



Agency Rpt

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council
Sacramento, California

Honorable Members in Session:

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SUBJECT: City/County Multi-Family Rental Housing Assistance Program

SUMMARY

This report regards the progress made on a program to assist in the financing of multi-family rental housing in the City and County of Sacramento. The proposed financing would be provided through the issuance of tax exempt revenue bonds. No City or County funds will be contributed to pay program costs or bond debt service.

Underwriter and bond counsel services were solicited, proposals were received, and firms were selected.

Developers and lenders were contacted and an informational meeting was held to describe the program. Detailed information on proposed projects will be solicited from developers interested in participating in the program. Analysis of this information will provide the basis for the development of the program and the timing of a bond sale.

BACKGROUND

In the last several years, developers of low and moderate income multi-family rental housing have been able to produce apartment units through financing that is dependent upon Federal Section 8 rent subsidies. Construction and "take-out" financing for these projects has been provided through a combination of federal, low-interest financing and state housing finance agency bond money. Since Section 8 rental subsidies are no longer readily available, it has become increasingly difficult to make multi-family projects financially feasible.

An alternative source of financing for rental housing development is through the issuance of tax-exempt bonds by local government. In August 1982, the Sacramento Housing and Redevelopment Agency recommended investigating the feasibility of a locally sponsored tax-exempt bond financing for apartment construction. By Council Resolution 82-535 (July 27, 1982) and Board Resolution 82-787 (July 27, 1982), the respective bodies designated the Agency as coordinator for the implementation of a City/County cooperative multi-family mortgage revenue bond issue. In addition, the legislative bodies also authorized the Executive Director to solicit underwriter proposals to assist in structuring the financing.

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In September, 1982, the Agency solicited proposals for underwriter and bond counsel services. Proposals received indicated that a multi-family rental housing bond issue, through somewhat difficult to design, is a feasible approach to financing apartment development. The investment banking firm of Blyth Eastman Paine Webber was selected as senior managing underwriter, and the firm of Stradling, Yocca, Carlson and Rauth was selected as bond counsel.

In September, 1982, the Agency advertised for developer and lender participation in the proposed program. On September 30, an informational meeting was held to describe program parameters and to answer questions. This meeting was attended by approximately fifty developers and lenders. Questionnaires were distributed to obtain information needed to begin structuring the financing.

A second developer and lender meeting is scheduled in November, at which time detailed project information will be solicited. Applications for program participation will be accepted and project information will be analyzed. The timing of bond sale and further program development will depend upon the number of applications received, the estimated construction start dates, sufficient lender participation, and other variables unknown at the time of this report.

FINANCIAL DATA

The City, County, and Agency are under no financial obligation for underwriter and bond counsel fees, which are payable from bond proceeds only if bonds are sold. The bonds will not be an indebtedness of the City or County. Any direct expenses incurred prior to bond sale will be borne by developer and lender application fees.

The size of the bond issue will depend upon developer and lender interest, the apartment projects that qualify for financing, the bond interest rate at time of bond sale, and other variables.

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RECOMMENDATION

This item is for Council information and no action is required.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL

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