



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



10

April 5, 1988

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Community Development Block Grant Housing
Rehabilitation Loan Interest Rate Reduction

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency of the City of Sacramento. A similar report will be submitted to the Housing Authority of the County of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolutions approving the rate reduction.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Walter J. Crisp

FOR

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



Redevelopment Agency of the
City of Sacramento
Sacramento, CA

Subject: Community Development Block Grant (CDBG) Housing
Rehabilitation Loan Interest Rate Reduction

SUMMARY

This report recommends the approval of the attached resolution to lower the interest rate on CDBG funded housing rehabilitation loans for owner-occupants.

BACKGROUND

In January of 1988, the governing boards approved new administrative guidelines for CDBG-funded housing rehabilitation loans for owner-occupied properties. A major objective in revising the guidelines was to more closely align the CDBG program with the Federal Section 312 Rehabilitation Loan Program in terms of interest rate and certain underwriting criteria.

One of the revisions approved at that time, was the increase of the base interest rate on CDBG loans to match that of the Section 312 program. The Section 312 interest rate was then at 3% plus a 1% risk fee for an effective rate of 4%. Two weeks after local approval to increase the CDBG rate to 4%, HUD announced that the 1% risk fee on 312 loans was to be eliminated, effective upon the release of 1988 funding later in February. Thus, staff is recommending that the base interest rate on CDBG loans be reduced to 3% to again match that of the Section 312 program and that the incremental rates being charged to moderate-income borrowers in Target Areas be proportionally reduced by 1%.

FINANCIAL DATA

Funding amounts for CDBG rehabilitation loan programs are unchanged by approval of the attached resolution.

ENVIRONMENTAL REVIEW

Environmental review is not required for actions requested in this staff report. CEQA: Housing Rehabilitation administration is not a project by definition and therefore

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exempt - 15378(B)(3). NEPA: A finding of no significant impact (FONSI) was made in 1983 and is still in full force and effect with regard to housing rehabilitation administration.

POLICY IMPLICATIONS

Approval of the attached resolution will amend the program interest rates under the "Administrative Guidelines for CDBG Housing Rehabilitation Loan Programs for Owner-occupied Properties January 1, 1988" as follows:

1. Deferred Payment Loan Program

The interest rate for the first five years of the loan term will remain at 0%. The interest rate for the remaining term of the loan will be changed from 4% to 3%.

2. Agency Amortized Rehabilitation Loan Program

The interest rate will be changed from 4% to 3%.

3. Target Area Loan Program

The interest rate will be changed as follows:

<u>Percent of</u> <u>Median Income</u>	<u>Interest Rate</u> <u>From - To</u>
81 - 90%	5% - 4%
91 - 100%	6% - 5%
101 - 110%	7% - 6%
111 - 120%	8% - 7%

VOTE AND RECOMMENDATION OF THE COMMISSION

At its regular meeting of March 28, 1988, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Glud, Pettit, Sheldon, Simon, Simpson,
Wiggins, Wooley, Yew, Moose

NOES: None

ABSENT: None

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RECOMMENDATION

Staff recommends the approval of the attached resolution which reduces the interest rate on CDBG Housing Rehabilitation Loans as listed under Policy Implications above.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: John Molloy

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

April 5, 1988

CDBG HOUSING REHABILITATION LOAN INTEREST RATE REDUCTION

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO:

Section 1: The interest rates, under the administrative guidelines for CDBG Housing Rehabilitation Loan Programs for owner-occupied properties, January 1, 1988, are hereby amended and approved as outlined in accordance with the staff report filed with this resolution.

CHAIR

ATTEST:

SECRETARY

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