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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

September 21, 1981

City Council of the
City of Sacramento
Budget and Finance Committee
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Intent to Collaborate with County of Sacramento
for Next Mortgage Revenue Bond Issue

Enclosed is a copy of a staff report regarding the above
subject. This matter will be an "add item" on the Budget
and Finance Committee calendar and is scheduled as Item
No. 22 on the City Council Agenda for Wednesday, Septemb-
ber 29, 1981.

Please contact me if you have any questions.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Interim Executive Director

Enclosure



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

September 21, 1981

City Council
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Intent to Collaborate with County of Sacramento on Next
Mortgage Revenue Bond Issue

SUMMARY

The attached resolution 1) formally declares the intent of the City of Sacramento to collaborate with the County of Sacramento to structure and issue housing mortgage bonds under AB 1355, 2) approves the selection of Blyth, Eastman, Paine, Webber, Inc./ E. F. Hutton/Salomon Brothers as the underwriter firm for the subject issue, and 3) declares the City's intention to have the Sacramento Housing and Redevelopment Agency administer this bond issue.

BACKGROUND

Agency, City and County staff have been working together during the past months to establish a framework for the development of the next mortgage revenue bond issue. The major activities involved 1) the selection of an underwriter, 2) a determination of the Federal and State requirements for the next issue, 3) the development of the general parameters of the issue, and 4) the establishment of the projected time schedule for its development. A brief summary of each of these activities follows:

- 1) Underwriter Selection - During the latter part of July a task force was formed to screen and recommend the underwriter firm. The task force consisted of City, County and Agency staff, a Sacramento Housing and Redevelopment Commissioner and a representative from the Building Industry Association of Superior California (BI). Requests for proposals (RFP) were mailed out to the leading housing underwriters across the nation. Of the 13 firms which were mailed RFP's, six firms responded and were interviewed by the task force on August 25th. Based on an evaluation of the written proposals submitted by the firms and

9-22-81
All Districts

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their performance at the oral interviews, the task force has recommended the selection of the joint management group of Blyth, Eastman, Paine, Webber, Inc./E. F. Hutton/Salomon Brothers as the underwriters for the next mortgage revenue bond issue. Blyth, Eastman, Paine, Webber, Inc. will assume the role of senior manager and E. F. Hutton and Salomon Brothers will act as co-managers.

- 2) Program Requirements - A list of some of the major Federal and State legislative constraints imposed on the next mortgage revenue bond program follows:
 - A) Residence Requirement - owner occupied.
 - B) Mortgagor Qualifications
 - i) "First time homeowners" - the mortgagor cannot have been a homeowner in the past three years (except for rehabilitation, home improvement and targeted area loans).
 - ii) Income Limits
 - a) New construction or home improvements - income cannot exceed 120% of median income (per the latest consultant figures this limit is \$31,680 for the County of Sacramento).
 - b) Existing homes - at least one-half of the refinancing loans must be made to individuals/families who make less than 80% of the median income - the remainder must be made to those individuals/families who make less than 100% of the median income.
 - c) Determination of the median income - can represent the highest of State-wide, County-wide or HUD SMSA figures.
 - C) Maximum Purchase Price of Homes
 - i) Homes located in targeted areas - less than 110% of the average area purchase prices in the SMSA.
 - ii) Other - less than 90% of the average area purchase prices in the SMSA.
 - iii) Home improvement loans - no limit.

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- (iv) Per the U.S. Department of the Treasury, the safe harbor limitations for average area purchase prices for the Sacramento SMSA for new and existing homes are as follows:

<u>New</u>	<u>90%</u>	<u>110%</u> (targeted areas only)
\$96,700	\$87,030	\$106,370
<u>Existing</u>	<u>90%</u>	<u>110%</u> (targeted areas only)
\$93,400	\$84,060	\$102,740

D) Target Areas

- i) Legal Requirement - Federal legislation requires that at least 20% of the bond proceeds must be reserved for one year for targeted areas (census tracts where 70% of the families have incomes less than 80% of the median income). However, an additional section of the law indicates the amount reserved for targeted areas does not have to exceed 40% of the average annual aggregate principal amount of mortgages made in the targeted areas of the issuer during the preceding three calendar years. (Due to the minimal mortgage activity in the Sacramento SMSA targeted areas, this formula will be computed by Agency staff to determine the City/County percentage for its next issue. It is anticipated the results of this analysis will show a very small amount will be required for set-aside purposes.)
- ii) The U.S. Department of the Treasury safe harbor determinations for qualified census tract areas for target areas for the Sacramento SMSA are census tracts 5-0, 6-0, 11-0, 27-0, 37-0, 53-0 and 65-0 (see map attached as Appendix I).

E) Residential/New Construction Mix

At least 60% of the bond proceeds must be used for new construction purposes, which represents a 40% maximum set aside for substantial rehabilitation.

The requirements noted above reflect recent Federal and State legislation which represents an entire new set of program guidelines.

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- 3) Parameters of Next Issue - Initial observations and analysis of the City and County needs within these legislative requirements indicate the likelihood of developing a mortgage revenue bond program which includes financing for both new construction and existing single-family units. In addition, due to a perceived need for rehabilitation financing, staff will research the feasibility of developing a future issue to include rehabilitation funding. Due to the extensive amount of time required to plan and structure a bond issue to include rehabilitation funds, and its impact on ratings, bond counsel, with agreement from Agency staff, indicates that this component could not be included in a 1981 issue.

To date the Agency has contacted all the incorporated cities in the County of Sacramento to determine the extent of their interest in the next issue. Galt, Isleton and Folsom have all shown interest in participating with the County in a mortgage revenue bond program. Each City is currently making some initial assessments of the specific housing needs of their community. Agency staff will work closely with them to attempt to address their needs in the next issue. All cities will have the opportunity to review the final structure of the issue prior to the bonds going to market.

- 4) Timetable - A tentative time schedule was established at the initial strategy meeting for the development of the bond issue which provides for an anticipated marketing date by the end of 1981 (see Appendix II).

Developer and Originator-Servicer interest will be solicited in October, the program documents and feasibility study completed by mid-November, and the bond ratings will be received by the end of November. During December the official statement will be printed and the participation agreements executed. Based upon this schedule, the issue can be marketed by December 31, 1981. Obviously it is not possible to ascertain at this time whether a favorable market will exist to sell the bonds at that point. However, it is the Agency's contention that a whole-hearted effort should be made to develop the issue in the most timely manner possible in order to place the City/County in a position to make that decision at that time.

FINANCIAL DATA

The underwriter firms of Blyth, Eastman, Paine, Webber, Inc./E. F. Hutton/Salomon Brothers are paid on a contingency basis if the issue is sold and are paid out of the bond proceeds. Therefore, the City, County and SHRA are under no financial obligation for any costs or

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expenses incurred by the underwriter. The Agency, as in the previous bond issue, will have to retain the services of Agency Bond Counsel during the preparation of the bond issue. This contract will be prepared for approval in the near future.

RECOMMENDATION

The staff recommends adoption of the attached resolution.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slipe
WALTER J. SLIPE
City Manager

Contact Person: Leo T. Goto

RESOLUTION NO. 81-701

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION OF INTENTION TO COLLABORATE WITH THE COUNTY OF SACRAMENTO TO ISSUE HOME OWNERSHIP MORTGAGE REVENUE BONDS AND APPROVING THE FIRMS OF BLYTH, EASTMAN, PAINE WEBBER, INC./E. F. HUTTON/SALOMON BROTHERS AS UNDERWRITERS FOR SAID ISSUE AND DECLARING INTENT TO VEST ADMINISTRATION IN THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. That the Council of the City of Sacramento hereby declares its intent to collaborate with the County of Sacramento in the issuance by the County of home ownership mortgage revenue bonds pursuant to Part 5 of Division 31 (Section 52000, et seq.) of the California Health and Safety Code and to take all actions legally necessary to do so, provided that such bond issue is subsequently determined by this Council to be feasible. Nothing herein shall be construed to obligate the City of Sacramento to issue or collaborate in the issuance of said bonds.

SECTION 2. The firms of Blyth, Eastman, Paine Webber, Inc., E. F. Hutton and Salomon Brothers are hereby approved as principal underwriters for said bond issue, provided, however, that no local entities will be responsible for any costs or expenses incurred by said underwriters for any purpose unless said bonds are issued, and then only from the proceeds of the sale of said bonds. Blyth, Eastman, Paine Webber is designated as the Senior Manager, and E. F. Hutton and Salomon Brothers as the Co-Managers.

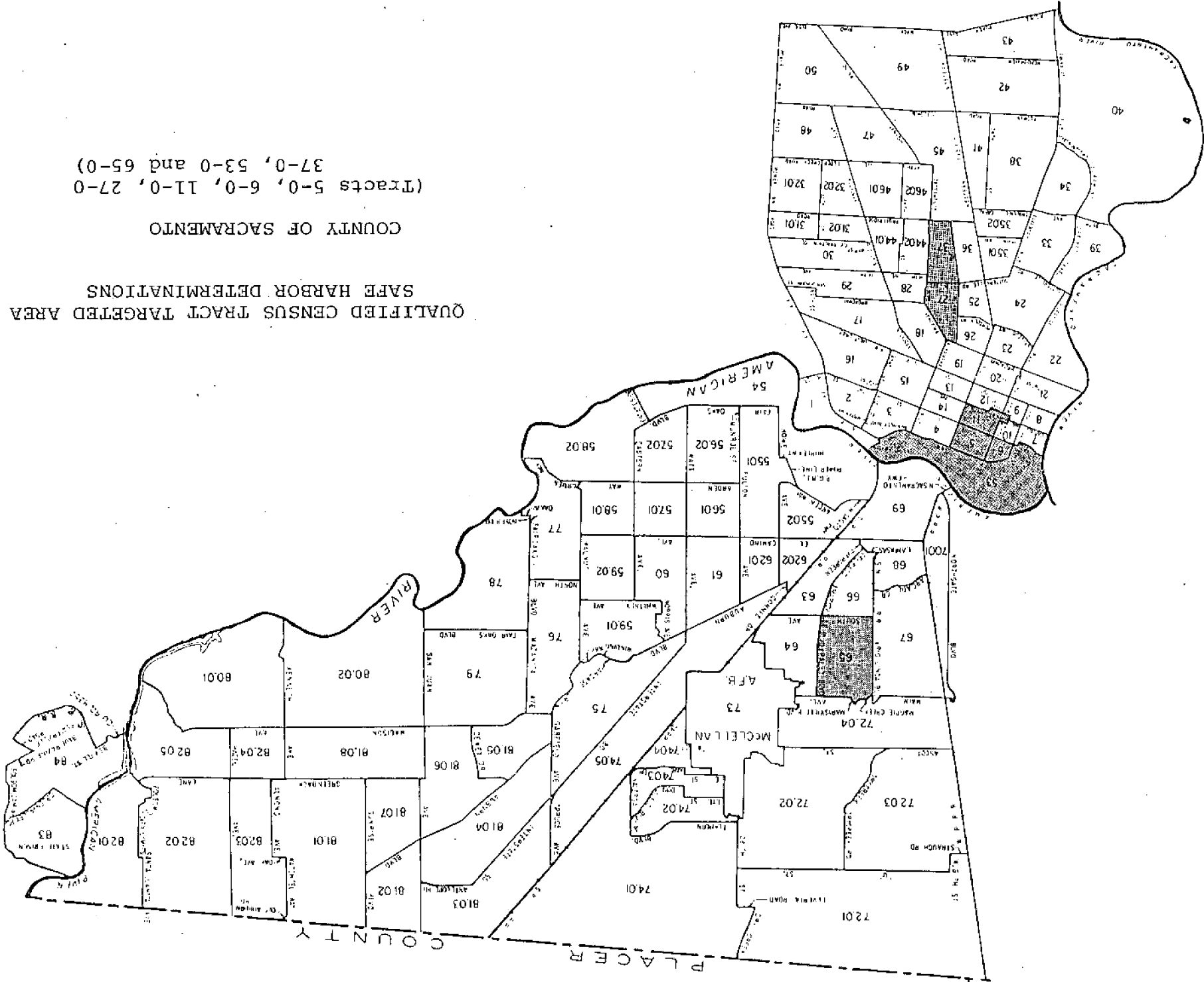
SECTION 3. This Council hereby declares its intent to vest authority for the administration of the home ownership mortgage program resulting from any issuance of said bonds in the Housing Authority of the County of Sacramento.

MAYOR

ATTEST:

CITY CLERK

PLACER COUNTY
 QUALIFIED CENSUS TRACT TARGETED AREA
 SAFE HARBOR DETERMINATIONS
 COUNTY OF SACRAMENTO
 (Tracts 5-0, 6-0, 11-0, 27-0,
 37-0, 53-0 and 65-0)



TENTATIVE TIME SCHEDULE

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

1981 AB 1355 FINANCING

- 9/21 Status Report to Commission on proposed bond issue
- 9/22 Distribute preliminary questionnaire to developers and lenders
- 9/23 Declaration of Intent by City Council to issue Mortgage Revenue Bonds
- 9/24 Select bond counsel and feasibility consultant
- 9/29 Meet with key participants in Sacramento
Declaration of Intent by Board to join City in bond issue
- 10/6 Meet with developers and lenders
Receive preliminary questionnaires
- 10/7 Review preliminary questionnaires
Initiate feasibility study
- 10/8 Meet with Housing Bond Credit Committee
Submit materials to rating agencies
- 10/13 Distribute detailed questionnaire to developers and lenders
Receive first draft of program documents
- 10/20-21 Respond to program documents (drafting session)
- 10/27 Receive and review detailed questionnaires
- 10/29 Meet with developers and lenders
Receive second draft of program documents
- 11/4 Revise second draft of program documents (drafting session)
- 11/10 Receive revised documents and feasibility study
- 11/12 Sign-off on documents and feasibility study
- 11/30 Receive ratings
- 12 / 1 Meet with lenders and developers and execute tentative participation
agreements
Final approval of issue by Council and Board
- 12/2 Receive authorization to print official statement
- 12/3 Mail official statement and underwriting documents
- 12/7 Price bonds
- 12/11 Finalize terms of participation agreements
- 12/14 Execute bond purchase agreements
- 12/28 Preclosing
- 12/29 Closing