

Waiver of National Objectives

MEMORANDUM FOR: Steven B. Sachs, Director, Community Planning and Development Division,
California State Office, 9AD

FROM: Jacquie M. Lawing, General Deputy Assistant Secretary, Community Planning and Development,
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SUBJECT: Request for Waiver
Sacramento County, California
Cedarwood Mobile Home Park

This is in response to your memorandum of February 6, 1997, transmitting and recommending approval of a request from Sacramento County for a waiver of the Community Development Block Grant (CDBG) regulations. The County is requesting a waiver of the national objective regulations at 24 CFR 570.208(a)(3) to permit it to provide CDBG funds to the Cedarwood Mobile Homeowners' Association (CMHA) to purchase the Cedarwood Mobile Home Park.

The request is submitted pursuant to 24 CFR 5.110, as referenced at 24 CFR 570.5, which permits HUD to waive any requirement in the regulations not specifically required by law, upon determination of good cause if undue hardship would result from applying the requirement and if the application of the requirement would adversely affect the purposes of the Act. The waiver will allow the CMHA to use CDBG funds to assist in the purchase of the mobile home park. The homeowners currently rent their lots from the private owner of the park, who is actively trying to sell the property. The Association has secured funding and seeks a loan from a private lender in the amount of \$4,845,000. CMHA needs additional funding and seeks a loan from the Sacramento County CDBG Program in the amount of \$275,575 to purchase the units. The CDBG requested amount thus represents less than 6 percent of the total project cost.

Since the property is being acquired for the purpose of providing housing, compliance with the national objective of benefit to low- and moderate-income persons must be based on the requirements of 570.208(a)(3). This part of the regulations generally provides that for single unit housing structures, each must be occupied by a low- and moderate-income household. Since only 52 (27 percent) of the 192 units in the park are occupied by low- and moderate-income households, Sacramento County is seeking a waiver of this part of the regulations. Because the methodology identified in the regulations at 570.208(a)(3) is not required by statute, HUD may consider a waiver to permit the use of another methodology to meet the housing national objective of benefit to low- and moderate-income persons.

The County and park residents are concerned that, if a waiver is not granted and an outside investor purchases the park, rents may increase to an unaffordable level. Residents may be forced out of their homes if the purchaser chooses to use the property for a purpose other than housing. The loss of existing affordable housing for seniors would be detrimental to the South Sacramento community.

It is noted that the proposed purchase will result in significant financial leveraging of the CDBG investment. A small amount of CDBG funds provides a significantly higher proportion of benefit to low- and moderate-income households. A CDBG investment of \$275,575, representing less than 6 percent of the total purchase price of the park, will result in at least 27 percent of the units in the park remaining affordable to low- and moderate-income households. Given the private funding amount of \$4,845,000, the purchase reflects a leverage ratio of private to CDBG funds of almost 18 to one.

Given the above information, the Department has determined that the County has demonstrated that application of the requirements at 24 CFR 570.208(a)(3) would cause undue hardship and adversely affect the purposes of the Act. Therefore, under the authority of 24 CFR 5.110, as applicable to the CDBG program at 24 CFR 570.5, I hereby waive the limitation at 24 CFR 570.208(a)(3) to permit Sacramento County to allow the Cedarwood Mobile Homeowners' Association to use CDBG funds for acquisition of the mobile home park.

If you have any questions about this approval, please contact the Entitlement Communities Division at (202) 708-1577.

cc:

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