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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

February 22, 1983 CITY MANAGER'S OFFICE

APPROVED
BY THE CITY COUNCIL

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Sacramento City Council
Sacramento, California

Honorable Members in Session:

OFFICE OF THE
CITY CLERK

SUBJECT: Multifamily Rental Housing Bond Program (Document Approval)

SUMMARY

The report regards the approval of documents relating to the issuance of multifamily rental housing revenue bonds. If bonds are sold, proceeds will be used to finance apartment construction in the City. At least 20% of the apartment units financed must be reserved for families of low and moderate income.

Revenue bonds sold under this program will not be an indebtedness of the City.

BACKGROUND

In the last several years, developers of low and moderate income multifamily rental housing have been able to produce apartment units through low interest financing in combination with Federal Section 8 rent subsidies. However, the cutback in these subsidies and the continued high interest rates have combined to severely depress apartment construction. With the prospect of impending shortages in Sacramento of affordable rental units, in June 1982 Sacramento Housing and Redevelopment Agency began to explore the feasibility of revenue bond issuance for rental housing construction.

In a report on this subject to the City Council in July 1982 the Agency was designated coordinator for the design and implementation of a proposed multifamily rental housing bond program. In September 1982, after a competitive process, a multifamily bond financing team was selected and the Agency proceeded to advertise for developer and lender participation.

Of the ten developers who submitted applications requesting financing for seventeen apartment projects County-wide, three developers applied for bond money for four projects located within the City limits. As pointed out in a report to City Council on January 18, 1983 current differences in State and Federal law make it more favorable to issue bonds under charter city powers rather than under County general law authority for the City-located projects.

2-22-83

All Districts

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On January 18, 1983 City Council adopted a procedural ordinance enabling the City to issue multifamily rental housing revenue bonds. At this same meeting, City Council adopted a resolution declaring intention to issue bonds for the four City projects. Now, however, only one project, located near San Juan Road and Miramonte Avenue, is prepared to move forward for possible bond financing. The developer of the project is Pacific General Group, Inc., and the lender is First Nationwide Savings. As indicated in previous reports, the multifamily rental housing bond program is designed as a "loans-to-lenders" structure whereby bond proceeds are deposited with a savings and loan association in return for a certificate of deposit issued to the Trustee. The credit of the savings and loan association stands behind the loan of bond proceeds.

All rental projects receiving this bond financing must be in compliance with Federal and State law applicable to multifamily tax-exempt bond issues. A summary of these requirements is outlined in Attachment I.

The financing team indicates that all documents and agreements are in substantially final form and advises City Council to adopt a resolution approving these documents. Such action will permit a bond sale on relatively short notice as bond market conditions dictate. Senior manager of the underwriting team indicates that a bond sale could take place as early as the first week in March 1983. Timing will depend upon final negotiations between the developer and lender as well as bond market conditions.

In order to proceed to bond issuance, the attached resolution must be adopted. Prepared by bond counsel, the resolution 1) authorizes issuance of multifamily rental housing revenue bonds for the one project in the amount of \$17,000,000; 2) officially adopts the program and program guidelines; 3) appoints the Trustee (Security Pacific National Bank); 4) approves the following documents substantially in the form presented at this meeting--Deposit Agreement, Regulatory Agreement, Indenture, Preliminary Official Statement, and Purchase contract; 5) authorizes the Executive Director, SHRA, to approve changes in the Official Statement and to execute requisitions to pay costs of issuing bonds; and 6) authorizes the Mayor to execute the various documents. Prior to execution of the Purchase Contract the purchase offer must be approved by the Pricing Committee consisting of the City Treasurer, City Director of Finance, and Executive Director, SHRA, or their respective designees. The bond documents have been reviewed by the City Attorney's Office.

Authorization for subsequent bond issues for other projects will require the adoption of an additional resolution.

FINANCIAL DATA

The City and Agency are under no financial obligation for program costs which are payable from bond proceeds. If bonds are not sold, any direct expenses incurred prior to bond sale will be borne by developer application fees currently on deposit. The bonds sold under this program are not an indebtedness of the City.

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POLICY IMPLICATIONS

The proposed actions recommended in this report are consistent with current policy.

RECOMMENDATION

The staff recommends that the City Council adopt the attached resolution approving bond documents, authorizing the Mayor to execute these documents, and authorizing all other actions set forth in the resolution that will enable bonds to be issued for the multifamily rental housing bond program.

Respectfully submitted,

William H. Edgar
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slipe, Jr.
For WALTER J. SLIPE
City Manager

SUMMARY OF REQUIREMENTS

- all projects financed must be located within the territorial boundaries of the issuing jurisdiction
- all project dwelling units must be available for rental on a continuous basis to members of the general public for at least ten years
- at least 20% of the dwelling units in each project must be leased or rented to low or moderate income tenants (low or moderate income defined to be families with income no greater than 80% of the median family income for the area as determined by the Department of Housing and Urban Development)
- dwelling units reserved for low or moderate income families must be available for rental at an affordable rent (affordable rent defined to be rent no greater than 30% of 80% of the median family income for the area)
- developer must agree to advise the City (County) and the Trustee in writing of the status of the occupancy of the project on a monthly basis until the project is fully rented and thereafter on a semi-annual basis
- developer must agree to maintain complete and accurate records pertaining to the low and moderate income units and permit inspection of said records by authorized representatives of the City (County), the Trustee, the Lender, or the Internal Revenue Service
- developer must agree to prepare and submit to the City (County), Trustee and Lender annual reports stating the percentage of dwelling units of the project which were occupied by low or moderate income tenants
- developer must agree that restrictions placed on the project shall be deemed covenants running with the land which shall pass to and be binding upon successors in title

ATTACHMENT I

RESOLUTION NO. 83-143

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

February 22, 1983

RESOLUTION APPROVING DOCUMENTS FOR THE ISSUANCE OF MULTIFAMILY RENTAL HOUSING REVENUE BONDS

WHEREAS, there is a shortage in the County of Sacramento (the "County") and in the City of Sacramento (the "City") of decent, safe and sanitary housing which is affordable by persons in the lower end of the income spectrum and a consequent need to encourage the construction of rental units affordable by such persons and otherwise to increase the housing supply in the County and in the City for such persons; and

WHEREAS, the City has determined to engage in a multifamily rental housing revenue bond finance program (the "Program") pursuant to its Charter and Ordinance No. 83-011, an Ordinance of the City Council of the City of Sacramento Providing for Multifamily Rental Housing Revenue Bonds, adopted on January 18, 1983 (the "Ordinance"), for persons and families within the income limits established by the Ordinance, and wishes to issue revenue bonds pursuant to the Ordinance to provide funds for the Program; and

WHEREAS, the City Council finds and determines that the Program complies with the Land Use Element and the Housing Element of the City's General Plan; and

WHEREAS, on January 18, 1983, the City Council of the City of Sacramento adopted Resolution No. 83-048 Declaring Intention to Issue Bonds for Multifamily Residential Rental Projects; and

WHEREAS, the City Council has duly published notice of a public hearing regarding the issuance of revenue bonds for the Program in accordance with the requirements of Section 103(k) of the Internal Revenue Code of 1954, as amended; and

WHEREAS, the members of the City Council are the applicable elected representatives to conduct a public hearing regarding the issuance of the revenue bonds; and

APPROVED
BY THE CITY COUNCIL

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CITY CLERK

WHEREAS, the City Council has conducted a public hearing regarding the issuance of the revenue bonds for the Program and determined it to be in the public interest to issue revenue bonds the proceeds of which will be used to make a deposit with the lender hereinafter mentioned who will, in turn, originate a loan in furtherance of the purposes of the Ordinance, which loan will serve the public safety, health and welfare of the citizens of the State; and

WHEREAS, all acts, conditions and things required by the Ordinance, and by all other laws of the State of California, to exist, to have happened and to have been performed precedent to and in connection with the issuance of the aforesaid revenue bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to issue such revenue bonds for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, said revenue bonds are to be issued hereunder in an aggregate principal amount not to exceed the amount specified in Exhibit A and are to be designated as the "City of Sacramento, California, Multifamily Rental Housing Revenue Bonds, 1st Nationwide Savings Certificate of Deposit Program, Issue 1983A" (the "Bonds");

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

SECTION 1. The above recitals, and each of them, are true and correct.

SECTION 2. The City hereby adopts the Program for the purpose of increasing the multifamily rental housing supply in the City and the Program Guidelines, in the form presented at this meeting, are hereby approved and adopted for the Program.

SECTION 3. The proposed form of the Deposit Agreement presented at this meeting is hereby approved; and the Mayor and City Clerk are hereby authorized and directed, for and in the name of the City, to execute such agreement with 1st Nationwide Savings (the "Lender") and Security Pacific National Bank, as Trustee. Said agreement shall be executed in substantially the form hereby approved, with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. The proposed form of the Regulatory Agreement presented at this meeting is hereby approved; and the Mayor and City Clerk are hereby authorized and directed, for and in the name of the City, to execute such agreement with the

developer who will construct and acquire the project described in Exhibit A hereto. Said agreement shall be executed in substantially the form hereby approved, with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 5. The Preliminary Official Statement relating to the Bonds presented at this meeting is hereby approved in substantially the form presented with such changes thereto as may be approved by the Executive Director of the Sacramento Housing and Redevelopment Agency, or his designee; and the distribution of such Preliminary Official Statement in connection with the sale of the Bonds is hereby authorized.

SECTION 6. Pursuant to the Ordinance, the Bonds shall be sold and issued as hereinafter provided in such aggregate principal amount, not to exceed the amount set forth in Exhibit A and as may be specified in the Purchase Contract hereinafter mentioned. The purposes for which the proceeds of the Bonds shall be expended are the making of a deposit with the Lender and such other purposes as are set forth in the proposed form of indenture presented at this meeting (the "Indenture"). The City hereby approves the Lender's making of a loan pursuant to the Program Guidelines to a developer to construct and acquire the Project described in Exhibit A hereto.

SECTION 7. Security Pacific National Bank, Los Angeles, California, is hereby appointed as Trustee for the City and the owners of the Bonds, with the duties and powers of such Trustee as set forth in the Indenture.

SECTION 8. Said proposed form of the Indenture is hereby approved, and the Mayor and Clerk of the City Council are hereby authorized and directed for and in the name and on behalf of the City to execute, acknowledge and deliver to the Trustee an indenture in said form with such additions thereto and/or changes therein as the officers executing the same may approve (consistent with the Purchase Contract approved pursuant to this resolution), such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 9. The form of the Bonds as set forth in the Indenture (as the Indenture may be modified pursuant to the preceding section hereof) is hereby approved. The Mayor or Vice-Mayor and the City Clerk are hereby authorized and directed to execute, in the name and behalf of the City and under its seal, such Bonds in the aggregate principal amount set forth hereinabove in accordance with the Indenture.

SECTION 10. The form of Purchase Contract presented at this meeting and the sale of the Bonds pursuant thereto are hereby approved, provided that the final form thereof has been approved by the City Attorney and that the purchase price of the Bonds and rates of interest thereon shall have been approved at at least two of the following: the City Treasurer, or his designee, the Director of Finance of the City, or his designee, and the Executive Director of the Sacramento Housing and Redevelopment Agency, or his designee; and, subject to such approval, the Mayor and City Clerk are hereby authorized and directed to evidence the City's acceptance of the offer made by said Purchase Contract by executing and delivering said Purchase Contract in said form with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 11. The Executive Director of the Sacramento Housing and Redevelopment Agency, or his designee, is hereby authorized and directed to execute one or more requisitions authorizing Security Pacific National Bank, as Trustee under the aforesaid Indenture, to pay the costs of issuing the Bonds from the Costs of Issuance Fund established under and pursuant to the Indenture.

SECTION 12. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things to execute and deliver any and all documents (including, but not limited to, a final Official Statement relating to the Bonds) which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, and otherwise to effectuate the purposes of this resolution; and such actions previously taken by such officers are hereby ratified and confirmed.

MAYOR

ATTEST:

CITY CLERK

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<u>Developer</u>	<u>Project Location</u>	<u>Number of Units</u>	<u>Amount</u>
Pacific General Group, Inc.	San Juan Road & Miramonte Ave.	425	\$17,000,000

EXHIBIT A



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

February 18, 1983

TO: Members, Sacramento City Council
FROM: William H. Edgar, Executive Director
SUBJECT: Multifamily Housing Bond Program - Document Approval

Regarding item 35 on the February 22, 1983 City Council Agenda, a copy of each of the multifamily rental housing bond documents to be considered for approval is on file in the City Clerk's office. These voluminous documents were not distributed to each Council member due to the duplicating costs that would have been incurred in so doing.

All documents, either prepared or approved by bond counsel to the City, have been reviewed by the City Attorney's Office.

William H. Edgar

WILLIAM H. EDGAR
Executive Director

RWV:mlf