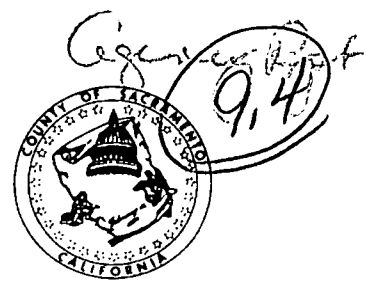




**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



May 22, 1990

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: Support for Proposition 107, The Housing and Homeless Bond Act

SUMMARY

This report recommends adoption of a resolution of support for Proposition 107 on the June ballot and transmittal of a joint letter of support signed by the Mayor of the City of Sacramento and the Chair of the Sacramento County Board of Supervisors to proponents of Proposition 107 and local newspapers.

BACKGROUND

A. Overview:

Proposition 107 is the third in a series of three low income housing referenda initially authorized for placement on the ballot in 1988. The other two, Proposition 77 and Proposition 84, were approved by the voters in June 1988 and November 1988 respectively. Together they would authorize the sale of \$600 million in state general obligation bonds for production of affordable housing. A breakdown of the bond amounts and uses follows:

**BOND AMOUNTS BY ISSUE DATE AND USE
(In Millions)**

<u>USE</u>	<u>PROP 77</u>	<u>PROP 84</u>	<u>PROP 107</u>	<u>TOTAL</u>
1. Rental Housing Construction	\$	\$ 200	\$ 100	\$ 300
2. Seismic Rental Rehab	80			80
3. Deferred Payment Rehab	70			70
4. First Time Home Buyers		25	25	50
5. Residential Hotel Purchase & Rehab		25	15	40
6. Emergency Shelter		25	10	35
7. Family Rental Housing		15		15
8. Farm Labor Housing		10		10
TOTAL	\$ 150	\$ 300	\$ 150	\$ 600

5-22-90
All Districts (1)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
Housing Authority of the
City of Sacramento

May 22, 1990

Page 2

Proponents estimate that approximately 67,000 lower income households will benefit as a result of passage of the three propositions. Estimates by dwelling type follow:

Rental Housing Construction	8,000	Units
Rehabilitation	22,000	Units
First Time Homebuyers	4,000	Units
Emergency Shelter Beds	33,000	Beds

The need for additional state funding for low income housing is large and growing. According to state estimates, approximately 790,000 low income households in California lack affordable housing. In the City and County of Sacramento we estimate that approximately 45,000 low income households are experiencing an unmet housing need. And there is an approximately \$14,000 gap between the cost of producing market rate housing and the amount low income wage earners can afford to pay.

Looking to the future the situation is not likely to improve without increased state and local government involvement. The fact that rents are increasing faster than incomes in the lower income ranges will inevitably increase demand for affordable housing. At the same time federal housing programs, the traditional and by far the largest source of housing funding, are in decline and are very likely to remain so considering the federal deficit problem. This highlights the need for new funding mechanisms such as proposition 107.

B. State Housing Programs Summary:

The following is a brief summary of state housing programs listed above:

1. The Rental Housing Construction Program provides 30-year, 0-3% interest, deferred payment loans for the development of rental housing for low and very low income families, the elderly and the handicapped, in rural and urban areas. Eligible loan recipients include private developers, nonprofits and public agencies.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
Housing Authority of the
City of Sacramento

May 22, 1990

Page 3

2. The Earthquake Safety Housing Rehabilitation Program (Seismic Rental Rehab) provides deferred payment rehabilitation loans to increase the ability of unreinforced masonry multifamily residential structures to withstand earthquakes. Eligibility is limited to structures identified as being potentially hazardous buildings in local government earthquake mitigation plans. A minimum of 70% of residents must be low or moderate income households.
3. The Deferred Payment Rehabilitation Loan Program provides 5-year renewable loans at 3% interest for the rehabilitation of owner occupied housing for low and moderate income households, rental housing and residential hotels for low and very low income households. The money passes through public agencies and nonprofits which lend the money to eligible property owners.
4. The First Time Home Buyers Program, also called The Roberti-Greene Home Purchase Assistance Program, is a new program in the California Housing Finance Agency (CHFA) to assist first-time homebuyers by offering interest rate subsidies or deferred payment second mortgage loans to reduce housing payments on homes financed by CHFA, or the Department Veterans Affairs (DVA). Purchase assistance includes an interest rate subsidy to reduce the interest rate to as low as 1%; a deferred payment low interest second mortgage to reduce principal and interest payments, or down payment assistance to make financing affordable. The term of the second mortgage cannot exceed the term of the primary financing and shall not exceed 49% of the total indebtedness.
5. The Special User Housing Rehabilitation Program provides 30-year, deferred payment, 3% interest loans for the acquisition and/or rehabilitation of rental housing for low and very low income elderly and handicapped persons, or residential hotels for low and very low income persons.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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

6. The Emergency Shelter Program provides grants to local government and nonprofit agencies for the acquisition and/or rehabilitation of buildings for emergency shelters for homeless people and provides funds for administrative costs.
7. The Family Housing Demonstration Program provides loans for the construction, acquisition and/or rehabilitation of community housing developments and congregate housing at 3% interest for 30 years with deferred payments.
8. Farm Labor Housing. Funding is provided for development of farm labor centers in various locations throughout the state.

C. Agency Utilization of HCD Programs:

State housing funding is awarded on a competitive basis. This Agency has been quite successful in capturing these funds in the past. For example, funding for Riverview Plaza included a \$900,000 deferred payment loan under the Rental Housing Construction Program. The Sequoia and Ridgeway residential hotel developments have received a total of \$1.8 million in deferred payment loans under the Special User Housing Rehabilitation Program. The deferred payment rehabilitation loan program for homeowners and owners of rental properties is an important source of funding for our Housing Rehabilitation Division. With passage of these bond issues, significantly greater amounts of state funding would become available. Sacramento would be in a good position to compete for additional funding.

FINANCIAL DATA

The recommendation contained in this report will have no direct financial effect on this Agency or the City/County.

POLICY IMPLICATION

The action proposed in this staff report is consistent with previously approved policy and there are no policy changes being recommended.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency and
Housing Authority of the
City of Sacramento
May 22, 1990
Page 5

ENVIRONMENTAL REVIEW

The proposed action is exempt from environmental review per CEQA Guidelines, Section 15378(b)(3); NEPA does not apply.

MBW/WBE REVIEW

MBE/WBE considerations are not required with this activity.

VOTE AND RECOMMENDATION OF COMMISSION

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

AYES: Amundson, Moose, Simon, Strong, Wiggins, Williams,
Wooley, Yew, Simpson

NOES: None

ABSENT: Diepenbrock, Pernel

RECOMMENDATION

Staff recommends adoption of the attached resolution of support for Proposition 107 and transmittal of a joint letter of support signed by the Mayor of the City of Sacramento and the Chair of the Sacramento County Board of Supervisors to local newspapers. A draft letter of support is also attached.

Respectfully submitted,



ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLUPE, City Manager

Contact Person: Kurt D. Findeisen, 440-1313

cdm\PROP 107

RESOLUTION NO. 90-413

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL

MAY 22 1990.

OFFICE OF THE
CITY CLERK

**POSITION STATEMENT ON PROPOSITION 107
THE HOUSING AND HOMELESS BOND ACT**

WHEREAS there is an increasing unmet need for affordable housing among Sacramento's lower income families;

WHEREAS reductions in federal funding place increased pressures on State and local government to create new programs and funding to meet his need;

WHEREAS the State Legislature has passed and the Governor has signed legislation which will place three separate State general obligation bond issues totalling \$600 million before the voters, the proceeds from which would be channeled to low income housing programs and projects throughout the State; and

WHEREAS Proposition 107, appearing on the June 1990 ballot, would provide \$150 million in funding for affordable housing programs which would benefit Sacramento homeowners and renters;

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

Section 1: The City Council of the City of Sacramento officially supports Proposition 107.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 2: The Mayor of the City of Sacramento is authorized and directed to communicate this declaration of support to the proponents of Proposition 107 and local newspapers and others.

MAYOR

ATTEST:

CITY CLERK

cdm\P:\SHARE\RESO\PROP107

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

DRAFT LETTER OF SUPPORT FOR PROPOSITION 107 FROM THE MAYOR OF THE CITY OF SACRAMENTO AND CHAIR OF THE SACRAMENTO COUNTY BOARD OF SUPERVISORS TO THE EDITORS OF LOCAL NEWSPAPERS.

Of all the ballot propositions to be voted on this June, Proposition 107, The Housing and Homeless Bond Act, is perhaps the least controversial, least publicized and, therefore, least known to voters. But this lack of visibility should not be construed as a lack of importance. Passage of Proposition 107 is indeed very important when it comes to meeting affordable housing needs in Sacramento and the State.

Proposition 107 would authorize the issuance of \$150 million in State bonds for the following affordable housing programs administered by the State: rental housing construction (\$100 million), rehabilitation of residential hotels (\$15 million), emergency shelters (\$15 million) and assistance to first time homebuyers (\$25 million). Proponents of Proposition 107 estimate that approximately 22,000 lower income households will benefit as a result of its passage. Funds would be awarded to local projects chosen through a competitive selection process. With our active affordable housing production program, Sacramento would be in a good position to compete for State funding.

The need for additional state funding to provide affordable housing is large and growing. According to state estimates, approximately 790,000 low income households in California lack affordable housing. In the City and County of Sacramento we estimate that approximately 45,000 low income households are experiencing an unmet housing need. And there is an approximately \$14,000 gap between the cost of producing market rate housing and the amount low income wage earners can afford to pay.

Looking to the future, the situation is not likely to improve without increased state and local government involvement. The fact that rents are increasing faster than incomes in the lower income ranges will inevitably increase demand for affordable housing. At the same time federal housing programs, the traditional and by far the largest source of housing funding, are in decline and are very likely to remain so considering the federal deficit problem. This highlights the need for new funding mechanisms such as proposition 107. A yes vote this June is important.