

Comm. Rep. 31

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

March 17, 1982

CITY MANAGER'S OFFICE  
**RECEIVED**  
MAR 17 1982

Sacramento City Council  
Sacramento County Board of Supervisors

Honorable Members in Session:

SUBJECT: 1982 Mortgage Revenue Bond Issue

**APPROVED**  
BY THE CITY COUNCIL

MAR 23 1982

AG 81127

OFFICE OF THE  
CITY CLERK

## SUMMARY

The attached resolution authorizes the execution of a Cooperative Agreement (Appendix I) between the City and County of Sacramento to cooperate in the issuance of mortgage revenue bonds in 1982. The Cooperative Agreement sets forth the terms whereby the County of Sacramento may make or acquire home mortgages within the geographic boundaries of the City of Sacramento and take other actions necessary to provide home ownership financing for properties located in the City. Adoption of this resolution and execution of the attached Cooperative Agreement is the final step required by the City of Sacramento to collaborate with the County in issuing the bonds.

## BACKGROUND

### A. Resolution of Intent to Issue Home Ownership Mortgage Revenue Bonds

On September 23, 1981, the City Council by Resolution 81-701 declared its intent to collaborate with the County of Sacramento in the issuance by the County of home ownership mortgage revenue bonds. Since that date, Agency staff, bond counsel, and the underwriters (led by Blyth Eastman Paine Webber) have been working to organize and structure this bond issue to provide housing for home buyers in the lower end of the purchasing spectrum. This bond issue, which will provide financing predominantly for the first-time buyer, has attracted 20 developers and 16 lenders who have agreed to accept mortgage money generated by the bond issue at a mortgage rate of 14 percent or below. The mortgage rate will be determined at the time of bond sale. Applications from the developers reflect an interest of about \$50 million in mortgage financing.

### B. Mortgage Bond Allocation Committee

On February 19, 1982, the State Mortgage Bond Allocation Committee approved the issuance of mortgage revenue bonds in 1982 by the City and County of Sacramento in the amount of \$38.6 million. This amount was a reduction from the \$60 million requested by the City and County. The reduction was the result of a pro rata statewide reduction of all local government requests to issue bonds which, as of the cut-off date of February 4, 1982, totalled almost \$2 billion. The State limit, dictated by Federal and State law, is currently about \$1.1 billion. The merits of the individual requests

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council  
Sacramento County Board of Supervisors  
March 17, 1982  
Page Two

were not discussed or analyzed.

Under formulas set forth in Section 50189 of the Health and Safety Code of the State of California, the City of Sacramento has been allocated by the Mortgage Bond Allocation Committee a maximum mortgage revenue bond issuance amount of \$11.2 million. The County's allocation is \$27.4 million. Under terms of the attached resolution and agreement, drafted by bond counsel (Orrick, Herrington & Sutcliffe), the City assigns its \$11.2 million allocation to the County solely for use by the County to provide financing for properties located within the City. As shown below, however, a \$38.6 million bond issue will result in about \$18 million in financing for properties located within the boundaries of the City.

## C. City/County Project Mix

The 20 developers participating in the bond program have a total of 63 projects designated to receive mortgage money from the bond program. Of these, 26 are located within the City of Sacramento and they provide about 45 percent of the units that will receive financing under the bond issue. Combined with the mortgage money that is committed to the seven target areas for a one-year period, the number of loans made within the City will be about 50 percent of the mortgage pool. All seven target areas (census tracts where at least 70 percent of the families have incomes less than 80 percent of the median income) are located in the City of Sacramento (see Appendix II).

## D. Home Buyers

The bond issue is designed to provide homeownership opportunities for low- and moderate-income home buyers. Except for the target areas, where money will be available for existing homes and for those who have owned a home, mortgage loans will be restricted to first-time home buyers of newly constructed units. Unfortunately, high mortgage rates make it very difficult for many potential home buyers to qualify for home purchase even at below market interest rates. For example, at a 14 percent mortgage rate with the minimum down payment, by taking advantage of program buy-down provisions a home buyer would need an income of at least \$18,500 per year to qualify for the least expensive unit to be marketed under the program (\$47,500). Bond program home buyers will need incomes much higher than this to qualify for most of the units. As a point of reference, the overall average household income for home buyers under the previous bond issue was about \$25,000 per year when the bond program mortgage rate was only 12.5 percent. At a 13.5 percent or 14 percent mortgage rate, the overall average household income can be expected to be somewhat higher. The maximum household income permitted under the 1982 program will be \$34,680.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council  
Sacramento County Board of Supervisors  
March 17, 1982  
Page Three

## E. Time Schedule

Current long-term municipal bond interest rates remain too high to obtain a 14 percent or below mortgage rate. The underwriter has advised that all elements of the bond issue be in place by the end of March 1982 in order to take immediate advantage of a drop in interest rates to a feasible level. Although any projected workable bond program mortgage rate is subject to change as the cost of mortgage money from other sources fluctuates, a poll of the participating developers on February 26 indicates that the 1982 bond program should produce a mortgage rate of 13.5 percent, and no higher, to be feasible for both developers and home buyers.

Using 13.5 percent as the maximum workable mortgage rate, the long-term housing bond market must demand interest rates between 12-1/2 percent and 13 percent and no higher for single-A rated bond issues. At the end of February, this rate was above 14 percent. Simultaneously, short-term interest rates must be at 12 percent or higher at time of bond sale to limit any negative spread between the bond rate (interest paid to investors) and the interest earned on the temporary investment of bond proceeds while mortgage loans are being originated. At the end of February the short-term rates were above 12 percent.

One other constraint on the time schedule is the State allocation, which expires in mid-August. If the bonds are not sold by then, another request to issue mortgage revenue bonds would have to be filed.

## FINANCIAL DATA

The City, County, and SHRA are under no financial obligation for any costs or expenses incurred by the underwriter, who is compensated on contingency of bond sale from bond proceeds. The bond debt is serviced by revenue generated by mortgage loans and from reserve funds generated by bond sale.

Some direct expenses, such as out-of-pocket bond counsel expenses, rating agency fee, draft feasibility study fee, State Mortgage Bond Allocation Committee application fee, and printing costs will be borne by developer application fees currently on deposit with the County. The developers have agreed to cover these expenses whether or not the bond issue is sold.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 15, 1982, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Angelides, Coleman, Knepprath, Luevano, A. Miller,  
Teramoto, Walton

NOES: None

ABSENT: Fisher, B. Miller

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council  
Sacramento County Board of Supervisors

Page Four

## RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing execution of an agreement between the City and County of Sacramento to cooperate in the issuance of mortgage revenue bonds in 1982.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Interim Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe*  
WALTER J. SLIPE  
City Manager

# RESOLUTION NO. 82-197

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF APPROVED  
BY THE CITY COUNCIL

March 23, 1982

MAR 23 1982

RESOLUTION ADOPTING A HOME MORTGAGE FINANCE PROGRAM  
IN COOPERATION WITH THE COUNTY OF SACRAMENTO AND  
AUTHORIZING THE EXECUTION FOR AND ON BEHALF OF THE  
CITY OF SACRAMENTO A COOPERATIVE AGREEMENT BETWEEN  
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO

OFFICE OF THE  
PROGRAM

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, particularly of housing affordable by persons in the lower end of the purchasing spectrum, and a consequent need to encourage the construction of homes affordable by such persons and otherwise to increase the housing supply in the County and in the City for such persons; and

WHEREAS, the Board of Supervisors of the County has adopted an ordinance declaring its intent to engage in a home mortgage finance program (the "Program") pursuant to Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") and to issue bonds pursuant to the Act to provide funds for the Program; and

WHEREAS, the Council finds and determines that it is in the best interest of the City to adopt the Program and to consent to the operation of the Program by the County within the geographic boundaries of the City pursuant to the Act; and

WHEREAS, the Council of the City finds and determines that the Program complies with the land use element and housing element of the City's General Plan.

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

SECTION 1. The Council of the City does hereby find and declare that the above recitals are true and correct.

SECTION 2. The City hereby adopts the Program for the purpose of increasing the housing supply in the County and in the City and consents to the operation of the Program by the County with respect to all property located within the geographical boundaries of the City.

SECTION 3. The cooperative agreement between the County and the City (the "Agreement"), a copy of which is attached hereto as Exhibit A, is hereby approved, and the proper officers of the City are hereby authorized and directed to execute and deliver said Agreement, for and in the name and on behalf of the City, and to approve any additions to or changes in the form of said Agreement submitted to this meeting which they deem advisable, their approval of such additions or changes to be conclusively evidenced by their execution of said Agreement as so added to or changed. The proper officers of the City are further authorized to enter into such additional agreements with the County, execute such other documents or take such other actions as they may deem necessary or appropriate to carry out the purpose and intent of the Agreement or to cooperate in the implementation of the Program.

SECTION 4. This Resolution shall take effect from and after its adoption.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

COOPERATIVE AGREEMENT BETWEEN THE COUNTY  
OF SACRAMENTO AND THE CITY OF SACRAMENTO

THIS COOPERATIVE AGREEMENT (the "Agreement"), dated for convenience as of March 1, 1982, by and between the County of Sacramento, a political subdivision of the State of California (the "County"), and the City of Sacramento, a political subdivision of the State of California (the "City").

W I T N E S S E T H:

WHEREAS, the County has determined to engage in a home mortgage finance program pursuant to Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") to make or acquire, directly or indirectly, loans to finance the construction or acquisition of homes in the County, all as provided for in the Act (the "Program");

WHEREAS, the County, pursuant to the Act, has established the Program by Ordinance No. 1235, passed on November 25, 1980, and has determined to cooperate with the City pursuant to the Act in the exercise of its powers under the Act for purposes of the Program;

WHEREAS, the City has adopted the Program and determined to cooperate with the County pursuant to the Act in the exercise of its powers under the Act for the purposes of the Program; and

WHEREAS, the County has determined to borrow money to finance the Program by the issuance of revenue bonds as authorized by the Act:

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereto agree as follows:

SECTION 1. The terms used in this Agreement shall, for all purposes of this Agreement, unless otherwise defined herein, have the meanings assigned to such terms in the Act.

SECTION 2. The County agrees to undertake the Program and to issue revenue bonds therefor pursuant to the Act as soon as practicable.

SECTION 3. The City hereby agrees that the County may make or acquire home mortgages under the Program, all as more specifically set forth in the Act, with respect to property located within the geographic boundaries of the City, and further agrees that the County may exercise any or all of the City's powers for the purpose of financing home mortgages pursuant to the Act with respect to property located within the geographic boundaries of the City.

SECTION 4. The City, pursuant to Section 50192 of the Health and Safety Code of the State of California (the "Code"), hereby assigns to the County all of the principal amount, if any, of qualified mortgage bonds which the City has been or will be allocated by the Mortgage Bond Allocation Committee (the "Committee") pursuant to Sections 50189 and



50191 of the Code for the calendar year 1982. Such assignment is solely for use by the County to provide financing for properties located within the territory of the City (including a proportionate share of costs of issuance, underwriters discount, capitalized interest, reserve funds and similar expenses associated with the financing), provided that such assignment shall not be deemed ineffective if, after issuance of the qualified mortgage bonds and for reasons beyond the control of the County, the County is unable to use any portion of the proceeds of such qualified mortgage bonds to provide financing for properties located within the territory of the City, as required by this assignment, and such proceeds are instead used to redeem bonds or to provide financing for properties located within the County. Any fee charged by the Committee pursuant to Section 50195 of the Code shall be paid by the County or, if paid by the City, reimbursed by the County.

SECTION 5. The City agrees to undertake such further proceedings or actions as may be necessary in order to carry out the terms and the intent of this Agreement. Nothing in this Agreement shall prevent the County from entering into one or more agreements with other political subdivisions within the County, if deemed necessary and advisable to do so by the County.

SECTION 6. This Agreement may be amended by one or more supplemental agreements executed by the County and the

City at any time, except that no such amendment or supplement shall be made which shall adversely affect the rights of the holders of any bonds issued by the County pursuant to the Act in connection with the Program.

SECTION 7. The term of this Agreement shall extend until the bonds issued to finance the Program are fully paid and retired, or, if bonds are not issued to finance the Program, through December 31, 1982.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, all as of the day first above written.

COUNTY OF SACRAMENTO

By: \_\_\_\_\_  
Chairman of the Board of  
Supervisors

[SEAL]

ATTEST:

By: \_\_\_\_\_  
Clerk of the Board of  
Supervisors

CITY OF SACRAMENTO

By: \_\_\_\_\_

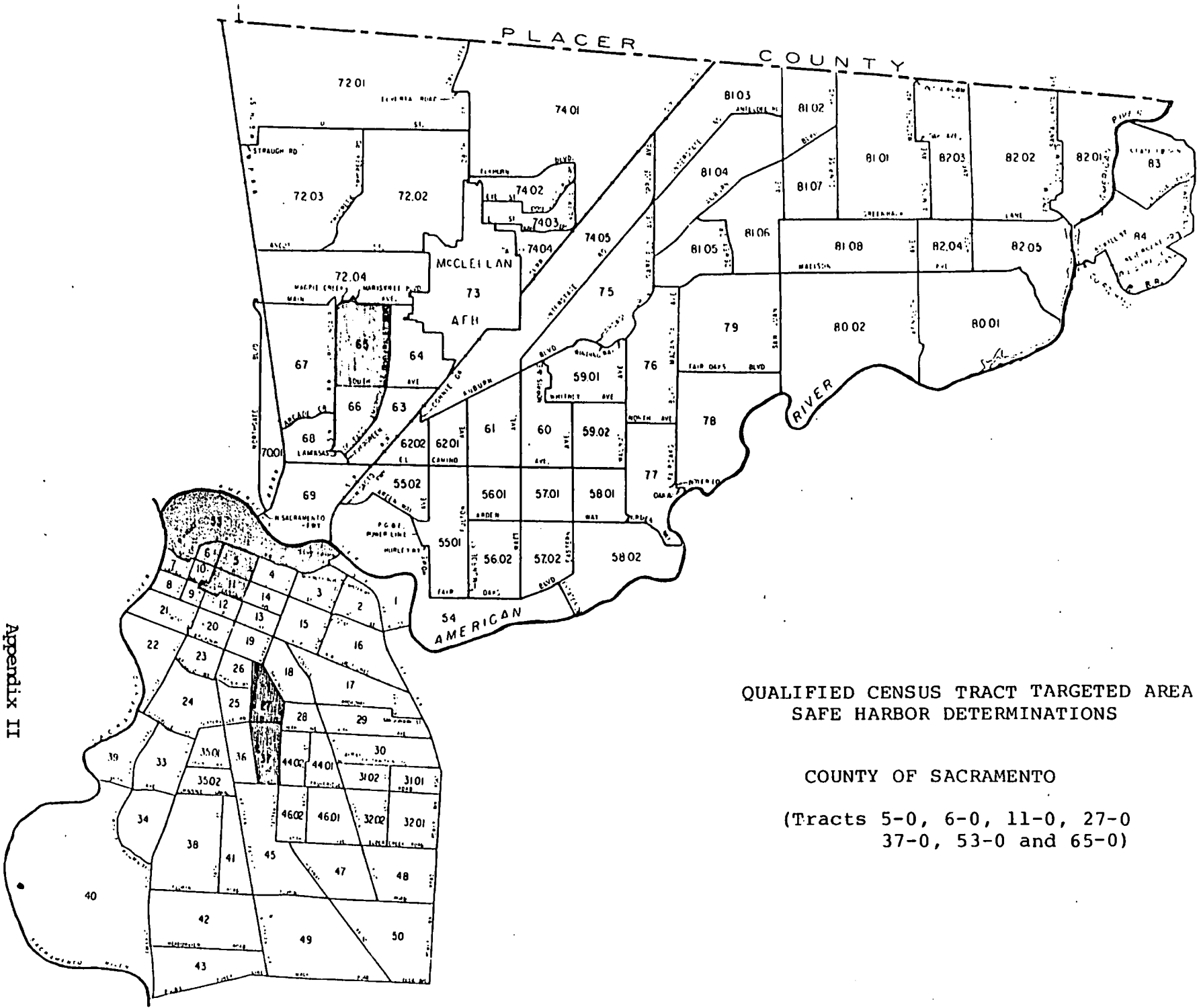
Title: \_\_\_\_\_

[SEAL]

ATTEST:

By: \_\_\_\_\_

Title: \_\_\_\_\_



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)



# CITY OF SACRAMENTO

CALIFORNIA

TERRY KASTANIS  
COUNCILMAN, DISTRICT 7  
CITY HALL  
915 I STREET  
SACRAMENTO, CALIFORNIA 95814  
(916) 449-5407

## MEMORANDUM

TO: ✓ PHIL ISENBERG, MAYOR

FROM: TERRY KASTANIS, CHAIRMAN  
PERSONNEL & PUBLIC EMPLOYEES COMMITTEE

SUBJECT: INTERVIEW RECOMMENDATIONS

DATE: MARCH 23, 1982

The Personnel & Public Employees Committee met on Wednesday, March 17, and Tuesday, March 23, 1982, to interview applicants for the Construction Codes Advisory & Appeals Board. Listed below are the committee's recommendations.

### List of Qualified Applicants

### Committee's Recommendations

- |                                       |                             |
|---------------------------------------|-----------------------------|
| 1. Klyne G. Beaumnot (incumbent)      | Recommend for Reappointment |
| 2. Michael Magaletti, Jr. (incumbent) | Recommend for Reappointment |
| 3. John B. Capogreco (incumbent)      |                             |
| 4. Leo Fassler                        | Recommend for Appointment   |
| 5. Jim Spence                         |                             |
| 6. Leland Potter (not qualified)      |                             |

lmh