Belden Street	Major
3633 Dry Creek Road	Moderate
3840 Dry Creek Road	Moderate
3913 Dry Creek Road	Moderate
3921 Dry Creek Road	Major
1249 Grand Avenue	Moderate
3908 Huron Street	Major
645 Lindsay Avenue	Moderate
3941 May Street	Major
531 Morrison Avenue	Minor
1034 Nogales Street	Moderate
1009 North Avenue	Moderate
3938 Rose Street	Moderate
Oak Park Redevelopment Area	
4213 38 th Street	Moderate
4714 13 th Avenue	Major
3621 17 th Avenue	Major
3405 22 nd Avenue	Minor
4604 36 th Street	Moderate
4435 6 th Avenue	Moderate

RESOLUTION NO. _____

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

DEL PASO HEIGHTS AND OAK PARK FUNDING FOR HOUSING AUTHORITY 5(h) HOMEOWNERSHIP PROGRAM

WHEREAS, the proposed project will benefit and improve the Del Paso Heights and Oak Park project areas and further the goals of the Del Paso Heights and Oak Park 2005-2009 implementation plans by increasing homeownership opportunities.

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. After due consideration of the evidence presented, this proposed project will benefit and improve the Del Paso Heights and Oak Park Redevelopment Project Areas and the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2. The Executive Director is authorized to amend the budget to allocate \$740,000 in Del Paso Heights tax increment and \$500,000 in Oak Park 1999 CIRB tax-exempt bond funds for the rehabilitation of Housing Authority 5(H) homes within the respective redevelopment areas.

Section 3. The Executive Director or her designee is authorized to enter into and amend construction contracts, regulatory agreements, and loan documents and take all actions necessary for the implementation of the project.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____