



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**

*Agency Rpt*  
**32**



November 4, 1985

CITY MANAGER'S OFFICE  
**RECEIVED**  
NOV 13 1985

Sacramento City Council  
Sacramento, California

**FILED**  
NOV 19 1985  
BY THE CITY CLERK  
OFFICE OF THE CITY CLERK

**RECEIVED**  
CITY CLERK'S OFFICE  
CITY OF SACRAMENTO  
NOV 14 8 27 AM '85

Honorable Members in Session:

**SUBJECT:** Report on 1985 Housing Legislation

The first year of this legislative session produced a number of bills of significance to Sacramento City and County. Part I of this report is a digest and preliminary analysis of signed bills deemed to be of greatest significance. Some of these will need to be reviewed in detail by appropriate staff, to determine what action may be necessary. These bills and the appropriate staffs are identified below.

Part II of this report identifies bills which will be considered in the second year of the legislative session, commencing in January of 1986. Recommendations for your legislative positions will be presented at a later date.

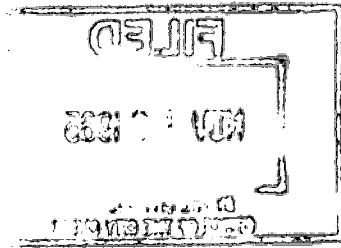
Part III of the report is a summary of the disposition of bills which you either supported or opposed in previous action.

This item is for information only. No legislative action is necessary. Some bills, however, will require further SHRA staff investigation and actions. These are:

- AB 265 (Hughes) - Redevelopment
- AB 117 (Frazee) - Redevelopment
- SB 690 (McCorquodale) - Redevelopment
- SB 549 (Deddeh) - Homeless Coordinator
- AB 935 (Costa) - Planning and Evaluation
- SB 531 (Mello) - Redevelopment
- AB 2297 (Davis) - Planning and Evaluation
- AB 1488 (Mountjoy) - Planning and Evaluation
- AB 2544 (Robinson) - Planning and Evaluation

11-19-85  
All Districts

85 CityLegisRpt  
10-30-85/114



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Two

## PART I - BILLS SIGNED

**SB 478 (PETRIS) - HOUSING TRUST FUND:** Establishes the California Housing Trust Fund, a permanent, annual source of \$20 million per year, dedicated to housing programs for low- and very low-income persons. Revenues are from offshore oil taxes. For the first two years, one million dollars a year is committed to a Farmworkers Housing Rehabilitation Loan program. The remaining \$19 million will be allocated to specific programs each year in the budget process. The bill has a three-year sunset.

**AB 2002 (MAXINE WATERS) AND AB 1185 (MAXINE WATERS) - MORTGAGE REVENUE BONDS:** Both bills impose new targeting and reporting requirements for multi-family bond-financed developments. AB 2002 applies these requirements to CHFA and City and County programs. AB 1185 does the same for bonds issued by housing authorities and redevelopment agencies. Both bills provide that:

- 10% of the units financed by Mortgage Revenue Bonds (MRB's) issued after January 1, 1986, shall be reserved for very low-income households (those earning less than 50% of the area median). The current City and County policy, which this bill supercedes, requires that 7% of units in projects induced after November of 1984, be rented to very low-income households.
- Rents on reserved, very low-income units are set at 30% of 50% of median, adjusted for family size. In Sacramento, therefore, rents for a one-bedroom unit could not exceed \$272 per month. By contrast, our current policy is that rents for these units could not exceed Housing and Urban Development (HUD) fair market rents for Section 8 (currently \$321, excluding a utility allowance for a one-bedroom unit.
- The reserved units must be held for the length of the bond term, rather than the current half the length of the longest-term bond.
- No bond can be issued until State law reporting requirements are met.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

37

Sacramento City Council  
October 30, 1985  
Page Three

Additionally, AB 2002, which applies to cities and counties, states that:

-- Priority shall be given to projects with units for large families, that leverage local and Federal funds, that exceed targeting requirements, that are sponsored by non-profits, that are a part of jobs/housing balance plans, or that include energy-efficiency materials.

-- Quality of materials and amenities provided should not be excessive so as to prohibit the goal of low-income housing.

**AB 265 (HUGHES) - REDEVELOPMENT:** Existing law requires that 20% of all tax increment monies generated in redevelopment project areas, for which redevelopment plans were adopted after January 1, 1977, shall be used for low- and moderate-income housing. The City of Sacramento project areas are therefore exempt. This bill applies the 20% requirement to pre-1977 plan areas. Twenty percent of the tax increment funds for the 1985-1986 fiscal year and after shall be deposited in a low- and moderate income housing fund, to increase or improve the affordable supply of low- and moderate income housing. Less than the 20% may be deposited, if necessary to:

- a. make payments under existing obligations (e.g., pledged to bonds) incurred prior to January 1, 1986, or
- b. provide for the orderly and timely completion of projects approved prior to January 1, 1986.

If less than the 20% is deposited, the redevelopment agency must adopt, prior to September 1, 1986, a statement of existing obligations and/or existing programs. A public hearing is required and a copy of the statement must be transmitted to the Department of Housing and Community Development (HCD). This bill requires timely action by the Redevelopment Division.

**SB 549 (DEDDEH) - HOMELESS SHELTERS:** Permits the use of State Emergency Housing and Assistance funds to be used for the operation of shelters and for the administration of shelter programs. Not more than 80% of the operating costs of a shelter can be covered, nor can more than 5% of a grant be expended for administration. Under existing law, grant funds can be used only to purchase, lease, renovate, repair, or equip shelters.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Four

**AB 117 (FRAZEE) - REDEVELOPMENT:** Permits a county to require a community redevelopment agency, which is not otherwise making specified payments to the county, to reimburse the county for any expenses incurred for performing specified fiscal services related to the allocation of tax increment funds. This would not apply to projects where tax increment-sharing agreements have been entered into with the County. This bill requires investigation by the Redevelopment Division.

**AB 935 (COSTA) - SELF-HELP HOUSING:** Changes the name of the California Housing Advisory Service to the California Selfhelp Housing Program. Authorizes grants to public agencies and non-profit organizations, to provide technical assistance to owner-builders and -rehabilitators (rehabilitation?). Grant funds may be used to:

- a. cover costs of developing, conducting, administering or coordinating self-help programs.
- b. write down development costs.
- c. reduce mortgage payments by reducing interest costs through supplemental payments of grant funds, reducing principal or by deferring payments.

The Department of Housing and Community Development is preparing regulations and procedures. Five million dollars will be available this year. The applicability of this program to Sacramento is being explored.

**AB 1318 (BRADLEY) - REDEVELOPMENT:** Requires a redevelopment agency to notify the County assessor whenever it leases property to any person. Existing law requires that this property be assessed and taxed in the same manner as privately-owned property and that the lessee pay the taxes.

**SB 690 (MC CORQUODALE) - REDEVELOPMENT:** Redevelopment agencies with plans adopted prior to October 1, 1976, were exempt from certain provisions of State law. This bill applies these

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Five

provisions to pre-1976 agencies, including Sacramento. By December 31, 1986, these agencies must adopt an ordinance containing:

1. a limitation on the number of dollars of taxes which may be divided and allocated to the redevelopment agency.
2. a time limit on establishing of loans, advances, and indebtedness to finance the redevelopment project.
3. a 12-year time limit for commencement of eminent domain procedures in the project area.

Immediate action will be required by the redevelopment agencies.

**SB 156 (MELLO) - HOUSING DEVELOPMENT:** Requires a city or county to provide one or more of the following regulatory concessions, if 20% of the units in a rental project are proposed to be reserved for lower-income persons:

1. Reduction in site development standards, modifications of zoning requirements, or architectural design requirements.
2. Density bonus.
3. Mixed-use bonus.
4. Other.

**SB 531 (MELLO) - URBAN WATERFRONT:** Revises the California Urban Waterfront Area Restoration Financing Authority Act, to permit office structures to be included in the term "project".

**AB 2297 (DAVIS) - MORTGAGE CREDIT CERTIFICATES:** Implements the portion of the Federal Tax Reform Act of 1982 related to mortgage credit certificates and authorizes State and local agencies to issue Mortgage Credit Certificates (MCC). Authority to issue MCC's might be a valuable adjunct to our authority to issue revenue bonds. This potential is being explored by the Planning and Evaluation Division of the Sacramento Housing and Redevelopment Agency.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Six

**AB 1488 (MOUNTJOY) - MORTGAGE BONDS:** Allows any allocation of qualified mortgage bonds to a local agency to be apportioned among two issues of the bonds and treats each apportionment as a separate allocation for purposes of expiration and use, if one portion is used for the acquisition of homes and the other for home improvement and rehabilitation. Removes the first-time homebuyer requirements, if all the bond proceeds are allocated to home improvement or substantial rehabilitation. This bill could give the agency more flexibility in development of a multi-faceted bond program. Its potential is being explored by the Planning and Evaluation Division of the Sacramento Housing and Redevelopment Agency.

**AB 1075 (JOHNSON) - REDEVELOPMENT AGENCIES:** Existing law states that no member of a redevelopment commission shall acquire any interest in any property included within a project area, and that a member who owns or has any direct or indirect financial interest in any property within a project area, shall immediately make a written disclosure of that interest to the legislative body. AB 1075 provides that "A rental agreement or lease of a property is not an interest in property."

**AB 2544 (ROBINSON) - BONDS:** This bill contains a nearly total revision of statutes governing the refunding of bonds issued by all local agencies and some State entities. The bill repeals various provisions that have restricted the ability of local agencies to refund their outstanding debt. The bill took effect as an urgency measure on September 26, 1985.

Other provisions of AB 2544 restrict a financial advisor serving as an underwriter on the same issue of local agency debt, prohibit financial advisor compensation being based on a percentage of the amount of the proposed bond issue (except for housing bonds), and prohibit bond council from also serving as underwriter's council for the same issue. The impact on City and County procedures need to be evaluated by the Planning and Evaluation Division.

**SB 1322 (MARKS) - CHAPTER 906, COMMUNITY REHABILITATION DISTRICTS:** This bill enacts the Community Rehabilitation District Law of 1985. Its purpose is to provide a method of financing the rehabilitation, renovation, repair or restoration of

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Seven

existing public facilities. Public facilities include, but are not limited to, streets and roads, sewer and water systems, public buildings, flood control works, criminal justice facilities, libraries and parks.

The bill allows the legislative body of a city or county to establish a community rehabilitation district. The legislative body must serve as ex officio directors. The district cannot overlap project areas established by a redevelopment agency.

The district may rehabilitate capital facilities, expand their capacities, replace them with alternative technologies, or relocate them. It may not perform routine maintenance.

The district may levy assessments and issue bonds pursuant to several improvement acts. It may also impose a special tax and issue bonds pursuant to the Mello-Roos Community Facilities Act of 1982, or impose fees or charges.

After approval by the voters who reside in the district the legislative body may issue bonds. A majority vote is required. The bonds will not be a debt of the city or county.

Bonds will be paid out of property tax revenues from the district through a Bond Payment Fund established by the district. No claim on property tax revenue by any other public or private entity, for any purpose whatever, shall take precedence.

## PART II - TWO-YEAR BILLS

**AB 1473 (STERLING) - REDEVELOPMENT:** For projects adopted after January 1, 1986, this bill would require a redevelopment agency, upon request of a school district, to expend on school buildings and improvements, the "amount of property tax revenues which would have been received by the school district if all the property tax revenues had been allocated to all the affected taxing agencies", without any diversion of the tax increment revenues to the redevelopment agency.

**AB 1995 (WATERS) - REDEVELOPMENT:** This bill would require redevelopment agencies to dedicate at least 2.5% of tax increment funds for construction and maintenance of emergency shelters for low- or moderate-income persons. Agencies would be



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Eight

authorized to make findings and provide less than 2.5% for emergency shelter but, if challenged, the burden of proof would be on the agency to support the finding. The bill would apply to any plan adopted or amended after January 1, 1959.

**SB 1039 (MONTROYA) - REDEVELOPMENT:** This bill is sponsored by Los Angeles County and provides a number of restrictions in the redevelopment law. It further tightens restrictions on the establishment of redevelopment areas, by requiring the proposed area to qualify as a distressed community or a "pocket of poverty", as defined in the Federal criteria for UDAG grants. The bill would also restrict the amount of area which may be included in a project area to 25% of the city, limit the term of redevelopment plans to 25 years, impose controls and oversight on redevelopment area expenditures, and require cities to consider special assessment financing, instead of tax increment.

## PART III - DISPOSITION OF 1985 LEGISLATION PROPOSALS ACTED UPON BY THE CITY COUNCIL AND BOARD OF SUPERVISORS

### SB 938 (GREENE) - PROVIDES FUNDS FOR HOUSING PROGRAMS:

Position:	Supported.
Disposition:	Two-year bill; substantially amended.

### SB 912 (PETRIS) - TIDELANDS OIL TRUST FUND FOR HOUSING:

Position:	Supported.
Disposition:	Amended into SB 478; signed by Governor.

### SB 1205 (ROBERTI) - SINGLE-PARENT HOUSEHOLD DEMONSTRATION:

Position	Supported.
Disposition	Two-year bill.

### AB 2002 (WATERS) - TARGETS LOCAL MORTGAGE REVENUE BONDS TO VERY LOW-INCOME PERSONS:

Position	Opposed.
Disposition	Signed by Governor.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

32

Sacramento City Council  
October 30, 1985  
Page Nine

## AB 2297 (DAVIS) - AUTHORIZES MORTGAGE CREDIT CERTIFICATES FOR FIRST-TIME HOMEBUYERS:

Position:	Supported.
Disposition:	Signed by Governor.

## AB 1316 (FLOYD) - APPLIES PREVAILING WAGE REQUIREMENTS TO BOND-FINANCED PROJECTS:

Position:	Opposed.
Disposition:	Dead.

## SB 1255 (GREENE) - INSURANCE FOR SB 99 RESIDENTIAL MORTGAGE BONDS:

Position	Supported.
Disposition	Signed by Governor.

## AB 1488 (MOUNTJOY) - MORTGAGE REVENUE BONDS FOR REHABILITATION:

Position:	Supported.
Disposition:	Signed by Governor.

## AB 53 (CHACON) - INCREASES DEBT CEILING ON TAX EXEMPT BONDS:

Position:	Supported.
Disposition:	Signed by Governor.

## AB 1473 (STIRLING) - EXPENDITURE OF TAX INCREMENT FUNDS ON SCHOOL BUILDINGS:

Position:	Opposed.
Disposition:	In Assembly Housing and Community Development Committee.

## SB 690 (MC CORQUODALE) - USE OF TAX INCREMENT FUNDS FOR PRE-1976 PLANS:

Position	Conditionally supported.
Disposition	Signed by Governor.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

32

Sacramento City Council  
October 30, 1985  
Page Ten

**SB 1039 (MONTROYA) - CERTAIN NEW RESTRICTIONS IN REDEVELOPMENT LAW:**

Position: Opposed.  
Disposition: In Senate Local Government Committee.

**AB 1995 (WATERS) - MANDATORY USE OF TAX INCREMENT FUNDS FOR HOMELESS AND OTHER ISSUES:**

Position: Opposed portion dealing with tax increment.  
Disposition: Passed Assembly; two-year bill.

**SB 822 (MC CORQUODALE) - PILOT MENTAL HEALTH PROGRAM IN SACRAMENTO, SANTA CLARA AND LOS ANGELES COUNTIES:**

Position Supported.  
Disposition Vetoed by Governor.

**SB 549 (DEDDEH) - USE OF STATE FUNDS FOR SHELTER OPERATING EXPENSES:**

Position Supported.  
Disposition Signed.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Silpe*  
WALTER J. SILPE  
City Manager

Contact Person: John Molloy