



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



July 24, 1990

APPROVED
BY THE CITY COUNCIL

City Council of the
City of Sacramento

JUL 24 1990

Honorable Members in Session:

OFFICE OF THE
CITY CLERK

SUBJECT: General Obligation Bond to Assist First-time Homebuyers
and the Homeless

SUMMARY

This report recommends that the City Council endorse a \$25 to \$50 million general obligation (GO) bond measure to fund housing assistance for first-time homebuyers and the homeless in the City and County of Sacramento.

BACKGROUND

In 1987, the City Council and the Board of Supervisors established a City/County Housing Finance Task Force to investigate County-wide housing needs and to develop local financing strategies. The Task Force concluded that there is a substantial and growing gap between the need for affordable housing and the supply of affordable units. To address this concern, the Task Force suggested a number of financial and regulatory initiatives among which the principal recommendation was the establishment of a public-private housing partnership. The partnership relied on a variety of funding sources including an equity fund, a lenders' consortium, mortgage revenue bond proceeds, traditional government loans and grants, and a local housing trust fund financed through a combination of developer fees and a broad-based tax. At the time, the task force recommended an employee tax.

In March, 1989, the Council adopted an ordinance establishing a housing trust fund and levying a fee on nonresidential construction, and instructed staff to evaluate other broad-based housing trust fund revenue sources besides the employee tax. Following evaluation of numerous potential funding sources, Agency staff have identified a general obligation bond as the most feasible housing finance mechanism that could be adopted by both the City and the County. Last month, the Board of Supervisors adopted a development fee ordinance that parallels the City's

7-24-90 (1)
All Districts

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housing trust fund ordinance, and voted unanimously to support further consideration of a GO bond measure. Staff is currently preparing ballot language for a County-wide referendum.

The Agency recommends that the Council endorse a ballot measure that would seek voter approval for the issuance of a GO bond for housing. A survey of registered voters in the City and County conducted for the Agency last February concluded that such a measure has potential to achieve the 2/3 vote required for passage if the revenue is targeted to assist first-time homebuyers, the homeless, and the "working poor." Local jurisdictions including Alameda County, Los Angeles, and San Francisco are considering placement of GO bond measures for housing on the ballot this Fall.

The survey found that 68.5% of the County's registered voters would support a tax increase to assist first-time homebuyers. Since the survey was taken, home prices have continued to escalate (the median home price rose 26% over the past year and is expected to increase by another 20% or more during the next year). Support for a tax increase rose to 71.8% when survey respondents were asked if they would support a tax increase to "help the working poor." Another recent public opinion poll conducted for the Interim Open Space Commission found that 67% of registered voters would support a tax increase to provide assistance to the homeless.

As part of an overall housing strategy, the Agency therefore proposes seeking voter approval for a \$25 to \$50 million dollar bond issue, a sum that could be supported via a small increase in property taxes. (For a \$25 million bond, the average tax rate would be increased from the current 1.03% - 1.06% to approximately 1.0385% - 1.0685%, resulting in an approximate \$8 annual increase in property taxes per \$100,000 in assessed valuation.)

At this time we expect that 80% of the proceeds of this bond will be used to provide downpayment or mortgage subsidy assistance to lower income first-time homebuyers. This would assist young working families just starting out to get into the ownership market. First mortgages could be financed by tax-exempt bonds or by conventional lenders. Repayment of loans made with these funds would be used to establish a permanent revolving fund, thereby enabling assistance to be provided to a larger number of households. Twenty percent of the bond proceeds could be used to provide gap financing for development of programs to assist the homeless population in getting back on their feet. The housing provided by the bond issue would be complemented with job training.

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The bond could initially assist 1,250 to 2,500 first-time homebuyers, depending upon the form and amount of assistance provided. Over a fifteen year period, 4,500 to 9,200 additional households could be assisted from repayments to the revolving fund.

If bond proceeds are used to provide deferred payment, or low-interest second mortgages in combination with the County's traditional mortgage revenue bond-financed first-time homebuyer program, a substantial number of Sacramento households who earn less than 80% of median income (currently \$30,000 for a family of four) would be afforded homeownership opportunities. It may also be possible to use GO bond proceeds to fund self-help "sweat equity" housing developments and programs to acquire, rehabilitate, and resell homes to low-income first-time buyers. This component could reach households earning under 65% of median income (\$24,375 for a four person household).

Homeless programs that could be funded by bond proceeds include the acquisition and rehabilitation of apartment units to provide transitional housing for homeless individuals and families. (Transitional housing programs generally also provide tenant services such as money management, assistance in locating permanent housing, and job training). To the extent possible, bond proceeds would be supplemented by other resources. Bond proceeds could also be used for site acquisition and construction of an additional emergency shelter and for the construction of residential hotels, efficiency and family units to provide permanent housing.

As noted above, bond proceeds will be leveraged to attract additional funds from other sources. For example, a portion of the proceeds earmarked for homeless and transitional housing can be used to provide the required local match for federal program funds for the development of housing for the homeless. In addition, it may be possible to link the first-time buyer allocation to a pool of funds provided by local lenders, thereby expanding the resources available.

Agency staff have established a steering committee consisting of members of the business, banking, and development community. The steering committee is working with staff to evaluate the level of community support for this measure, to develop a campaign strategy, and to determine the appropriate timing for the measure. Depending upon the recommendations of the steering committee, the bond measure may be placed on the ballot this November or in 1992.

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FINANCIAL DATA

A property tax increase amounting to approximately \$8 per year per \$100,000 in assessed valuation, could support the issuance of a general obligation bond of \$25 million. A \$16 tax increase per \$100,000 assessed valuation would support a \$50 million bond.

The polling firm indicated that an aggressive campaign to support a ballot measure could cost as much as \$300,000. Campaign funds would have to be raised from private contributions -- public tax dollars could be used only for educational purposes.

Bond counsel estimates that preparation of ballot language and provision of advice regarding election procedures and use of bond proceeds would cost \$8,000 to \$10,000. If the ballot measure succeeds, bond counsel recommends filing a validation suit prior to bond issuance. An uncontested validation suit would involve an expense of \$10,000 to \$15,000.

ENVIRONMENTAL REVIEW

The proposed action is exempt from environmental review per CEQA Guidelines, Section 15378(b)(3); NEPA does not apply. Individual projects funded with GO bond proceeds will undergo environmental review when proposed.

MBE/WBE REVIEW

MBE/WBE considerations are not required with this activity.

POLICY IMPLICATIONS

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

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of July 16, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached ordinance and the attached resolutions. The votes were as follows:

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AYES: Amundson, Diepenbrock, Moose, Pernell, Simon, Strong,
Williams, Wooley, Yew, Simpson
NOES: None
NOT PRESENT TO VOTE: Wiggins
ABSENT: None

RECOMMENDATION

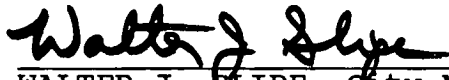
Staff recommends that the Council adopt the attached resolution endorsing placement of a ballot measure to seek voter approval for a general obligation bond to provide housing assistance to first-time homebuyers, the homeless, and the working poor.

Respectfully submitted,



ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL:



WALTER J. SLIPE, City Manager

Contact Person: Thomas V. Lee, 440-1357

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APPROVED
BY THE CITY COUNCIL

JUL 24 1990

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 90-611

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

ENDORSEMENT TO PLACE A GENERAL OBLIGATION BOND
MEASURE ON THE BALLOT

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

Section 1: The City Council hereby endorses placement of
a measure on the ballot to seek voter approval for the issuance of
general obligation bonds for housing.

Section 2: This resolution shall not create, or
authorize the creation of, any liability of the City or any of its
funds or properties for any purpose of the programs to be funded by
such bonds.

MAYOR

ATTEST:

CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.:

DATE ADOPTED: _____