

August 25, 1980

Sacramento City Council  
Sacramento County Board of Supervisors

Honorable Members in Session:

SUBJECT: Mortgage Revenue Bonds

SUMMARY

This report sets forth the current Mortgage Revenue Bond situation and recommends that the City of Sacramento and County of Sacramento proceed with the staff work necessary to issue a collaborative City/County bond issue to be administered by the Sacramento Housing and Redevelopment Agency.

BACKGROUND

In the spring of 1979 Congressman Ullman introduced HR 3712 which, if enacted, would have removed the federal tax exemption for Mortgage Revenue Bonds which did not meet the so-called "Transition Rules" of that bill. The introduction of HR 3712 effectively precluded the City and County from issuing such bonds. Nevertheless, in November 1979 the Sacramento City Council and the Sacramento County Board of Supervisors adopted Resolutions expressing intent to issue Mortgage Revenue Bonds ("BONDS") to assist low and moderate income persons in the City and County of Sacramento to buy houses if legally feasible. City, County and Housing Authority staff were directed to take action, including the selection of an underwriting group, to prepare a bond issue. Based upon a long-standing relationship which the City had with the underwriting firm of Blythe, Eastman, Paine, Webber, Inc., that firm was selected as the managing underwriter for preparation of the issue. They are among the top three underwriters of issues of this kind in the Pacific region.

In late June 1980 the United States Senate passed, by a 79-3 vote, a Resolution which enables cities and counties to issue bonds to meet low and moderate income housing needs provided that:

1. The bonds be issued on or before December 31, 1980 and;
2. It is reasonably expected, at the time of issuance, that bond proceeds will be committed for mortgage loans not later than December 31, 1981 and;
3. Bond proceeds remaining uncommitted as of June 30, 1982 be used to call outstanding bonds.

**APPROVED**  
BY THE CITY COUNCIL

SEP 2 1980

OFFICE OF THE  
CITY CLERK

The recent Senate action enabled staff of the City and County of Sacramento, the Sacramento Housing and Redevelopment Agency and the underwriting group to consider means to issue such bonds. The most feasible and cost effective technique for both the City and County is to issue such bonds through the County of Sacramento on behalf of both jurisdictions pursuant to Part 5, commencing with Section 52000 of Division 31 of the California Health and Safety Code ("AB 1355"). The Sacramento Housing and Redevelopment Agency could serve as the entity to administer such a program.

## Legal Requirements of AB 1355 Financing

AB 1355 requires that:

- A. Prior to the issuance of bonds, the Housing Bond Credit Committee of the State of California must review and approve a statement of the purpose for which bonds are proposed to be issued and the amount of the proposed issuance.
- B. 60% of the bond proceeds must be used to purchase newly constructed or substantially rehabilitated single-family homes.
- C. The remainder of the bond proceeds may be used for the purchase of existing single-family housing units.
- D. The gross income of first-occupant participants for initial purchase or rehabilitation cannot exceed 120% of median income in the local area.
- E. In the case where the participant will not be the first occupant, the maximum income level cannot exceed area median.
- F. Half of any bond proceeds must be used by participants whose gross income does not exceed 80% of median where the purchaser is not the first owner.
- G. In the event there are not sufficient participants at 80% of median gross income, then the local governing body may increase this ceiling to 90% of median.
- H. Enactment by Council and Board of Supervisors of appropriate resolutions/ordinances enabling the County to act on the City's behalf.
- I. The bonds issued are not liabilities of the City and/or County issuing such bonds. The bonds are payable solely from revenues generated from making the loans or from bond proceeds.

## Advantages of a Collaborative AB 1355 Financing

There are distinct advantages and virtually no disadvantages to a collaborative bond issue. The advantages are:

- A hard dollar savings in underwriting and other fees which would be roughly doubled if two separate issues were sold.
- A savings of 1/4 to 1/2 percentage point in interest charges to persons utilizing the mortgages.
- Ease of compliance with the AB 1355 requirement to issue for as large a population cross-section and geographical area as possible.
- Enhancement of the marketability of the bonds.

To proceed with AB 1355 financing, it is necessary for the Sacramento City Council and the Sacramento County Board of Supervisors to express intent to collaborate in the issuance of such bonds. This action will permit staff and the underwriting group to proceed with the necessary administrative and legal steps to determine feasibility and size of the bond issue.

At least 30 days will be required to develop the necessary feasibility studies. An additional 60 days will be required to implement and close the financing. Since bond proceeds for such a program must be raised by December 31, 1980, there are only 45 days (including holidays) for contingency. Immediate action must be taken by the Sacramento City Council and Sacramento County Board of Supervisors to permit staff to develop a program. The key steps and schedule are set forth in the attached letter to Mac Mailes from Thomas Friery.

Although either the City or County could develop its own individual AB 1355 financing program, the requirements of an AB 1355 financing severely limit local flexibility. The actual programs would ultimately be identical except for higher costs. Since both the City and County would be marketing similar issues in the same time period, interest costs to both the City and County would be at least 1/4 of 1% higher for individual issues than for one issue. Duplicate financing and feasibility study costs would also be incurred by the City and County.

The underwriting group has strongly recommended the City and County avoid duplicate issues.

#### RECOMMENDATIONS

It is recommended that the Sacramento City Council and the Sacramento County Board of Supervisors adopt resolutions of intent to collaborate in the issuance of bonds to assist low and moderate income persons in Sacramento if proved feasible by studies to be conducted. Further, such resolution should vest power for administration of the program with the Sacramento Housing and Redevelopment Agency.

It is also recommended that the firm of Blythe, Eastman, Paine, Webber, Inc., be approved as the bond underwriter.

Staff will report back at several key points in the development process for policy direction and in order to provide you with additional details on development of the issue.

Respectfully submitted,

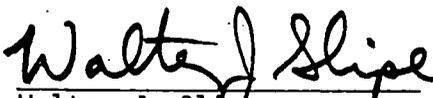


Mac Mailes  
Assistant City Manager  
for Community Development



Gary Cassady, Administrator  
Admin. and Finance Agency

Recommendation Approved:



Walter J. Slive  
City Manager



Brian H. Richter  
County Executive



# CITY OF SACRAMENTO

## OFFICE OF THE TREASURER

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**THOMAS P. FRIERY**  
TREASURER

**DONALD E. SPERLING**  
ASST. TREASURER

August 21, 1980

To: Mac Mailes, Assistant City Manager  
Community Development  
City of Sacramento

John E. Molloy, Coordinator  
Community Development Block Grant Program  
County of Sacramento

From: Thomas P. Friery *Thomas P. Friery*  
City Treasurer

Subject: Proposed Financing Timetable -- Low-Moderate Mortgage Revenue Bonds

The following financing timetable has been developed with the aid of Blyth Eastman, Paine Webber. The intent of the timetable is to present all parties concerned in the proposed financing with the milestones that must be met to consummate a sale, from a financing standpoint only. It should be noted that it may be appropriate to amend this timetable to include any reviews or approvals by political governing bodies or other staff that will assist in this undertaking.

<u>Milestone Date</u>	<u>Description of Action</u>
9-2-80	City Council and Board of Supervisors Authorization to proceed
9-4-80	City and County Staff, as well as members of Underwriting Group, meet to establish parameters of program and the financing plan
9-9-80	Review initial feasibility report of Questor
9-16-80	Meeting with interested developers
9-19-80	Distribute first draft of "Red Herring" and Bond Indenture for review
9-24-80	Documents meeting, 10:00 AM, San Francisco. Underwriters, Bond Counsel, Underwriters Counsel and City and County Staff

9-30-80	Distribute second draft of <del>Red</del> -Herring-and Bond indenture for review
10-1-80	Send invitation of Program Guidelines to developers
10-8-80	Receive developers completed invitations for inclusion in financing package
10-9-80	Meet with bond rating agency(s) in New York
10-13/17-80	Submit Program Guidelines and all documentation to State of California Bond Review Credit Committee
10-20/24-80	Meet with State of California Bond Review Credit Committee to finalize documents and receive approval to proceed
10-29-80	Submit findings and present City Council and Board of Supervisors with status of project
11-1/15-80	Release Red Herring to Investors, Notice of Bond Sale, marketing period, etc
11-15/12-1-80	Bond Sale in Sacramento
12-15/30-80	Bond closing and receipt of proceeds in New York

cc: James Jackson, City Attorney  
 Brent Bleier, Agency Attorney, SHRA  
 Terry Comerford, Vice President, Blyth Eastman, Paine Webber  
 Alan Altura, Managing Director, Blyth Eastman, Paine Webber,  
 555 California Street, San Francisco CA 94104  
 Richard Salladin, Attorney at Law, Orrick, Harrington, Rowley,  
 and Sutcliffe

## RESOLUTION NO. 80-583

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, APPROVING BLYTHE, EASTMAN, PAINE, WEBBER, INC. AS THE UNDERWRITER FOR SAID BONDS, AND DECLARING INTENT TO VEST AUTHORITY FOR ADMINISTRATION IN THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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

1. That the City Council hereby declares it intent to collaborate with the County of Sacramento in the issuance 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 determined by this Council to be feasible. Nothing herein shall be construed to obligate the City Council to issue or collaborate in the issuance of said bonds.

2. That the firm of Blythe, Eastman, Paine, Webber, Inc. is hereby approved as the underwriter for said bond issue provided, however, that the City of Sacramento, the City of Sacramento Housing Authority, and the City of Sacramento Redevelopment Agency shall not be responsible for any costs or expenses incurred by said underwriter for feasibility studies or otherwise, unless said bonds are issued, and then only from the proceeds of the sale of said bonds in an amount or amounts determined by the City Council.

3. That the City 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 Sacramento Housing and Redevelopment Agency.

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MAYOR

ATTEST:

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CITY CLERK

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BY THE CITY COUNCIL

SEP 2 1980

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# SACRAMENTO BOARD OF REALTORS

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September 2, 1980

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TO: Sacramento City Council/Sacramento Board of Supervisors

SUBJECT: Mortgage Revenue Bond

The Sacramento Board of REALTORS wishes to express its support in regards to the recommendation that the Sacramento City Council and the Sacramento County Board of Supervisors adopt resolutions of intent to collaborate in the issuance of bonds to assist low and moderate income persons in Sacramento if proven feasible by studies to be conducted.

Though the Mortgage Revenue Bond will not solve all of the housing problems - the bonds will assist with the problem and should be viewed as a start.

With a focus now directed at housing policy it appears to be an ideal time for local officials to investigate new housing concepts and ideas. Local officials must assist in redefining historically accepted standards for size, design and density of housing. Additionally, a re-shuffling of local priorities away from single family detached housing to multi family housing production most occur if the housing crisis is to be eradicated.

In conclusion, the Board of REALTORS once again wishes to express its support for the Mortgage Revenue Bond proposal

Cordially,

Thomas K. Bannon, Director  
Government & Community Relations

cc: Sacramento Apartment Association  
Metropolitan Chamber of Commerce  
BIA Superior California