



City Council Report

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File ID: 2019-00330

May 28, 2019

Discussion Item 02

**Title: Multifamily Financing and Mortgage Revenue Bond Policies Workshop
(Continued from 04/23/2019)**

Location: Citywide

Recommendation: Review and comment.

Contact: Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Presenter: Susan Veazey, Program Manager, (916) 440-1311, Sacramento Housing and Redevelopment Agency

Attachments:

1-Description/Analysis

2-Summary of the Proposed Revisions to the Multifamily Financing and Mortgage Revenue Bond Policies

Description/Analysis

Issue Detail: Staff is providing a workshop to review proposed updates to the Multifamily Financing and Mortgage Revenue Bond Policies. In 1993, the City adopted policies that governed the location, type and quality of affordable housing developed in the City to establish a straightforward and timely review of applications, and create an approval process which assures quality developments and their maintenance over time using funds administered by the Sacramento Housing and Redevelopment Agency (SHRA). The policies were revised in 1999, 2005 and again in 2009. Since the last revision of these policies, Redevelopment was eliminated and a number of funding sources and programs changed their regulations significantly. In addition, increased construction, financing, and overall project costs continue to impact the average financing gap for projects seeking public funding. As a result, staff began work to update and revise the policies in order to allow funds to be administered more effectively given the current financing landscape.

SHRA is utilizing this workshop to provide a summary of the proposed revisions and to seek feedback from the City Council and Housing Authority Board regarding the proposed changes.

SHRA utilizes a variety of funding sources to offer gap financing and facilitates the issuance of mortgage revenue bonds for the development and rehabilitation of affordable multifamily rental housing in the City of Sacramento. Current sources include Housing Trust Funds, Mixed Income Housing funds, Community Development Block Grant, and HOME Investment Partnerships Program funds. In addition, special allocations such as No Place Like Home Funds and Choice Neighborhood Initiatives Grant funds are also be used. All housing financed under these programs carry affordability restrictions on some or all of the units. The core goals of the program remain as follows:

- Increase and preserve the supply of affordable rental housing for all income groups, including those requiring supportive services;
- Facilitate community and neighborhood revitalization through strategic investments in deteriorated properties and new construction;
- Encourage economic integration within neighborhoods and within affordable developments to the greatest extent possible;
- Maintain quality and sustainable living environments for residents of assisted affordable developments and surrounding properties; and

- Increase the efficiency of public funding by obtaining the fullest leverage of non-public funds.

The Multifamily Financing Program is used almost exclusively with projects utilizing the Mortgage Revenue Bond (MRB) Program or the nine percent Low Income Housing Tax Credit (LIHTC) program. Projects are structured to generate as much funding as possible through the use of bonds, tax credits and other State or conventional funding sources. The remaining gap, if any, is filled by SHRA with financing through the Multifamily Financing Program.

Through the Council and Housing Authority Board approved Multifamily Financing and Mortgage Revenue Bond Policies (Policies), SHRA is able to ensure the quality of affordable housing throughout the City and support the types of projects that are priorities for the City. The revisions currently proposed would update the Policies.

SHRA held a series of stakeholder meetings to obtain feedback about the Policies. A total of three meetings were held in 2017, bringing together for-profit and non-profit affordable housing developers, advocates, community organizations, elected and appointed officials, along with City and County staff. In these meetings, SHRA provided context for the discussion and then gathered input on a number of policy questions. See Attachment 1 - Summary of the Revised Multifamily Financing and Mortgage Revenue Bond Policies based on the feedback obtained thus far.

After obtaining feedback from the City Council and Housing Authority Board, SHRA will: 1) prepare an updated version to the Policies; 2) host a stakeholder meeting to review the Policies; 3) present the Policies to Sacramento Housing and Redevelopment Commission; and 4) seek approval and adoption of the Policies at a City Council/Housing Authority Board hearing.

Policy Considerations: Policy guidance documents such as the Policies allow SHRA to effectively administer the Multifamily programs. Staff is providing this workshop to review the proposed updates to the Policies to ensure that projects funded are those that best meet the City's housing objectives; strengthen construction, property management, and resident services requirements; and reflect changes to the industry lending practices and standards.

Economic Impacts: None

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action does not constitute a project subject to environmental review under CEQA pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) §15378(b).

National Environmental Policy Act (NEPA): The proposed action is exempt under NEPA pursuant to 24 Code of Federal Regulations (CFR) §58.34(a)(2) and (3).

Sustainability: Not applicable

Commission/Committee Action: At its meeting of October 25, 2017, staff provided a Multifamily Financing and Mortgage Revenue Bond Policies Workshop to the Sacramento Housing and Redevelopment Commission to obtain feedback.

Rationale for Recommendation: No specific recommendation – for information only.

Financial Considerations: Not applicable.

LBE - M/WBE and Section 3 requirements: Not applicable.



Summary of the Revised Multifamily Financing and Mortgage Revenue Bond Policies

1. Funding Priorities

Current Funding Priorities	Proposed Funding Priorities
1. Preservation	1. Preservation (at risk of losing affordable housing)
2. Recapitalization of affordable housing	2. New Construction and conversion of non-residential to residential use projects will be prioritized as follows: <ul style="list-style-type: none"> i. Permanent Supportive Housing and Homeless housing ii. Workforce (30% AMI to 60% AMI) iii. Veterans iv. Other
3. Inclusionary Housing	3. Recapitalization of affordable housing
4. Rehabilitation and new production	4. Rehabilitation to convert market rate units to affordable

2. Reduced Monitoring Fees

Current Fees	Proposed Fees
15 basis points of the original loan or bond amount	12.5 basis points (0.0125) of the original loan or bond amount \$100/unit annually for SHRA-regulated non-bond units
No Limit	Not to exceed \$25,000 annually

3. Affordability Levels – Deeper Targeting

Current Affordability Levels	Proposed Affordability Levels
20% of the project's total units restricted to 50% of the Area Median Income (AMI)	15% of the project's total units restricted to 50% of the AMI and at least 5% of a project's total number of units restricted to 30% of the AMI

4. Clarification of Mortgage Revenue Bond Policy

SHRA will hold Tax Equity and Fiscal Responsibility Act (TEFRA) hearings and provide gap financing only when the City or County Housing Authority is the issuer.

5. Application Process - New

There are two application rounds per year with an optional third round based on funding availability. Available funds are published on SHRA.org 30 days in advance of the pre-application deadlines.

6. Communication with Governing Bodies and Consultants - New

SHRA strives to make project selection and underwriting a transparent, fair and unbiased process. Attempts to influence underwriting standards jeopardize the impartiality of the process; therefore, once a full application has been submitted, the applicant must not attempt to influence the process and must coordinate with SHRA staff prior to contacting members of SHRA's governing bodies.

7. Technical Updates

Including underwriting, property management, construction, relocation, and smoking requirements.