

CHAPTER 2:

FINANCIAL RESOURCES

This chapter presents information on funds and other resources that are available to support the County of Sacramento's (County's) housing programs. The County's housing programs are funded through a variety of federal, state and local sources. These funds support the construction of new affordable housing, encourage housing rehabilitation, assist first-time homebuyers, support revitalization of lower income neighborhoods, and provide various other housing services to low- and moderate-income households. In addition to financial resources, the County makes use of the institutional capabilities of government agencies and nonprofit organizations.

FUNDING SOURCES

This section is a summary of funding sources used by the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is the lead public agency for the City and County of Sacramento in affordable housing development, providing development funding, operating assistance and mortgage assistance for a variety of affordable housing types throughout the City and County. To help summarize resources available, Table 2-1 presents a summary of SHRA's historical budgeted funding for housing programs, and Table 2-2 projects anticipated annual funding during the Housing Element period, based on historical averages.

FUNDING SOURCE	2006	2007	2008	AVERAGE
<i>CDBG</i>	\$2,413,289	\$1,099,528	\$1,120,678	\$1,544,498
<i>HOME</i>	\$5,085,880	\$3,545,009	\$3,615,077	\$4,081,989
<i>HTF</i>	\$2,313,257	\$1,813,919	\$744,690	\$1,623,955
<i>Public Housing</i>	\$3,282,969	\$3,014,280	\$3,148,027	\$3,148,425
<i>Tax Increment</i>	\$1,879,085	\$2,035,215	\$1,670,784	\$1,861,695
<i>HCV¹</i>	\$92,128,354	\$89,115,431	\$92,401,068	\$91,214,951
TOTAL	\$107,102,834	\$100,622,382	\$102,700,324	\$103,475,513

Source: Halcon, E. pers comm. 2008

¹ HCV ("Housing Choice Voucher") revenue amounts include total housing assistance payments for the entire County, including all incorporated cities.

Notes: CDBG – Community Development Block Grant, HTF – Housing Trust Fund, HCV – Housing Choice Voucher

When considering the funding sources described in Tables 2-1 and 2-2 above, it is important to recognize the limitations and regulations associated with each. Public Housing and Housing Choice Voucher (HCV) funding represents a large amount of SHRA's funding, but the uses of both are limited to maintenance of existing public housing units and HCVs, and in general, do not represent funding available for the provision of new housing units. In addition, while both CDBG and tax increment funding can be used for non-housing purposes, the amounts shown in the table above represent the budgeted amounts associated with housing programs and projects. In general, 20 percent of tax increment by law must be "set aside"

for the provision of affordable housing. As of January 1, 2008, the unencumbered County tax increment “set-aside” fund was \$33,256.¹

FUNDING SOURCE	HISTORICAL ANNUAL AVERAGE	2008-2013
<i>CDBG</i>	\$1,544,498	\$7,722,491
<i>HOME</i>	\$4,081,989	\$20,409,944
<i>HTF</i>	\$1,623,955	\$8,119,776
<i>Public Housing</i>	\$3,148,425	\$15,742,126
<i>Tax Increment</i>	\$1,861,695	\$9,308,474
<i>HCV²</i>	\$91,214,951	\$456,074,755
TOTAL	\$103,475,513	\$517,377,566

Source: Halcon, E. pers comm. 2008

¹ Includes prior year unallocated funds.

² HCV (“Housing Choice Voucher”) revenue amounts include total housing assistance payments for the entire County, including all incorporated cities.

Notes: CDBG – Community Development Block Grant, HTF – Housing Trust Fund, HCV – Housing Choice Voucher

Revenues from Low/Mod Tax Increment, HOME and Housing Trust Funds, detailed in Table 2-2, are targeted for use under the Sacramento Housing and Redevelopment Multifamily Housing Lending Program. This program provides assistance for developers wishing to purchase and rehabilitate or construct affordable rental housing throughout the County. Guidelines for this program will be updated, prioritizing funding towards preservation of at-risk units and rehabilitation projects in redevelopment areas.

FEDERAL SOURCES OF FUNDING

U.S. Department of Housing and Urban Development (HUD) Funds

Public Housing

The largest source of funding for affordable housing in Sacramento comes from the United States Department of Housing and Urban Development (HUD). HUD supports the Housing Authority’s public housing units, new development and rehabilitation of affordable housing, and special needs housing through the provision of operating subsidies and capital funding. The County has 832 public housing units, which house some of the poorest residents of the County, with an average income of seven percent of area median income. Providing safe and secure housing for such an impoverished population is extremely expensive and requires an ongoing, dedicated operating subsidy. Recent cut backs to the public housing program at HUD are requiring public housing authorities nationwide to reconsider how they own, manage and maintain their public housing assets. In recognition of the declining federal resources, the County has approved SHRA’s asset repositioning strategy, which aims to rehabilitate and redevelop current public housing, with no net loss of subsidized units.

¹ \$20,500.94 of the unencumbered funds is associated with the joint City/County redevelopment areas of Stockton Boulevard and Franklin Boulevard. Redevelopment funds for these two areas are not divided between the City and County, and, therefore, some or all of these funds may be used outside of the County.

Housing Choice Vouchers

In addition to public housing, HUD also funds Housing Choice Vouchers formerly known as Section 8. Unlike public housing, which fixes the tenant's rent to no more than 30 percent of their household income, Housing Choice Vouchers provide a subsidy to private landlords to pay the difference between what the tenant can afford with 30 percent of their family income and the fair market rent. The Housing Choice Voucher program aims to provide housing choices to lower income families, and to disperse lower income residents throughout the County. SHRA administers approximately 11,000 Housing Choice vouchers throughout Sacramento County, including the incorporated cities. The majority of these vouchers are "tenant based" - they travel with the tenant to wherever he or she wishes to reside. However, HUD allows housing authorities to "project base" up to 20 percent of their vouchers, ensuring that certain units within certain complexes are available and affordable to lower income families and enabling the development to achieve deeper income targeting. SHRA's administrative plan envisions project basing at ten percent of its total vouchers.

Entitlement Funds

As an entitlement county under HUD regulations, Sacramento County also receives Community Development Block Grants (CDBG), Home Investment Partnership (HOME) funds, Emergency Shelter Grants (ESG), and Housing for People with AIDS/HIV (HOPWA). Federal funds available in the federal fiscal year 2008 (July 1, 2008 through June 30, 2009), are as follows:

- CDBG – \$6,161,383
- HOME – \$3,961,464
- ESG – \$255,339
- HOPWA– \$1,003,493²

The estimated allocation from the Action Plan programs for fiscal year 2008 is over \$11 million. These amounts are taken from the 2008 consolidated Action Plan, and include only new entitlement funds. They do not include any program income or existing unspent income, which is included in the budgeted amounts in Table 2-1.

CDGB The majority of CDBG funds are allocated for non-housing community development projects and each HUD funding source also allows for administrative costs. According to the 2008 County Action Plan, approximately \$4.9 million of the total HUD entitlement will be allocated for housing development, preservation and homeownership in 2008. CDBG funds designated for housing primarily support rehabilitation and First Time Homebuyer programs. CDBG funds are also available for public service activities supporting homeless programs and transitional housing.

HOME HOME funds are used exclusively for the new construction and rehabilitation of affordable housing, covering both homeownership and rental properties. The County annually receives approximately \$3.8 million in HOME funds, and repayments from outstanding loans are "revolved" back into the fund. While some HOME funds are used to support homeownership programs, most HOME dollars are used as "gap" loans for multifamily rental development and rehabilitation. SHRA has also set aside HOME funding for a supportive housing loan program that it operates in conjunction with the Department of Human Assistance (DHA), the

² The County of Sacramento is the recipient of HOPWA funds for the counties of Sacramento, El Dorado, Placer, and Yolo

Department of Health and Human Services and Mercy Housing. These County departments serve persons who are homeless or at risk of homelessness.

ESG and HOPWA The Emergency Shelter Grant (ESG) program provides homeless persons with basic shelter and essential supportive services. ESG funds can be used for a variety of activities, including: rehabilitation or remodeling of a building used as a new shelter, operations, and maintenance of a facility, essential supportive services, and homeless prevention. The Housing for People with AIDS/HIV (HOPWA) program provides grant funds to design long-term, comprehensive strategies for meeting the housing needs of low- and moderate-income people living with HIV/AIDS. HOPWA funds can be used for acquisition, rehabilitation, or new construction of housing, rental assistance, and related supportive services. HOPWA funds are received by the County of Sacramento. The County Department of Human Assistance (DHA) administers the funds.

McKinney Vento Act Program

Funding is available on an annual basis through the U.S. Department of Housing and Urban Development (HUD) Super-NOFA which is typically published in the spring of each year. Sacramento County Department of Human Assistance (DHA) is the lead Agency (Grantee) in Sacramento County which coordinates the local application process. Funding is provided for services to chronically homeless individuals residing in transitional housing and permanent supportive housing developments. Priority had previously been for transitional housing programs. Recent emphasis has begun to shift towards providing funding for services through permanent supportive housing. Most existing programs are renewed on an annual basis. Funding for new programs is typically available in two ways: the Grantee (DHA) can apply for one new project (Samaritan Bonus) each year in addition to renewing existing programs or an existing program can either be de-funded or request a reduction in funding and those funds can become available to a new program.

Mortgage Revenue Bonds and Low Income Housing Tax Credits

SHRA issues tax-exempt mortgage revenue bonds on behalf of the County for housing developments that restrict a portion of their units for very low-income and low-income households. The basic federal requirements are that 20 percent of the units must be restricted to very low-income households (50 percent of area median income), or 40 percent of the units restricted to low-income households (60 percent of area median income). Agency policies require the 20 percent very low-income restriction. The funds raised as a result of the bond sales carry below market interest rates, and are often coupled with Low-Income Housing Tax Credits to raise the equity needed for the project's affordability and feasibility.

The Low-Income Housing Tax Credit program is a federal program which provides each state an allocation of tax credits based upon population to create affordable housing for low-income households. The tax credits are incentives for private business to invest in affordable housing. Within the federal tax credit program, there are two programs - the four percent and the nine percent tax credits. The nine percent tax credit program with its higher credit factor is more competitive and requires much deeper affordability targeting. The four percent tax credit program is used solely in conjunction with the mortgage revenue bond program. In addition to federal tax credits, California has created a state tax credit program to be used in conjunction with the federal credits, although the requirements of the program often limit its use and attractiveness.

Mortgage Credit Certificates

The Mortgage Credit Certificate (MCC) program provides financial assistance to first time homebuyers for the purchase of new or existing single-family homes. The MCC provides qualified first time homebuyers with a federal income tax credit, which reduces an individual's tax payment(s) by an amount equal to the credit. The MCC program can be used to increase homeownership, especially in targeted neighborhoods

HUD 811 and 202 Programs

The Section 811 program provides funding for the development of rental housing with the availability of supportive services for adults with disabilities. The Section 811 program allows for persons with disabilities to live as independently as possible in the community. The program also provides project rental assistance, which covers the difference between the HUD-approved operating costs of the project and the tenants' contribution toward rent. The Section 202 program provides funds to finance the construction, rehabilitation or acquisition with or without rehabilitation of structures that will serve as supportive housing for very low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable. It provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, and other supportive activities.

STATE SOURCES OF FUNDING**Proposition 1C Funding**

Proposition 1C authorized about \$2.85 billion in State funding for a variety of housing programs. Potential uses of Proposition 1C funds include brownfield cleanup and infill incentives, multifamily housing programs, implementation of Transit Oriented Development (TOD), the state's Homeowner Downpayment Assistance program, supportive housing, farmworker housing, emergency housing assistance, and programs for homeless youth.

Multifamily Housing Program

The Multifamily Housing Program (MHP) is used to assist the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households. Special allocations have been made for supportive housing with associated health and social services for low-income renters with disabilities, people who are moving from emergency shelters or transitional housing, or people who are at risk of homelessness. MHP funding can be used by local governments, for-profit and nonprofit corporations, limited equity housing cooperatives, and individuals to construct, rehabilitate, or preserve permanent and transitional rental housing.

Mental Health Services Act Program

Mental Health Services Act (MHSA) Housing Program was established by Executive Order to fund permanent supportive housing (PSH) projects for people with psychiatric disabilities and children with serious emotional disturbance. In permanent housing, all services must be voluntary. PSH is defined to include all of the following: tenant holds a lease and has rights of tenancy, tenant has a private space that is locked and that only they have access to, and participating in supportive services is not a requirement of tenancy. Transitional housing and emergency shelters are not eligible for funding.

Housing Enabling Local Partnerships (HELP)

HELP funding is provided to local government entities to tailor the affordable housing activities and priorities of the particular jurisdiction. HELP Program funds can be used for a wide variety of housing programs, including multifamily construction and rehabilitation and homeownership assistance. SHRA has used the HELP program in the County to provide acquisition financing for distressed rental properties targeted by the County Nuisance Response Team.

Building Equity and Growth in Neighborhoods (BEGIN)

BEGIN funding includes grants to local public agencies to make deferred-payment second mortgage loans to qualified buyers of new homes in projects with affordability enhanced by local regulatory incentives or barrier reductions. These grants are used to increase homeownership among low- and moderate-income residents.

CalHOME

CalHOME funding includes grants to local public agencies and nonprofit corporations to assist individual households through deferred-payment loans. This program also provides direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions. These grants are used to enable low- and very low-income residents to become or remain homeowners.

Emergency Housing and Assistance Program (EHAP)

EHAP funding includes both operating grants and deferred loans for capital development. Grants can be used for facility operations of emergency shelters, transitional housing projects, and supported services for homeless individuals and families. Loans to local public agencies and nonprofit developers may be used for capital development activities for emergency shelters, transitional housing and safe havens that provide shelter and supportive services for homeless individuals and families.

LOCAL SOURCES OF FUNDING

Redevelopment Area Tax Increment Revenues

The County has four redevelopment project areas administered by SHRA: Mather Air Park, McClellan Air Park/Watt Avenue, Walnut Grove, and Florin Road. In addition, SHRA administers three joint City-County redevelopment areas: Franklin Boulevard, Stockton Boulevard and Auburn Boulevard.

Low- and moderate-income tax increment set-aside funding is the main source of housing funds used to support housing programs in redevelopment areas and fulfilling redevelopment goals. Under state law, at least 20 percent of tax increment funds collected in redevelopment areas must be set-aside for the production and rehabilitation of affordable housing.

Housing Trust Fund of the County of Sacramento

The County of Sacramento adopted a local ordinance in 1989 that established an impact fee on new non-residential construction. The fees were based on an economic nexus analysis that determined that the construction of such commercial projects as offices, business parks, hotels, warehouses, and shopping centers played a major role in attracting new very low- and low-income workers to Sacramento. Because the workers are often unable to afford housing close to their

work sites, the fee-generated revenue is used to increase the supply of housing affordable to these income groups, creating the nexus or linkage between jobs and housing.

Annually, the County Housing Trust Fund provides approximately \$1,000,000 for new construction of housing for people that are in or likely to be in the labor force. Housing Trust funds are most commonly used as “gap” loans, leveraging millions of dollars of outside resources to create affordable housing in the County.

In 2005 a housing trust fund nexus analysis was conducted for the City and County. Subsequently, the City amended its ordinance and updated its fees on new non-residential construction. The County did not proceed to update its fees.

INSTITUTIONAL STRUCTURE AND COORDINATION

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (SHRA)

The Sacramento Housing and Redevelopment Agency (SHRA) is a Joint Powers Authority created as a public agency by the City and County of Sacramento in 1973. SHRA serves three essential functions for both the City and unincorporated County in its roles as the Housing Authority, Redevelopment Agency and housing department for both jurisdictions.

In its role as the Housing Authority, SHRA owns and operates 2,462 public housing units in the City and an additional 832 in the other portions of the County. It administers over 11,000 Housing Choice Vouchers throughout Sacramento County. As a redevelopment agency, SHRA administers four County redevelopment areas and three joint City-County redevelopment areas. In addition to these County areas, SHRA administers six City redevelopment project areas and jointly administers two additional areas with the City Economic Development Department. In this context, SHRA administers the County’s redevelopment housing set-aside funds, moneys that are required to be set-aside by state law in redevelopment project areas to fund housing programs and projects that benefit lower income households. Finally, SHRA acts as the County’s housing department, administering federal and state funding programs for the provision of affordable housing and implementing the County’s Affordable Housing Ordinance.

COUNTY OF SACRAMENTO

Several departments within the County of Sacramento assist in the planning and implementation of the Consolidated Plan. The agencies listed below focus on housing, infrastructure, and supportive services funded by federal grant programs. In addition to these departments/agencies, the Department of Finance, the Environmental Health Department, and the County Sheriff’s Department have important responsibilities for implementing actions under the Housing Element.

Municipal Services Agency

The County Municipal Services Agency is the umbrella agency for a number of County departments which includes Planning and Community Development, Neighborhood Services, Transportation, Water Resources, Animal Care and other departments. The Agency’s services include garbage collection, animal care, land use and community planning, road protection, building permits and development services, open space conservation, regional parks and numerous other services.

Planning and Community Development Department

The Planning and Community Development Department serves the County by administering the County's land use planning programs. These programs include:

- Long-range planning services, including updating of the Sacramento County General Plan.
- Specific and Community planning services, including preparation and adoption of a series of Specific and Community Plans.
- Current Planning and Zoning services, including zoning information and review of private development projects and processing to the various hearing bodies.

Department of Human Assistance

The Department of Human Assistance (DHA) operates the welfare programs for the County and serves as the lead agency for the Emergency Shelter Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) programs. DHA offers the following services to County residents:

- Senior Volunteer Services.
- Welfare Reform.
- Homeless Assistance.
- Employment Services.
- Financial Assistance.
- Medical Assistance.
- Senior Nutrition.

Department of Health and Human Services

Principal services offered through the Department of Health and Human Services include:

- Alcohol and Drug Services.
- Children's Services.
- Family Assistance.
- Mental Health Services.
- Senior Services.
- Shelter and Homeless Assistance.

Neighborhood Services Department

The Neighborhood Services Department was formed in March of 2004 as part of the Sacramento County Board of Supervisor's commitment to provide residents and business owners of unincorporated Sacramento County improved services and

enhanced lines of communication with County staff. The Department offers programs to help residents:

- Know what the County is doing in the various neighborhoods, from road repairs to land use, from economic development to landscaping;
- Get answers from a single phone call, visit or review of the website;
- Make resident opinions and priorities known to Sacramento County decision makers; and
- Obtain services in convenient locations.

This department coordinates with various departments to deliver services and improvements to neighborhoods. The Neighborhood Services Department also provides code enforcement services administered by the Code Enforcement Division. The services include the enforcement of the Zoning Code and the abatement of public nuisances such as dangerous buildings, junk vehicles, and junk and rubbish.