

COUNCIL COMMITTEE MINUTES

Concurrent Special Committee Meetings of the Sacramento City Council, Redevelopment Agency of the City of Sacramento, Housing Authority of the City of Sacramento and the Parking Authority of the City of Sacramento.

COMMITTEE NAME: LAW AND LEGISLATION

MEETING DATE: MAY 30, 1991

MEETING TIME: 3:00 P.M.

LOCATION: 915 I STREET, 2ND FLOOR, COUNCIL CHAMBER

I HEREBY CALL Special Meetings of the Sacramento City Council, Redevelopment Agency of the City of Sacramento, Housing Authority of the City of Sacramento, and Parking Authority of the City of Sacramento to be conducted concurrently with the Council committee meetings listed below, which are incorporated herein by reference. The Special Meetings are called to permit Members who are not on the listed committees to attend the meetings and participate in the discussions. In the event five (5) or more members of the City Council are present at a Committee meeting, only those items listed on the agenda can be acted on or discussed.

The meeting was called to order at 3:00 p.m. by Acting Chair Tom Chinn.

PRESENT: Committeemembers Chinn and Pane.*

ABSENT: Committeemembers Robie and Serna.

GUEST: Councilmember Heather Fargo.

*Committeemember Pane arrived at 3:05 p.m.

Acting Chair Tom Chinn explained that Item 5 on the agenda has been withdrawn, and asked that Items 1, 2, 8, 9, 11, and 13 be considered Consent Calendar items and voted on as a unit. Following are the official votes for each of these items:

1. SB 1249 (Robbins) relating to government tort liability.

Recommendation of Staff: Recommend support.

Committee Action: Supported.

ITEM CONTINUED ON FOLLOWING PAGE.

COMMITTEE ACTION SHEET

4. ITEM CONTINUED FROM PREVIOUS PAGE.

Voting Record:	Moved:	Pane
	Seconded:	Chinn
	Ayes:	Pane, Chinn
	Absent:	Robie, Serna

MINUTES:

Bina Lefkovitz of the Sacramento Housing and Redevelopment Agency (SHRA) passed out a revised staff report for SB 593 (copy attached) and explained that SHRA supports more funding for housing but explained some of their concerns with the bill as written. These concerns include amendments to ensure more flexibility with respect to State funds which can be allocated directly to local agencies, and that the mortgage insurance fund referenced in the bill be accessible to and serve the housing credit needs of local agencies involved in affordable housing financing. Pane moved to support SB 593, with amendments; Chinn seconded the motion.

6. AB 1645 (Speier) relating to water metering.

Recommendation of Staff:	Recommend opposition.
Committee Action:	Opposed.
Voting Record:	Moved: Pane
	Seconded: Chinn
	Ayes: Pane, Chinn
	Absent: Robie, Serna

MINUTES:

Roberta Larson of the Department of Public Works presented this item to the Committee. She explained that this bill would result in a rate increase which is quite significant (60%), and that it would also allow the State to dictate our rates. She went on to say that this issue will undoubtedly be brought up again next year, and that the City should go on record in opposition as soon as possible.

COMMITTEE ACTION SHEET

7. AB 455 (Cortese) relating to water supply planning.

Recommendation of Staff: Recommend support.


Committee Action: Supported.

Voting Record: Moved: Pane
Seconded: Chinn
Ayes: Pane, Chinn
Absent: Robie, Serna

MINUTES:

Mel Johnson, Director of Public Works, presented this item to the Committee. He stated that normally the City opposes anything that takes away our "home rule;" however, this bill may prove beneficial to Sacramento because we have our own water supplies. He went on to say that the County Supervisors Association and other groups and cities are in favor of this bill, but that at this time the County has stated no position. Pane moved to support AB 455 relating to water supply planning; Chinn seconded the motion and it was supported.

The meeting was adjourned at 3:40 p.m.


TOM CHINN, Acting Chair

ATTEST:


JUDY SANDERS, Secretary

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

May 29, 1991

TO: Law and Legislation Committee of the City Council
FROM: JOHN E. MOLLOY, Executive Director
Sacramento Housing & Redevelopment Agency
RE: Senate Bill (SB-593)

Enclosed please find a revised and final staff report on SB-593 to be discussed at your May 30, 1991 Committee meeting (item #4). Due to a mix-up with the City Attorneys office, the report you received was not the correct and final report.

I apologize for any inconvenience this may have caused.



JOHN E. MOLLOY

JEM/BL/psl



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



DATE: May 29, 1991

TO: Law and Legislation Committee of the City Council

FROM: John Molloy, Executive Director
Sacramento Housing & Redevelopment Agency

RE: Senate Bill (SB-593)

SUMMARY:

Staff first recommends general support of SB-593, which proposes a statewide General Obligation (G.O.) bond for housing programs. Staff also recommends the Committee comment on two sections in the Bill. First, that State funds that are proposed to be available for allocation directly to local agencies be able to be utilized to meet local housing priorities while still being in conformance with State program guidelines; and second, that the State mortgage insurance fund referenced in the Bill be accessible to and serve the housing credit needs of local public agencies involved in affordable housing finance programs.

BACKGROUND: In 1989 and 1990, the citizens of California approved Propositions 77, 84 and 107 providing \$600 million in General Obligation bond funds for the following various state housing programs:

<u>PROGRAMS</u>	<u>ALLOCATION</u> <u>(in millions)</u>	<u>PERCENTAGE</u> % <u>(of total)</u>
California Housing Rehabilitation Program:		
Seismic Rehabilitation	\$80	13.3
General Housing Rehabilitation	70	11.7
Rental Housing Construction Program	\$300	50.0
Residential Hotels	40	6.7
Emergency Shelter Program	35	5.8
Family Housing Demonstration Program	15	2.5
Migrant Farm Labor Centers	10	1.7
Home Purchase Assistance Programs	50	8.3
TOTAL:	\$600	100%

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Following is a brief summary of the programs allocated G.O. Bond funds:

- 1) The California Housing Rehabilitation Program is comprised of ownership and rental components. The California Housing Rehabilitation Program - Owner (CHRP-O) provides 3% deferred payment loans to rehabilitate substandard owner-occupied housing. The California Housing Rehabilitation Program - Rental (CHRP-R) provides 3% deferred payment loans to rehabilitate rental housing including seismic upgrading of masonry rental structures.
- 2) As a component of the CHRP-R, 3% deferred payment loans are made to acquire and rehabilitate residential hotels.
- 3) The Rental Housing Construction Program (RHCP) provides 3% deferred payment loans to finance new rental housing consisting of 5 units or more which may include apartments, group homes and residential homes.
- 4) The Emergency Shelter Program (ESP) provides grants for the acquisition and/or rehabilitation of emergency shelters.
- 5) The Family Housing Demonstration Program (FHDP) provides 3% deferred payment loans for the acquisition, rehabilitation and construction of multi-family rental housing that has related services for families.
- 6) The Office of Migrant Services provides funding for the construction, expansion, and rehabilitation of migrant farm labor centers.
- 7) The Home Purchase Assistance Program (HPA) provides 3% deferred payment second mortgage loans to first-time homebuyers to reduce payments on the first mortgage and pay all or a portion of closing costs.

Existing law requests that bond proceeds only be used to assist low and very-low income households. It further specifies that bond funds cannot be used for project operating costs and requires that loan repayments are to be deposited in the fund from which they were originally allocated and subsequently used for the same program purposes.

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PROPOSED LAW:

SB-593 authorizes a \$500 million G.O. Bond Issue to be placed on the June 2, 1992 ballot to fund various housing programs (as outlined above) administered by the State Department of Housing and Community Development and the California Housing Finance Agency (CHFA). Funding allocations are proposed as follows:

- a) \$200 million for housing rehabilitation, rental housing preservation, residential hotel acquisition and rehabilitation and seismic upgrading of masonry rental structures.
- b) \$200 million for rental housing construction including such housing for elderly and special need households.
- c) \$20 million for emergency shelters.
- d) \$40 million for home purchase assistance for first-time homebuyers.
- e) \$15 million for the Family Housing Demonstration Program.
- f) \$10 million for the Farm Worker Housing Grant Program.
- g) \$15 million for rental housing mortgage and bond insurance.

The bill also makes technical and substantive changes to the previous housing bond acts. Some of these changes are intended to improve the effectiveness of the program and modify project selection criteria in order to better account for regional differences in housing markets and costs. Furthermore, the bill mandates that HCD assess how the program can be modified so as to better coordinate with other State and federal housing programs. The bill also expands the previous rental rehab program component to allow loans for acquisition, rehab or acquisition and rehab of Federal, State and locally assisted rental housing developments "at-risk" of converting from lower income occupancy.

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Finally, the bill enables HCD and CHFA to contract with local and non-profit entities to administer the State's deferred payment loans under the housing rehab, new construction and home purchase downpayment assistance programs.

COMMENTS:

The State bond funds have made available significant resources statewide for rehab and new construction activities through the Props. 107, 84 and 77 bond issuances. The funds are awarded competitively through statewide competition. HCD ranks projects against several very prescribed criteria. These criteria are more heavily weighted to larger urban and coastal communities, placing Sacramento in a slightly less competitive position. SB-593 proposes changes to the ranking criteria. These changes will better account for regional differences and creates a more level playing field between jurisdictions.

The bill also enables the allocation of a small portion of the bond issue directly to local finance agencies through a "contracting process" for the direct administration of the bond funds. This modification was made as a result of concerns raised by our staff and other local finance agencies in California over the current fragmented and categorical structure and unpredictable nature of the State's housing finance delivery system. Unfortunately, the "contracting process" proposed does not go far enough to address the concerns raised by local finance agencies. Senator Greene's staff is amenable to working on modified language in the legislation that more closely approximates a program where local agencies can apply for a block of state funds and, within State program guidelines, provides local agencies the flexibility of selecting project and program priorities that best match local needs.

In California, three State agencies control major financing subsidy programs:

- the California Housing Finance Agency (CHFA);
- the State Department of Housing and Community Development; and,
- the State Treasurer's office

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Each major agency administers its own programs, application processes and deadlines, project selection criteria and regulatory requirements. Local governments, who also contribute subsidies to projects, are forced to subordinate local housing priorities to those established by State and Federal funding programs because of stringent and highly prescribed State program guidelines.

Under the present system it is extremely difficult to coordinate funding for specific project developments or housing programs because of the categorical nature of State and Federal funding programs, fragmented administration, and the unpredictable nature of the funding award process. Put simply, it is impossible for a local agency to plan a strategic comprehensive housing finance program in response to local needs, much less coordinate a specific project financing, due to the uncertainty of State and Federal funding (not to mention private financing) and disparate program goals, application processes and prescriptive program rules. Ironically, local agencies are mandated by State and Federal laws to develop housing elements and housing assistance plans that establish local housing goals and programs for which we are accountable. In most cases it would be impossible for a local agency to achieve its housing goals without accessing State, Federal and private funding programs.

Additionally, staff is concerned that the programs under SB-593 will not easily complement the new federal HOME program requirements nor make it possible for local agencies to predictably access state funds to help meet the required local match under the HOME program.

Finally, the bill contains \$15,000,000 to help capitalize a statewide mortgage insurance fund. The lack of credit enhancement is a critical problem for local finance agencies. Although this is a very exciting new component of the bill, the bill is not clear as to whether this insurance fund will be accessible to and reflect the housing credit needs of local agencies involved in affordable housing financing.

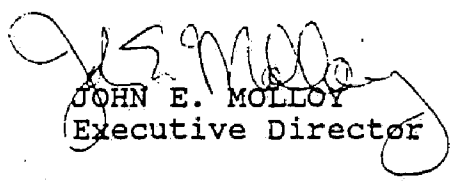
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RECOMMENDATION:

Staff recommends supporting SB-593 because it provides new sources of funding for housing. However, we also recommend amendments to the legislation to ensure that: a) the Bill creates more flexibility with respect to that portion of the State funds that can be allocated directly to local agencies for leverage with local funds so as these funds are able to be used to meet local housing priorities while conforming to State program guidelines; and b) the mortgage insurance fund referenced in the Bill be accessible to and serve the housing credit needs of local agencies involved in affordable housing financing.

Respectfully, submitted,


JOHN E. MOLLOY
Executive Director

Contact Person: Thomas V. Lee, 440-1315

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