



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



Comm Rpt
1913

May 22, 1990

Redevelopment Agency and
City Council of the City of Sacramento
Sacramento, California

APPROVED
BY THE CITY COUNCIL

MAY 22 1990

Honorable Members in Session:

OFFICE OF THE
CITY CLERK

SUBJECT: Application to U.S. Department of Housing and Urban
Development for 1990 Rental Rehabilitation Program Grant

SUMMARY

This report recommends: 1) agreement to participate in the 1990 Federal Rental Housing Rehabilitation Program (RRP); 2) approval of the attached Rental Rehabilitation Program Description; 3) authorization to submit an application to the U.S. Department of Housing and Urban Development (HUD) for the City of Sacramento's 1990 allocation; 4) authorization to execute the Rental Rehabilitation Program Agreement with HUD; 5) authorization to amend the 1990 Agency Budget as necessary.

BACKGROUND

The RRP was enacted in 1983, with the purpose of increasing the supply of standard rental housing, affordable to lower-income residents.

Since program inception, the City has received a total of \$1,886,400 in grant funds, of which \$1,817,540 were available for rehabilitation loans and \$68,000 for administrative funds. Of this funding, \$1,857,400 have been expended for the rehabilitation of 419 units.

<u>FISCAL YEAR</u>	<u>ALLOCATION</u>	<u>EXPENDITURE</u>	<u>BALANCE</u>
1984 (initial)	\$ 298,000	\$ 298,000	\$ -0-
1984 (bonus alloc.)	89,400	89,400	-0-
1985	291,000	291,000	-0-
1986	140,000	140,000	-0-
1987	390,000	390,000	-0-
1988	388,000	388,000	-0-
1989	290,000	261,400	29,000
Total	\$1,886,400	\$1,857,400	\$ 29,000

5-22-90

All Districts (1)

2631R(1)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and City Council
of the City of Sacramento
May 22, 1990
Page 2

To prevent displacement, Section 8 Certificates or Vouchers have been provided to 213 families residing in RRP projects. Section 8 Housing Vouchers are not tied directly to the program, but rather, provided to eligible families from turn-over Certificates and Vouchers under the existing Section 8 program.

Within the basic framework of the program, local governments have the flexibility to design and operate programs unique to their needs. Attached is the City of Sacramento's program description for the HUD fiscal year of 1990. The City program will continue to be administered in accordance with the previously approved guidelines and amendments thereto, and within previously designated neighborhoods, with the following exceptions:

1. The project selection priorities have been expanded to include vacant or boarded properties and projects located in Southside Park and Meadowview areas.
2. Changes in the monitoring of the Affirmative Marketing provisions, i.e., the Program Description will be revised to indicate that monitoring of the Affirmative Marketing efforts of program participants (borrowers) will be monitored by Agency staff or its designee.
3. Incorporation of changes in relocation regulations per the Uniform Relocation Act.
4. A change in the minimum rehabilitation cost from \$2,000 per unit to \$5,000 per project or \$600 per unit, whichever is greater.

FINANCIAL DATA

The 1990 Rental Rehabilitation Grant will provide \$247,000 in additional funding to the City of Sacramento for rehabilitation loans for rental units. Ten percent (10%) of the grant amount can be used for rehabilitation administrative expenses. Existing Community Development Block Grant (CDBG) funds allocated to housing rehabilitation administration will be used for the balance of costs of administering the program and to provide technical assistance to the property owners. Section 8 Housing Certificates and Vouchers will be made available as needed for the Rental Rehabilitation Program from Section 8 existing Certificate and Voucher programs.

The grant allows \$24,700 for administration and \$222,300 for loans. The 1990 budget has \$240,500 allocated for loans. This results in a decrease of \$18,200 for loans and revenue.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and City Council
of the City of Sacramento
May 22, 1990
Page 3

The 1990 Agency budget contains a total of \$65,553 for the City RRP administration. The total RRP amount available for administration, including new administration money, will be \$52,506. The difference of \$13,047 will come from the City CDBG rehabilitation loan program. The RRP administration will be decreased by \$13,047, and the CDBG administration will be increased by a like amount.

ENVIRONMENTAL REVIEW

The proposed administrative action is exempt from environmental review per CEQA Guidelines, Section 15378 (b) (3), and NEPA per 24 CFR Part 58.34 (a) (3). Each rental rehab project will be individually reviewed on a case-by-case basis. The overall program has been previously reviewed and is a continuation project from 1984.

MBE/WBE REVIEW

The Agency's MBE/WBE goals of 20% and 5% will be implemented on the federally funded contracts issued with the funds discussed.

POLICY IMPLICATIONS

The actions proposed in this staff report are not consistent with previously approved policy. Therefore, the following changes are being recommended:

1. The project selection priorities have been expanded to include vacant or boarded properties and projects located in Southside Park and Meadowview areas.
2. Changes in the monitoring of the Affirmative Marketing provisions, i.e., the Program Description will be revised to indicate that monitoring of the Affirmative Marketing efforts of program participants (borrowers) will be monitored by Agency staff or its designee.
3. Incorporation of changes in relocation regulations per the Uniform Relocation Act.
4. A change in the minimum rehabilitation cost from \$2,000 per unit to \$5,000 per project or \$600 per unit, whichever is greater.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and City Council
of the City of Sacramento
May 22, 1990
Page 4

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of May 7, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Moose, Simon, Simpson, Strong, Wiggins, Williams,
Wooley, Yew, Amundson
NOES: None
ABSENT: Diepenbrock, Pernel

RECOMMENDATION

The staff recommends adoption of the attached resolution to: 1) agree, as the City of Sacramento, to participate in the Rental Rehabilitation Program; 2) approve the Rental Rehabilitation Program Description; 3) authorize submission of the application to HUD for 1990 fiscal year allocation; and 4) authorize the Executive Director to execute the Rental Rehabilitation Block Grant Agreement with HUD, and 5) authorize the Executive Director to amend the 1990 Agency Budget to include the decrease in revenue and appropriations and revise the CDBG rehabilitation administration and loan appropriations.

Respectfully submitted,


ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLUPE
City Manager

Contact Person: Tom Lee, 440-1357

RES/JWD/CKL:cmh

RESOLUTION NO. 90-412

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL

MAY 22 1990

OFFICE OF THE
CITY CLERK

PARTICIPATION IN THE HUD RENTAL REHABILITATION LOAN PROGRAM FOR 1990

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

SECTION 1: The City of Sacramento hereby agrees to participate in the HUD Rental Rehabilitation Loan Program for fiscal year 1990.

SECTION 2: The City of Sacramento hereby approves the attached Rental Rehabilitation Program Description.

SECTION 3: The Executive Director is hereby authorized to submit an application to the U.S. Department of Housing and Urban Development, on behalf of the City of Sacramento, for allocation of funds for participation in the 1990 Federal Rental Housing Rehabilitation Program.

SECTION 4: The Executive Director is authorized to execute the Rental Rehabilitation Block Grant Agreement with the U.S. Department of Housing and Urban Development.

MAYOR

ATTEST

CITY CLERK

P:\SHARE\RESO\RENTLN.HUD

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

HUD RENTAL REHABILITATION PROGRAM

PROGRAM DESCRIPTION - FISCAL YEAR 1990

CITY AND COUNTY OF SACRAMENTO

1. Program Activities

a. Objectives

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

To provide housing assistance through Section 8 Certificates or Housing Vouchers to low-income families who meet the eligibility requirements.

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 studio unit, \$6,500 per one-bedroom unit, \$7,500 per two-bedroom unit, and \$8,500 per unit having three or more bedrooms. Loans will have a 0% interest rate, with a fifteen-year loan term. Principal repayment may be deferred for a portion of the term of the loan, to cause the project to have a positive cash flow.

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 Section 8 Certificate or Voucher for relocation purposes.

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 all owners of rental units in the target neighborhoods.

Additionally, the rehabilitation staff will work closely with realtors familiar with the target areas, with the Apartment 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. The criteria for selection will include:
 - a. Location: The project must be in a designated neighborhood. Priority will be given to projects located in the general vicinity of Young Street, Meadowview area and Southside Park.
 - 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 \$5,000 per project or \$600 per unit, whichever is greater. Priority will be given to vacant units which are boarded up and not habitable.
 - 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. To the extent possible, SHRA will ensure that rehabilitation will not cause the displacement of any very low-income family by a family that is not a very low income family, and residential occupants shall be provided a reasonable opportunity to lease and occupy a suitable, decent, safe and sanitary and affordable dwelling unit on the real property following completion of the rehabilitation. It is unlikely that any project will cause involuntary displacement other than situations of overcrowding and health and safety violations. However, should displacement occur, tenants who will be involuntarily displaced or will suffer a hardship or expense, due to any project funded under the City or County of Sacramento Rental Rehabilitation Program, will be provided assistance to mitigate the hardship or expense. The assistance will, at a minimum, be at the levels described in, and in accordance with the requirements of, the Uniform Relocation Assistance Act of 1970, as amended, at 49 Code of Federal Register (CFR) at Part 24.

Resources that are available to Tenants:

- 1) Section 8 Certificates or Housing Vouchers will be available for persons who meet the eligibility criteria.
- 2) Relocation Assistance shall be an includable cost to the project and as such shall be an eligible cost in the rehabilitation loan. Sources for funding for the purpose of providing relocation assistance to tenants will be:
 - a) Rental Rehabilitation Block Grant Funds
 - b) Rental Rehabilitation Program Income
 - c) Community Development Block Grant Funds

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, for properties having one to twelve units. For properties having more than twelve units, the loan-to-value ratio shall be a maximum of 80%.
 - 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:
 - 1) An application for financial assistance.
 - 2) Proof of ownership.
 - 3) A personal financial statement.
 - 4) A copy of the applicant's income tax returns for the past two years.
 - 5) A current balance sheet and operating statement.
 - 6) A work write-up and cost estimate.
 - 7) Current and proposed rents.
 - 8) If supplemental financing will be used in conjunction with the loan, owner must have 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 must include the terms of the loan.
 - 9) A management plan to assure that the project will be adequately maintained.
 - 10) 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; solicit and evaluate first round of proposals; negotiate and prepare loan documents for loan closing (25% committed).

Second Quarter: Solicit and evaluate second round participants; negotiate and prepare loan documents for loan closing (50% committed).

Third Quarter: Solicit and evaluate third round of proposals (75% of grant funds); negotiate and prepare loan documents for loan closing.

Fourth Quarter: Select and evaluate fourth round participants; negotiate and prepare loan documents for loan closing (100% of grant funds).

10. Need for Rental Assistance: It is anticipated that the Section 8 Housing Vouchers/Certificates requested will be available for existing tenants who meet the eligibility requirements.
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, sex, blindness or other physical disability, marital status, ancestry, sexual orientation, or having AIDS or AIDS-Related Complex. It is further the policy of the City and/or 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 Human Rights/Fair Housing Commission, the Community Housing Resources Board (CHRB), the Sacramento Valley Apartment Association and the Sacramento 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 (buildings having five or more units).

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

- c. Procedures by owners to inform and solicit applications from persons in the housing market area who are not likely to apply for the housing without special outreach:

-- All vacancies will be advertised in newspapers of general circulation and in minority newspapers, i.e., Sacramento Observer, El Hispano and Nichi Bei Times which are circulated in communities having a high percentage of Black, Hispanic and Asian residents.

-- Notices of vacancies will be sent to the Leased Housing Division of SHRA.

- d. Records:

-- Owners shall keep copies of all vacancy advertisements, as well as correspondence with community groups.

-- Owners shall use a standard application form. All applications received shall be maintained for a period of three years. The application will note the reasons for denial of a rental, where appropriate.

-- The owner shall keep copies of any correspondence related to allegation of discrimination.

- e. Assessment of Affirmative Marketing Efforts:

-- Annual spot-checks will be made by the Sacramento Housing and Redevelopment Agency (SHRA) or its designee.

-- A questionnaire will be sent to owners, requesting information on vacancies, applicants and rentals for the previous year.

-- Based on the assessment, when the need arises, SHRA will refer owners to the Fair Housing Commission for assistance in developing more appropriate affirmative marketing steps.

-- If SHRA or its designee finds evidence of discriminatory practices during the review, or if evidence arises from a complaint to the Sacramento City/County Human Rights/Fair Housing Commission outside of the compliance review, and SHRA is advised of said complaint, SHRA will follow up on the complaint.

-- Repeated findings that the owner has engaged in 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
488 "I" Street
Sacramento, California 95814
Phone: 916/440-1350
Contact Persons: John Dangberg, Program Manager
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:

Richard Nelson, Acting 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.

RESOLUTION NO. 90-043

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____



BUDGET AMENDMENT OF RENTAL
REHABILITATION PROGRAM FUNDING FOR 1990

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

SECTION 1: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby authorized to amend the 1990 Agency budget to include additional revenue of \$247,000 of which \$222,300 shall be added to the Rental Rehabilitation Loan Program Cost Center H04251.

CHAIR

ATTEST:

SECRETARY

P:\SHARE\RESO\RENTLN.HUD

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____