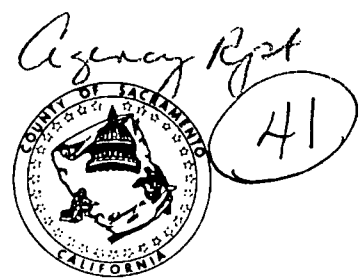




**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



March 15, 1988

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

APPROVED
BY THE CITY COUNCIL

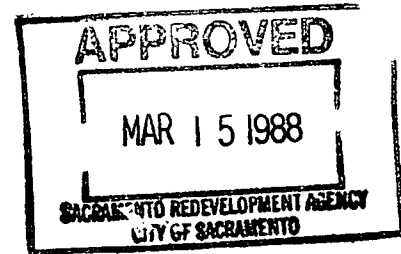
MAR 15 1988

OFFICE OF THE
CITY CLERK

CITY MANAGER'S OFFICE

RECEIVED

MAR 9 1988



Honorable Members In Session:

SUBJECT: Mutual Housing Project

SUMMARY

The attached resolutions (1) approve the participation of the CDBG Program in developing a mutual housing project in cooperation with Neighborhood Reinvestment Corporation (NRC); (2) authorize the Executive Director to execute the agreement with NRC shown as Exhibit A; (3) authorize the Executive Director to cooperate with Neighborhood Reinvestment Corporation in locating a site for construction of the initial mutual housing complex; (4) approve the concept of a steering committee and instruct the Executive Director to report back for designation of individuals to serve on this committee; and (5) instruct the Executive Director to report back for consideration of the proposed site and final terms for financial assistance to the project.

BACKGROUND

In the Agency's continuing search for methods to increase the area's affordable housing stock, staff has explored the possibility of developing a mutual housing association within the City and County of Sacramento. Initial discussions have been held with Neighborhood Reinvestment Corporation (NRC) which recently received federal funding for the purpose of working with localities to establish mutual housing associations.

Neighborhood Reinvestment Corporation

Neighborhood Reinvestment Corporation (NRC) is a nationwide, nonprofit public corporation created and funded by Congress to offer neighborhood revitalization and preservation programs to local jurisdictions. (The City and County of Sacramento are most familiar with Neighborhood Reinvestment through their mutual association in developing a Neighborhood Housing Services (NHS) Program here.)

3-15-88
All Districts⁽¹⁾

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In establishing mutual housing associations, NRC typically follows a process similar to the one it used in developing NHS, which ultimately results in the creation of a new, locally-based nonprofit mutual housing association. Its board of directors is a partnership of local residents and representatives of businesses, financial institutions, real estate professionals, and government. Initially, a steering committee reflecting the same partnership is assembled to assist in initiating the mutual housing association locally.

Steering Committee

For Sacramento, staff recommends that approximately 15 people be recruited and officially designated by the City Council and the Board of Supervisors to serve as the steering committee.

These individuals will be selected from potential residents; development, real estate, and finance interests; and groups that advocate for low-income people. Their charge will be to work with NRC and SHRA staff to select and recommend (1) the initial mutual housing site and (2) alternative financing for the project. Upon approval of their recommendation by the appropriate governing board, the committee's work will conclude with its report at the organizational workshop to be arranged by NRC. At that time numerous committees will be assigned which will assume responsibility for the remaining organizational steps including association structure, resident selection criteria, and bylaws.

Rural California Housing Corporation

For the initial project, NRC will retain Rural California Housing Corporation to assist in identification of the site; application for State of California pre-development funds, self-help assistance, or other State funds appropriate to the recommending financing; and supervision of construction.

Mutual Housing

A mutual housing association is a publicly accountable, private nonprofit corporation which efficiently develops, owns, and operates housing in the public interest at minimum long-term costs in public subsidies. The mutual housing approach has been producing and managing affordable housing in Europe for nearly a century, while similar programs in Canada have been operating for many years. NRC has established a mutual housing association in

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Baltimore that has successfully built 49 units. It is currently managing those units and exploring strategies to acquire and rehab and/or to build additional units. The mission of a mutual housing association as defined by NRC is:

To combat community deterioration and preserve neighborhood stability through neighborhood-directed revitalization and the provision of affordable, quality homes and security from displacement.

To this end, the Association develops, owns, and manages housing in the public and community interests and serves as an ongoing producer of affordable housing. The association has dual goals of healthy economic integration and serving significant numbers of lower-income households.

A mutual housing association is a democratically run nonprofit 501(c)3 organization whose membership is comprised of residents and pre-resident members, government and business representatives, and professionals in real estate development and housing management.

Resident and pre-resident members comprise a numerical majority of voting members, the board of directors, and committees.

The association is committed to using all resources in excess of its operating and maintenance costs for the continued production of additional units through new construction or rehabilitation.

The association owns and maintains all dwelling units. Members democratically control their association, but residents do not own dwelling units. The association annually sets the monthly occupancy fee to cover all costs of maintenance and operation, repairs, mortgages, and return on public capital. Fees will be set as low as feasibly possible.

The association employs full-time professional staff and may utilize consultants; association members expand capacity through volunteer service.

By design, the association seeks to make its housing affordable to a range of persons below the SMSA median household income. Although the housing is designed primarily to serve households of modest means, residents are not required to leave because of an increase in household income.

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Financing the Mutual Housing Association

NRC will be responsible for all expenses incurred in the developmental stage, after which operations of the association will be financed by combined private and NRC contributions. Land purchase and site improvements will be financed with a public subsidy of local and possibly state funds. Construction of the initial project will be financed through a private construction loan which upon completion will be paid off with long term "take out" financing secured by NRC. A public subsidy, in the form of either a grant or a low or no interest loan, is necessary to speed the accrual of funds for the construction of additional mutual housing complexes. As the residents pay rent, the surplus over and above the cost of debt service and operations is used for the production of more mutual housing.

In Sacramento this public subsidy will probably be obtained through a Section 108 Loan for the full amount which is estimated to be \$300,000. These monies will be repaid over six years from future CDBG grants. The Section 108 Loan will be made against either the City or the County CDBG program depending upon the location of the initial project site.

The Section 108 Loan will only be authorized once the governing boards have approved a site (to be recommended by the steering committee). Once the site and project financing plans are in place, the Section 108 funds are limited in use to site acquisition and preparation. Ongoing operating costs are to be borne by the project with support from NRC.

After all potential sites have been analyzed and the best site selected by the steering committee, staff will return to the governing boards for approval of site acquisition and also final financial terms. The amount of the subsidy will be based on the need shown by the project proforma. The goal will be to design terms that will either (1) recycle the funds back into the CDBG program or (2) ensure additional and continuing production of units by the mutual housing association.

Supporting the development of a mutual housing association provides the opportunity to leverage substantial amounts of private and possibly State money for the immediate construction of affordable housing units. (The exact number of units in the original complex depends upon the site selected, but plans are for 35 to 40 at an estimated cost of \$55,500 per unit.) Staff intends that this one-time-only local subsidy will also ensure

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the continuous addition of new units to the rental housing stock as well as retention of the old units.

FINANCIAL DATA

This report has no immediate financial impact since it requests no allocation. Nonetheless, it does imply a future financial impact on either the City or County CDBG program through repayment over six years of a Section 108 loan of approximately \$300,000. Per the Agreement, NRC will pay all operating expenses during the developmental stage and will also provide \$50,000 for the first year of operation and for future years if budgetary limitations permit. In no case will the Agency incur any expense for operations of the mutual association.

ENVIRONMENTAL REVIEW

Because this report requests approval of the mutual housing project in concept only (which for environmental review purposes does not constitute a project), environmental review is not required. As soon as staff has information on a potential site or sites, the project will be forwarded for review under both the California Environmental Quality Act (CEQA) and the National Environmental Protection Act (NEPA).

POLICY IMPLICATION

This report is consistent with adopted policy because it supports continued efforts to (1) leverage scarce CDBG dollars and (2) increase and preserve the stock of affordable rental housing.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 7, 1988, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

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

NOTE AND RECOMMENDATION OF COMMISSION

SPORTS THERAPY

EMERGENCY SERVICES

EMERGENCY SERVICES

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RECOMMENDATION

The staff recommends adoption of the attached resolutions to (1) approve the participation of the CDBG Program in developing a mutual housing project in cooperation with Neighborhood Reinvestment Corporation (NRC); (2) authorize the Executive Director to execute the agreement with NRC shown as Exhibit A; (3) authorize the Executive Director to cooperate with Neighborhood Reinvestment Corporation in locating a site for construction of the initial mutual housing complex; (4) approve the concept of a steering committee and instruct the Executive Director to report back for designation of individuals to serve on the steering committee; and (5) instruct the Executive Director to report back for consideration of the proposed site and final terms for financial assistance to the project.

Respectfully submitted;

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL

Walter J. Slupe

WALTER J. SLUPE
City Manager

Contact Person: Trish Davey, 440-1322

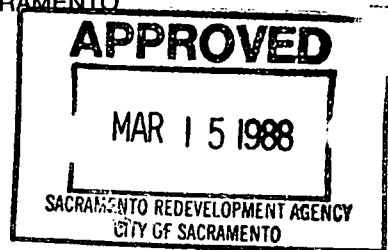
1094k

RESOLUTION NO. 88-024

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

March 15, 1988



RELATING TO MUTUAL HOUSING PROJECT

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

Section 1: Participation of the CDBG Program in developing a mutual housing project in cooperation with Neighborhood Reinvestment Corporation is approved.

Section 2: In accordance with the staff report filed with this resolution, the Executive Director is authorized to execute an agreement with Neighborhood Reinvestment Corporation to establish a mutual housing association.

Section 3: The Executive Director is authorized to cooperate with Neighborhood Reinvestment Corporation in locating a site for construction of an initial mutual housing complex.

Section 4: In accordance with the staff report filed with this resolution, the concept of a steering committee is approved, and the Executive Director is instructed to report to this body for designation of individuals to serve as such committee.

Section 5: The Executive Director is instructed to report to this body for consideration of the proposed housing site and final terms for financial assistance to a housing project.

CHAIR

ATTEST:

CLERK

1100WPP2(45)
2/25/88

41

RESOLUTION NO. 88-217

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

March 15, 1988

APPROVED
BY THE CITY COUNCIL

MAR 15 1988

OFFICE OF THE
CITY CLERK

RELATING TO MUTUAL HOUSING PROJECT

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

Section 1: Participation of the CDBG Program in developing a mutual housing project in cooperation with Neighborhood Reinvestment Corporation is approved.

Section 2: In accordance with the staff report filed with this resolution, the concept of a steering committee is approved, and the Executive Director of the Redevelopment Agency is instructed to submit a report to this body for designation of individuals to serve on such committee.

MAYOR

ATTEST:

CITY CLERK

1100WPP2(45)
2-25-88

AGREEMENT TO PROVIDE
COMMUNITY DEVELOPMENT SERVICES

THIS AGREEMENT is made and entered into as of this _____ day of _____, 1988, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO and the REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO (herein jointly referred to as AGENCY), as Agents for the CITY OF SACRAMENTO and the COUNTY OF SACRAMENTO (herein referred to as LOCALITIES) and NEIGHBORHOOD REINVESTMENT CORPORATION (herein referred to as CONTRACTOR).

RECITALS

WHEREAS, the LOCALITIES are desirous of improving existing housing and increasing the affordable housing stock;

WHEREAS, CONTRACTOR has the organization, facilities and personnel to create an organization, the SACRAMENTO MUTUAL HOUSING ASSOCIATION, Inc., to provide for such services;

WHEREAS, AGENCY has been appointed as Agent for both the City and County of Sacramento for the purpose of administering the expenditure of City and County participation in the Community Development Block Grant (CDBG) program of the United States Department of Housing and Urban Development;

WHEREAS, in all actions undertaken hereunder, AGENCY is acting as Agent for CITY/COUNTY and not as a principal;

WHEREAS, pursuant to the provisions of Government Code Section 53703, the City and County of Sacramento desire to allocate a portion of funds derived from the Housing and Community Development Act of 1974 to the SACRAMENTO MUTUAL HOUSING ASSOCIATION, Inc. for the purpose of community improvement and welfare;

WHEREAS, AGENCY on behalf of the CITY and COUNTY is desirous of engaging CONTRACTOR to provide certain community development services for the City and County of Sacramento in accordance with the purpose of this Agreement;

NON-PROFIT
STANDARD AGREEMENT
(PUBLIC SERVICES)

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. TERM

This Agreement shall be for the period commencing on the date this Agreement is executed and ending upon completion of activities or exhaustion of funds described in EXHIBIT A, or on December 30, 1989, whichever is sooner.

2. TERMINATION

- (a) In the event that CITY/COUNTY or AGENCY receive communication from the Federal Government that funds available to CITY/COUNTY under the Housing and Community Development Act of 1974 are to be reduced or withdrawn by the Federal Government, AGENCY may at its option terminate this Agreement immediately.
- (b) Agency on behalf of localities may suspend or terminate this Agreement and financial obligations hereunder in the event of default, inability or failure on the part of CONTRACTOR to perform satisfactorily under the conditions of this agreement.
- (c) Should any condition arise that, in the opinion of either party, would jeopardize the successful operation of a MUTUAL HOUSING ASSOCIATION or the continued success of development activities, this Agreement may be terminated by either party giving thirty (30) days written notice to the other. These conditions could include but are not limited to: an insufficient number of businesses and financial institutions to support the program, insufficient public or philanthropic resources to develop adequate loan funds or support, insufficient Locality support, or lack of concurrence by both parties on the organization structure of the MUTUAL HOUSING ASSOCIATION. In the event of termination prior to incorporation, Neighborhood Reinvestment shall have the right to receive such funds from localities for land purchase that have been incurred or unavoidably committed as of the termination date.

3. USE OF FUNDS

- (a) CONTRACTOR shall use all funds provided pursuant to this Agreement exclusively for the purpose of implementing its approved activity, a copy of which is attached hereto marked "EXHIBIT A" and made a part of hereof.

- (b) CONTRACTOR shall comply to the full extent with the regulations, policies, guidelines and requirements of OMB /Circular Nos. A-122 and A-110 (Exhibits D and E) as they relate to the application, acceptance, and use of Federal funds.
- (c) No funds paid by AGENCY hereunder shall be used directly or indirectly by CONTRACTOR for any political activity whatever.
- (d) CONTRACTOR shall use monies received pursuant to this Agreement in conformity with applicable provisions of volume 24 Code of Federal Regulations, Part 570, issued by the Department of Housing and Urban Development of the United States.
- (e) Program income shall be used in the program operation, and financial records shall document the receipt and expenditure of such funds. When CONTRACTOR retains program income, transfer of grant funds by the AGENCY to the CONTRACTOR shall be adjusted according to the procedures described in Section 570.504(b) (2) (i) and (ii) of the aforementioned Federal Regulations of the U.S. Department of Housing and Urban Development.
- (f) All funds paid by AGENCY hereunder must be deposited by CONTRACTOR in a non-interest bearing account with a minimum time elapsing between the transfer of funds from AGENCY and the disbursement to CONTRACTOR.

4. DISBURSEMENT

- (a) AGENCY shall disburse to CONTRACTOR loan funds in amounts determined under, and on terms provided in, Exhibit A attached and incorporated herein by reference in a total amount not to exceed \$300,000. Said funds shall be disbursed in one or more increments upon receipt and verification of statement from Contractor of eligible expenditures made or to be made under this agreement.
- (b) Prior to any irrevocable commitment of funds under this agreement, CONTRACTOR shall notify AGENCY of the proposed commitment and at AGENCY's request shall submit such proposal to AGENCY's Governing Board.

- (c) CONTRACTOR shall notify AGENCY in writing of all authorized personnel who shall be empowered to file requests for payments pursuant of this Agreement. Said authorized personnel shall certify that, to the best of their knowledge, such requests for payments are true and accurate.

5. MONITORING

- (a) AGENCY shall monitor the program adequacy of CONTRACTOR in the manner which AGENCY deems most effective. CONTRACTOR shall cooperate with AGENCY in such monitoring.
- (b) CONTRACTOR shall prepare and submit to AGENCY reports in the form and manner prescribed by AGENCY.
- (c) Such reports may be subject to audit by the U.S. Department of Housing and Urban Development, the AGENCY or the AGENCY'S designated Auditors.

6. RECORDS

- (a) CONTRACTOR shall keep all necessary books and records, including property, personnel and financial records, in connection with the operation and services performed under this Agreement, in accordance with provisions of OMB Circular No. A-110 Attachment G, a copy of which is attached and made a part hereof as "EXHIBIT E" and shall document all transactions so that HUD/AGENCY/CITY/COUNTY Auditors may properly audit all expenditures made pursuant to this Agreement. CONTRACTOR shall maintain and preserve all records related to this Agreement in its possession for a period of six (6) years from the effective date of this Agreement, unless otherwise directed by AGENCY/CITY/COUNTY. All books, records and accounts kept by CONTRACTOR in connection with the performance of this Agreement shall be made available to AGENCY/CITY/COUNTY personnel upon request.
- (b) Required performance records shall be filed with the AGENCY in the form and manner specified in "Exhibit A".
- (c) CONTRACTOR shall maintain data as required in 24 CFR 570.506 and 570.507.

7. CONFLICT OF INTEREST

No member, officer, or employee of CONTRACTOR or its designees or agents, who exercises any functions of responsibility with respect to the program during his tenure or for one (1) year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the program assisted under this AGREEMENT. The CONTRACTOR shall incorporate, or cause to be incorporated, in all subcontracts provision prohibiting such interest pursuant to the purpose of Section 570.611 of the aforesaid Regulations of the Department of Housing and Urban Development attached hereto marked "Exhibit B" and made a part hereof.

8. ELIGIBILITY AND NON-DISCRIMINATION (Section 109)

- (a) The persons eligible to be served by CONTRACTOR shall as set forth in "Exhibit A".
- (b) CONTRACTOR shall not employ discriminatory practices in the provision of services, employment of personnel, or in any other respect on the basis of race, color, religion, sex, national origin, ancestry, or physical or mental handicap, or age as more specifically set forth in Section 570.602 of the aforesaid Regulations of the Housing and Urban Development which requires compliance with Section 109 of the Act. A copy of said Regulations is attached hereto marked "EXHIBIT C" and made a part hereof.

9. CIVIL RIGHTS COVENANT

This Agreement, is subject to the requirements of Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and Title VIII of the Civil Rights Act of 1968 (C.P.L. 90-284) and HUD regulations with respect thereto including the regulations under 24 CFR Part 1. Further pursuant to Executive Order 11063, in the sale, lease or other transfer of land acquired, cleared or improved with assistance provided under the Agreement CONTRACTOR shall cause or require a covenant running with the land to be inserted in the deed or lease for such transfer, prohibiting discrimination upon the basis of race, color, religion, sex, or national origin, in the sale, lease or rental, or in the use or occupancy of such land or any improvement erected or to be erected thereon, and providing that the AGENCY and the United States are beneficiaries of and entitled to enforce such

covenant. CONTRACTOR, in undertaking its obligation in carrying out the program assisted hereunder, agrees to take such measures as are necessary to enforce such covenant and will not itself so discriminate.

10. SECTION 3 CLAUSE

This Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 USC 1701u), as amended, the HUD regulations issued pursuant thereto at 24 CFR, Part 135, and any applicable rules and orders of HUD issued thereunder prior to the HUD authorization of the Funding approval. CONTRACTOR shall cause or require to be inserted in full in all subcontracts for work financed in whole or in part with assistance provided under this Agreement, the Section 3 Clause set forth in "Exhibit F".

11. INDEMNIFICATION AND INSURANCE

(a) CONTRACTOR shall indemnify, defend and hold harmless AGENCY/CITY/COUNTY, their officers, agents and employees from and against any and all claims, losses, liabilities or damages, including attorneys fees arising out of or resulting from the performance of this Agreement, caused in whole or in part by any negligent act or omission of CONTRACTOR or anyone directly or indirectly employed by CONTRACTOR, regardless of whether it is caused in part by a party indemnified hereunder. Without limiting CONTRACTOR'S indemnification, CONTRACTOR shall maintain in force at all times during the performance of this Agreement a policy or policies of insurance covering its operations. Certificates evidencing the maintenance of CONTRACTOR'S insurance and showing AGENCY as additional insured, shall be filed with AGENCY on or before the effective date of this Agreement, and AGENCY shall be given notice in writing at least thirty (30) days in advance of cancellation or modification of any policy. The following policies on insurance shall be procured by CONTRACTOR:

- (1) General Liability. Such policy shall include, but be limited to contractual liability, public liability, and property damage coverage. This policy's single limit liability amount shall not be less than One Million Dollars (\$1,000,000).

- (2) Automobile. If motor vehicles are used in performing services hereunder, automobile insurance coverage must be obtained with not less than Three Hundred and Fifty Thousand Dollars (\$350,000) single limit liability.
- (3) Workers's Compensation. Such policy must cover all CONTRACTOR'S employees. Limits of liability for employer's liability shall be at least One Hundred Thousand Dollars (\$100,000).

12. SUBCONTRACTS

CONTRACTOR shall not enter into subcontracts for any of the work contemplated under this agreement without first obtaining written approval from AGENCY. CONTRACTOR is required to take affirmative steps to assure that small, minority and women business firms are utilized when possible as a source of supplies, equipment, construction and services as described in Executive Orders 11625 and 12423.

13. ASSIGNMENT

Without written consent of AGENCY this Agreement is not assignable by CONTRACTOR, either in whole or in part.

14. ALTERATION

No alteration or variation in the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

15. WAIVER

AGENCY'S waiver of any default, breach or condition precedent shall not be construed as a waiver on the part of the AGENCY of any other default, breach or condition precedent, or any other right hereunder.

16. PROPERTY OWNERSHIP AND PROCUREMENT

- (a) At the expiration of the Agreement or in the event this Agreement is not fully performed to the satisfaction of AGENCY, any and all nonexpendable furnishings, equipment or other personal property having a useful life of more than one (1) year and a purchase price of Three Hundred Dollars (\$300) or more purchased pursuant to this Agreement and not-consumed in the performance

of this Agreement shall become the property of AGENCY. Such property shall be delivered to AGENCY upon written notification by AGENCY to CONTRACTOR.

- (b) Real property acquired by CONTRACTOR from funds made available by this Agreement shall be used solely for the purposes set forth in this Agreement. Should CONTRACTOR or its successors at any time abandon the use of said property or fail at any time to use the same for the purposes herein required, AGENCY shall have the right to take possession of said property and all right, title and interest of CONTRACTOR in and to said property shall cease and terminate or CONTRACTOR shall be required to pay AGENCY full market value of the property.
- (c) Property acquired in whole or in part with funds provided pursuant to this Agreement shall be purchased and managed in accordance with the provisions of OMB A-110 Attachments N and O amended and amendments to become effective thereto during the term of this Agreement a copy of which is attached and made a part hereof as "EXHIBIT E".
- (d) Real Property shall be acquired in accordance with Title III, Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (at CFR Part 42).

17. CHANGE OR USE OR SALE OF PROPERTY

- (a) If at any time the property purchased by funds made available through this contract is sold or its use changes, CONTRACTOR or its ASSIGNEE shall notify AGENCY in a timely manner. AGENCY shall have the option:
 - (1) to approve the new use, if it meets CDBG requirements;
 - (2) to be reimbursed in an amount equal to the fair market value of the portion of the property acquired and improved with CDBG funds; or
 - (3) to take possession of the property.

(b) This requirement regarding property sale or change of use shall be recorded on the property title at the time of acquisition.

18. OTHER REQUIREMENTS

CONTRACTOR shall comply with applicable City/County, State of California, or other governmental agency regulations and requirements including but not limited to issuance of buildings permits, use permits, variances, and Air Pollution Control District permits.

19. STATUS OF CONTRACTOR

CONTRACTOR and agents and employees of CONTRACTOR in the performance of this Agreement shall act in an independent capacity and not as officers or employees or agents of CITY/COUNTY or AGENCY.

20. SUCCESSORS

This Agreement shall bind and inure to the successor in interest of AGENCY and CONTRACTOR in the same manner as if such party has expressly been named herein.

21. NOTICE

All notices and communications between the parties shall be addressed as follows:

NOTICE TO AGENCY:

Redevelopment Agency of the
City and County of Sacramento
630 I Street
Sacramento, California 95814

NOTICE TO CONTRACTOR:

George Knight
Deputy Executive Director
Neighborhood Reinvestment
Corporation
1325 G Street, NW
Suite 800
Washington, DC 20005

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

REDEVELOPMENT AGENCIES OF THE CITY AND COUNTY OF SACRAMENTO

BY: William H. Edgar, EXECUTIVE DIRECTOR

NEIGHBORHOOD REINVESTMENT CORPORATION

BY: William A. Whiteside, EXECUTIVE DIRECTOR

APPROVED AS TO FORM:

BY: Counsel for Agencies

APPROVED:

BY: Finance Department

BY: Organizational Approval

EXHIBIT A
TO COMMUNITY DEVELOPMENT SERVICES AGREEMENT

CONTRACTOR: Neighborhood Reinvestment Corporation

AMOUNT: \$300,000

METHOD OF PAYMENT: AGENCY shall loan CONTRACTOR or its ASSIGNEE a sum not to exceed \$300,000, in amounts necessary to subsidize the housing development to make occupancy affordable to low-income residents (those earning 80 percent or less of the Sacramento median income) as shown by an actual project proforma. Costs to be included in the loan shall be limited to eligible Section 108 Loan activities as allowed by 24 CFR Section 570.701 including land acquisition; clearance, demolition, and removal of buildings and improvements on real property acquired; and site preparation, including public improvements to property acquired.

The loan shall be for 20 years, secured by PROMISSORY NOTE and DEED OF TRUST which may also provide for deferred and/or forgiven payments as defined by the AGENCY. The loan may allow for subordination upon terms approved by the AGENCY. Final loan terms shall be approved by the appropriate governing board when site acquisition is approved.

SCOPE OF SERVICES: To provide loans for the development of affordable housing within the CITY or COUNTY of SACRAMENTO through a non-profit membership corporation as described below.

AFFORDABILITY OF UNITS: CONTRACTOR agrees that it and/or its ASSIGNEE will maintain at least 20 percent of the Mutual Housing Association units produced under this contract for occupancy by low-income residents (defined as those residents whose household incomes do not exceed 80 percent of the Sacramento area median household income). Additionally, CONTRACTOR agrees that it and/or its ASSIGNEE will charge rents for the units occupied by low-income residents at levels that do not exceed Section 8 Fair Market rents as published annually by HUD for the Sacramento area.

I. THE MUTUAL HOUSING ASSOCIATION - CONTRACTOR shall create a Mutual Housing Association and assist that Association in the development of an initial project site.

A Mutual Housing Association is a publicly accountable, private nonprofit corporation that efficiently develops, owns, and operates housing in the public interest at minimum long-term costs in public subsidies.

The mission of a Mutual Housing Association is:

To combat community deterioration and preserve neighborhood stability through neighborhood-directed revitalization and the provision of affordable, quality homes and security from displacement.

To this end, the Association develops, owns and manages housing in the public and community interests and serves as an ongoing producer of affordable housing. The Association has dual goals of healthy economic integration and serving a significant number of lower income households.

A Mutual Housing Association is a democratically run nonprofit 501(c)3 organization whose membership is comprised of residents and pre-resident members, government and business representatives and professionals in real estate development and housing management.

Resident and pre-resident members comprise a numerical majority of voting members on the Board of Directors and committees.

The Association is committed to using all resources in excess of its operating and maintenance costs for the continued production of additional units through new construction or rehabilitation.

The Association owns and maintains all dwelling units. Members democratically control the Association but residents do not own dwelling units. The Association annually sets the monthly occupancy fee to cover costs of maintenance and operation, repairs, mortgages, and return on public capital to the Association and will increase fees from time to time to reflect increased costs.

The Association employs full-time professional staff and may utilize consultants; Association members expand capacity through volunteer service.

By design, the Association seeks to make its housing affordable to a range of persons clustered below and around the SMSA median household income. Although the housing is designed primarily to serve households of modest means, residents are not required to leave because of an increase in the household income.

Resident members:

- o May retain their residency in the Association housing as long as they abide by the occupancy agreement.
- o Have the privilege to nominate an adult family/ household member for expedited consideration for membership and occupancy when the resident member relinquishes a unit.
- o Have the right to participate in the governance of the mutual housing community and the affairs of the Association through elections on the Board of Directors and resident councils.
- o Are responsible for the interior maintenance of their units and participate in periodic self-help projects to improve the quality of life while minimizing cost to the Association.
- o Pay a one-time membership fee which earns nominal interest and is refunded when members vacate their unit.

The creation of the Mutual Housing Association will include the development of an equity fund to reduce monthly association fees enabling the Association to serve lower income residents.

II. DEVELOPMENTAL PROCESS - Developing a Mutual Housing Association requires work on many parallel tracks: the creation of a nonprofit organization, resident selection, property development, capital development, and operations. It is because of this complex work that the development of the Mutual Housing Association will take between 9 and 12 months as shown on Exhibit G. The key to the success of the Mutual Housing Association will be the development of the Board of Directors, a partnership of residents, business, financial institutions, real estate professionals, and representatives of the Localities.

CONTRACTOR shall spend the first few months after this Agreement has been executed working with the Localities to create an Ad Hoc Steering Committee. Local support for this effort will be supplied in part by the RURAL CALIFORNIA HOUSING CORPORATION which shall be retained by CONTRACTOR.

AD HOC STEERING COMMITTEE

An ad hoc steering committee, composed of representatives from the financial sector, business sector, community at large, prospective association members, and local government, will be organized to assist CONTRACTOR and RURAL CALIFORNIA HOUSING CORPORATION in determining the feasibility of an ongoing Mutual Housing Association and in recommending to the Governing Board an initial project site.

The committee will serve as a sounding board to discuss how a Mutual Housing Association should be developed. The committee will also assist in the development of sites if the opportunities arise. The committee will be staffed by CONTRACTOR and RURAL CALIFORNIA HOUSING CORPORATION. Upon conclusion of the Steering Committee's work, CONTRACTOR will convene a Workshop to formally introduce the Mutual Housing Association concept to the broader Sacramento community and to invite volunteers to join committees necessary for the proper corporate development of the Mutual Housing Association.

WORKSHOP

This Workshop will also be a planning and organizational meeting where committee assignments will be made to address issues in the formation and operation of an ongoing Mutual Housing Association.

COMMITTEE WORK

Among the proposed committees are: (1) Organizational Structure, (2) Site Development, (3) Resident Selection, (4) Operations/Strategies, and (5) Capital Development.

The Organizational Structure Committee will be responsible for recommending the governing by-laws and general organizational rules and regulations to the future Board of Directors and Association members. A Nominating Committee will be responsible for identifying the first slate of Directors. The number and representation of these directors will be specified by the Organizational Structure Committee.

The Site Development Committee will be responsible for identifying potential building sites and policy and procedures to be followed in determining project feasibility and developing such sites.

The Resident Selection Committee will be responsible for developing guidelines on initial and ongoing resident recruitment and selection criteria. Among issues to be resolved are income eligibility, geographic scope, credit checks, house visits and willingness to be part of a Mutual Housing Association.

The Operations/Strategies Committee will be responsible for recommending building maintenance and operations policies for Mutual Housing Association properties, including: responsibilities of staff, residents, and contractors; individual unit occupancy and maintenance; inspection of units before, during, and after occupancy, ongoing repairs and maintenance of common areas.

The Capital Development Committee will be responsible for identifying potential funding sources for individual projects and the ongoing operation of the Association. CONTRACTOR will assist the Capital Development Committee by trying to identify corporate and foundation grants to endow the Mutual Housing Association for its initial and future projects.

The work of the committees will be substantially concluded upon election of the initial Board of Directors and Incorporation of the Mutual Housing Association.

INITIAL SITE DEVELOPMENT

Property development may occur concurrently with the above committee work. Steering Committee Staff, CONTRACTOR and RURAL CALIFORNIA HOUSING CORPORATION, will identify potential project sites and may purchase an option for such site if necessary to ensure availability for the Mutual Housing Association. Steering Committee Staff will create property development plans based upon input from the Steering Committee on the size of the project, design, monthly Association fees, and other factors. Staff may obtain preliminary approval from government agencies and financial institutions as necessary. Only the elected Board of the Mutual Housing Association can make the final decision to proceed.

The initial project will involve the use of self-help construction. RURAL CALIFORNIA HOUSING CORPORATION will be retained by CONTRACTOR to assist this initial project. RURAL CALIFORNIA HOUSING CORPORATION will assist in the identification of the project site, develop the application

for state pre-development funds and self-help assistance on behalf of the Mutual Housing Association, coordinate and supervise construction at initial project site and train the Mutual Housing Association families in self-help construction.

ONGOING TECHNICAL ASSISTANCE

After incorporation, CONTRACTOR will aid the Mutual Housing Association in obtaining its nonprofit tax status, in obtaining foundation support, and in training the Board of Directors and permanent staff. CONTRACTOR will work with Board and staff in establishing proper operating procedures and defining roles and responsibilities. When the program has become fully operational, CONTRACTOR shall continue to provide ongoing technical assistance and training to the Mutual Housing Association as appropriate.

III. LOCALITY INVOLVEMENT IN THE DEVELOPMENTAL PROCESS - The

Locality will ensure that the operations of the appropriate governmental departments will be coordinated in the development of the Mutual Housing Association and its initial project including but not limited to the Sacramento Housing and Redevelopment Agency, the Department of Planning and Community Development, Public Works and Engineering, Traffic, Public Safety, and the Unified School District. Representatives of the Localities and its departments will participate in the development of the Mutual Housing Association and its Board of Director.

1. The AGENCY agrees to recommend the Mutual Housing Association for any programs to reduce or eliminate sewer fees and other fees for Mutual Housing Association developments.
2. The AGENCY agrees to assist Mutual Housing Association projects by encouraging housing contributions through the North Natomas Housing Trust fund and other housing trust funds.
3. The AGENCY agrees to maintain its overall commitment to housing for low and moderate income persons.

IV. DEVELOPMENTAL BUDGET - CONTRACTOR estimates that expenses incurred during the 9-12 month developmental process will be approximately \$125,000. CONTRACTOR agrees to pay for all expenses incurred during the developmental stage. Among the items funded by CONTRACTOR will be:

- Local Staff (sub-contract with RURAL CALIFORNIA HOUSING CORPORATION)
- Field Service Officers (direct time and travel)
- Workshop expenses (lodging, meals, meetings, speakers, resource persons, participants' travel)
- Support services (board orientation, Executive Director training, resources and Board committees)
- Miscellaneous (materials, postage, printing, telephone, contingencies)

V. SUPPORT OF MUTUAL HOUSING ASSOCIATION OPERATING BUDGET - Operating expenses for the Mutual Housing Association will be approximately \$75,000 per year. CONTRACTOR will as part of the developmental process, endeavor to obtain private sector support for the operating budget. CONTRACTOR will provide \$50,000 for operating expenses in the first year of operation and intends to provide similar sums in two succeeding years as budget funds are available. No funds under this agreement shall be used for administrative or formation costs.