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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

December 2, 1981

CITY MANAGER'S OFFICE
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DEC 9 1981

City Council of the City
of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Upcoming Mortgage Revenue Bond Issue

SUMMARY

The attached report is an update on the progress of the upcoming mortgage revenue bond issue.

RECOMMENDATION

This report is for your information and no specific action is required.

Respectfully submitted,

William H Edgar

WILLIAM H. EDGAR
Interim Executive Director

Attachment

Office of the City Clerk
referred to Bud/Fin Comm
DEC 15 1981

For City Council Information:

Walter J Slipe

Walter J. Slipe, City Manager

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

December 1, 1981

December 1, 1981

Sacramento City Council
Sacramento County Board of Supervisors

Honorable Members in Session:

SUBJECT: Upcoming Mortgage Revenue Bond Issue

SUMMARY

The following report is an update on the progress of the upcoming mortgage revenue bond issue. In addition to providing a current status on the next bond issue, it describes significant problems created by federal legislation that must be solved before mortgage revenue bonds can be issued by the City and County of Sacramento. Alternative solutions to these problems, which result in issuing bonds early next year, are described and analyzed. A subordinated lien bond structure is proposed for the development of the future bond program.

BACKGROUND AND UPDATE

Since our last report, Agency staff has been meeting with local lenders and developers, the underwriters (Blyth Eastman Paine Webber, Senior Manager, and E. F. Hutton and Salomon Brothers, Co-Managers), bond counsel (Orrick, Herrington & Sutcliffe), underwriter counsel (Stradling, Yocca, Carlson and Rauth), Building Industry Association (BIA) representatives, lending institution representatives, and others to develop the next mortgage revenue bond issue. This bond issue, as was the case with our previous issue, is designed to provide mortgage money to low and moderate-income (currently at $31,680 per year) persons throughout the City and County. Resolutions declaring intent to issue mortgage revenue bonds have been passed by the City and County of Sacramento and the Cities of Folsom and Isleton.

A. Developer/Lender Interest

1. Initial Communication

Solicitation of developer and lender participation in the next bond program was made from a mailing list prepared from various sources (e.g., BIA, Mortgage Bankers Association, Savings & Loan League, telephone and other directories, and lists developed from the previous bond issue). Also, articles were published in the Sacramento Bee and Union advertising the new bond program. All interested developers and lenders were invited to attend a meeting held to explain the new program requirements. Through this initial communication with local developers and lenders, the Agency requested and received completed questionnaires which were designed to measure the degree of interest in, and participant compatibility with, the bond program. About 80 developers and 23 lenders expressed at least some interest in the program. Based on this favorable response, a second questionnaire was developed and mailed to these potential participants.

2. Second Mailing

The second mailing informed developers and lenders that mortgage rates produced by the bond issue may be as high as 14%. Secondly, they were informed that to participate a cash contribution (due just prior to bond sale) would be required that may be as high as 6% of the amount of bond money they receive. A second meeting was held to explain these and other requirements. All interested participants were then requested to return applications for bond money allocations accompanied by an application fee of one-tenth of 1% of the allocation requested.

3. Applications Received

Applications returned by 23 developers to the Agency requested a combined amount of $46,735,000 of mortgage money. Eleven lenders returned questionnaires agreeing to work with developers in originating and servicing the loans. Project summaries from developers indicate that geographically, the ratio of units to be financed under the new program would be roughly 65% County and 35% City. However, this ratio does not include units to be financed in the Target Areas (discussed below) which are within the City of Sacramento.

4. Participant Application Fees

Security Pacific National Bank (trustee) is currently holding $46,735.00 in application fees in an interest-bearing account. When the bonds are sold this money will be credited toward participation fees that are due just prior to bond sale. In the event that the bond program must be aborted (for example, if a 14% or better mortgage rate cannot be realized) all program participants understand that direct expenses incurred by the Agency will be covered by these fees. Fees remaining after expenses will be returned to participants on a pro rata basis.

There have been minimal direct expenses incurred at this time. However, if all components of the bond issue are in place and the issue is not sold (or there is a long delay in sale that

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

increases costs) then direct expenses would consume most of the application fees. Thus, in projecting the chances for, and timing of, a successful bond sale the participants' interests are an important consideration.

B. <u>Mortgage Money for New/Existing Units and Target Areas</u>

1. <u>New/Existing Homes</u>

All applications for bond money were for new construction (i.e., units that will be occupied for the first time by a bond program mortgagor). The lack of interest in mortgage money for existing homes can be traced to two factors: 1) the more strict income requirements imposed upon mortgagors receiving loans for existing homes; and 2) program requirements which do not allow participating lenders to pass on commitment fees to mortgagors. Concerning the first restriction, 50% of all bond money allocated for existing home mortgators must be reserved for households with incomes of $21,120 or less, and the other 50% can go to households with incomes of $26,400 or less. At a 14% mortgage rate, it is more difficult to qualify mortgagors for existing housing than for new homes where the mortgagor's income can be as high as $31,680. The second factor is much more onorous since federal regulations and program requirements do not allow the lender to get back all of the costs of the cash contribution required to reserve an allocation of bond proceeds.

2. <u>Target Areas</u>

Federal legislation requires that there be set aside a portion of bond proceeds for Target Areas (census tracts where 70% of the families have incomes less than 80% of the median income). Department of Treasury safe harbor data indicates that the Sacramento Metropolitan Statistical Area (SMSA) includes seven Target Areas (see Appendix I). Since there were no applications for new construction in these Target Areas, the bond program will be required to set aside bond proceeds for mortgages on existing housing in these areas. The amount required by federal legislation is satisfied by making available for one year at least 40% of the average annual aggregate principal amount of mortgages made in the Target Areas in the preceding three calendar years. Since gathering and analyzing data on all mortgage activity in the target tracts would be very time consuming and expensive, the bond program has the option of relying on a Treasury safe harbor formula. This formula dictates that there be about $3.2 million set aside for existing homes in Sacramento's Target Areas.

C. Mortgage Pool

If $3.2 million in Target Area mortgage money is combined with the application requests for $46,735,000, then the mortgage pool for the new bond issue would be about $50,000,000. However, there may be developers who drop out of the program prior to bond sale which would reduce this pool estimate. The State of California's Housing Bond Credit Committee has authorized a bond sale of up to $65,000,000 in housing bonds this calendar year. It has been estimated that this allocation may be reduced to about $50,000,000 in 1982. The $65,000,000 allocation received this year will allow developers to expand their request for allocations which they may do if interest rates should decline and we are able to sell the bonds this year.

FEDERAL LEGISLATION RESTRICTS HOUSING BOND ISSUES

The Mortgage Subsidy Bond Tax Act of 1980 and subsequent Treasury Regulations impose severe restrictions on issuing mortgage revenue bonds. One of the most significant of these restrictions eliminates some, and drastically reduces the other sources of funds previously available to cover the costs related to issuing housing bonds. At this time, the only solution to these reductions is to find or create new sources of funds to cover the costs of issuance.

A. Arbitrage

The most important change in the law concerns arbitrage, the spread that can be earned through the investment of bond proceeds over and above the interest cost on the bond yield. Arbitrage on mortgage loans and non-mortgage investments has been used in the past to provide an important source of funds to help cover costs of issuing bonds. These sources have now either been eliminated or severly limited. A detailed analysis of arbitrage is presented in Appendix II.

The problem can be illustrated by the following comparison showing the sources of funds used to cover costs in Sacramento's 1980 mortgage revenue bond issue and the projected sources of funds needed to cover costs in the next bond issue. An important concept under the new legislation is that developer and lender "points" must be greatly limited to comply with the new arbitrage restrictions. (Appendix III provides a more detailed description of the sources of funds and costs of issuance.)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council
Sacramento County Board of Supervisors
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1980 BOND ISSUE

Sources of Funds	Percent of Costs Covered
Developer points	83%
Arbitrage on reserves	2%
Arbitrage on short-term investment of program funds	15%
	100%

PROPOSED BOND ISSUE (PROJECTED)

	Percent of Costs Covered	
Sources of Funds	Current Conditions	December 1980 Conditions
Developer points	33%	57%
Arbitrage of reserves (eliminated)	0	0
Arbitrage on short-term investment of program (eliminated)	0	0
	33%	57%

For the above estimates on the proposed bond issue the share of costs covered by developer points reflects the maximum amount of points that can be charged under the new arbitrage restrictions. The difference between current conditions and December 1980 conditions is primarily the result of sales credits which are higher (less favorable for the issuer) in the current bond market. However, it is clear even under December 1980 conditions (relatively low sales credits) there is a shortfall of 43% in covering costs (from traditional sources of funds). This is basically the problem that all issuers of mortgage revenue bonds are now facing. Issuers and underwriters are struggling to develop new sources of funds. Before suggesting where these funds may be found, and they must be found to make the bond issue feasible, it is important to discuss the costs related to issuing mortgage revenue bonds.

B. Costs Related to Issuing Bonds

Appendix IV shows all of the projected costs of issuance and the underwriter discount of the upcoming bond issue. This Appendix also compares these costs with the actual costs incurred on the

1980 bond issue. As shown, primarily due to economy of scale, on a percentage-of-issue basis, categories of projected costs (except special hazard insurance and contingency) are less than the costs of the 1980 issue. Projected underwriter discount in February 1982 is the same as last year (3%), but a December 1981 sale is projected to produce a discount of 3.4%. The difference between February 1982 and December 1981 conditions is due soley to estimated sales commissions, or sales credits, charged by bond salespeople. Sales credits represent the largest proportion of underwriter discount and is a function of bond market supply and demand. It has an enormous impact upon issuance costs. For example, on a $50 million issue, sales credits will cost $500,000 less at $20/thousand (February 1982) than at $30/thousand (October 1981). Of course, there is no guarantee that sales credits will be lower in February 1982 than in December 1981. Efforts are being made to keep costs to a minimum but the cost of sales commissions can be "controlled" only by entering the bond market at the optimum time.

For purposes of comparison, Appendix V shows various housing bond issues similar to the proposed issue and gives the underwriter spread on each (as well as other data).

HOW TO COVER ISSUANCE COSTS - ALTERNATIVES

Under the current and projected market conditions, our senior underwriter proposes only two alternatives: 1) A cash infusion from the City and County, and/or 2) Issuance of subordinated lien bonds.

A. Cash Infusion

On a $50 million issue, this alternative would require between $1 and $1-1/4 million in cash subsidy to make the bond issue feasible. It is possible that the issue could be scaled down so that the required cash subsidy would be less than this. However, the cash subsidy would not be reduced proportionately with the reduction in size of the bond issue. Given an available amount of cash subsidy, an analysis would have to be made to determine the size of bond issue that would be feasible.

B. Subordinated Lien Bonds

Subordinated lien bonds are bonds having a junior lien on the cash flows generated by mortgages made under the bond program. Under this proposal, subordinated lien bonds would be sold to program participants (developers and lenders). The cash proceeds from this sale would be used to help cover issuance costs. Most important, these bond proceeds are not counted in arbitrage calculations as are points and originations fees. Under this structure the bond issue would consist of two bonds - the "A" bonds (rated by a rating

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

agency and of investment grade quality) and the "B", or subordinated lien, bonds (unrated and somewhat risky). It has been estimated that if 90% or more of the proceeds available for mortgage loans are originated in the one-year period, then the "B" bonds would be assured timely payment of interest and principal. Any origination rate less than 90% would result in some degree of default of these "B" bonds. Also, if prepayments exceed 100% of FHA prepayment experience there would be "B" bonds in default.

Prior to accepting applications the subordinated lien bond concept was explained to developers and lenders as a possible approach to structuring the bond issue. They fully understand that if this alternative is elected, then they will be required to purchase these bonds in order to participate in the bond program.

TIME SCHEDULE AND BOND SALE

Since the subordinated lien bond structure involves several complex and novel issues that have yet to be tested, it will be almost impossible to issue bonds under this concept by the end of 1981. Thus, the plan to issue mortgage revenue bonds by the end of the year realistically can be accomplished only with the help of a cash subsidy from the City and County. Even with this subsidy, the underwriter has estimated that there is only a 50/50 chance of issuance by the end of the year. Additionally, the crunch of housing issues (including very large State issues) to be marketed in December probably will create a very unfavorable end-of-year market climate.

Exacerbating the above timing problems is the fact that short-term interest rates currently are below long-term bond rates. This is significant since bond proceeds, prior to being loaned out as mortgages, must earn in the short term at least as much as the bond rate in order to pay interest on the bonds without incurring negative arbitrage. When negative arbitrage occurs costs of issuance rise (see Appendix III). Since negative arbitrage must be kept to a minimum, this is another important factor to weigh in the timing of bond sale.

RECOMMENDATION

It is the recommendation of staff that a subordinated lien bond structure be followed in the development of the bond program. This alternative, if in fact workable, would not require an infusion of cash from the City and County. As the tentative schedule for this alternative shows (see Appendix VI), the components of the issuance would be in place in time for a bond sale in early February 1982 (an "optimal" time to market housing bonds according to the underwriter). Although a cash subsidy is a more proven method under the new regulations to successfully sell mortgage revenue bonds due to the many problems created by federal legislation, it is probably unrealistic to believe that Sacramento would have a bond issue sold much sooner than early February 1982. It is also likely that the cash subsidy approach would not supply the funds needed to support a large bond issue. As stated above, a $50 million bond issue would require a subsidy of over $1 million.

If the subordinated lien bond approach is followed, the tentative schedule also allows time for observance of other "A"/"B" bond-structured issues which are proceeding to sale. Based on knowledge of other issuers' experience with this kind of bond issue, the Sacramento program will be better prepared to abandon this approach if necessary prior to incurring unnecessary expenses.

At a December 1 meeting between Agency staff, senior underwriter, developers and lenders, the consensus among developers and lenders was to stay with the bond program through February 1982. There was no objection to the use of some application fees at this time to proceed with the structuring of the issue, even if the bond sale should not take place until February 1982.

Respectfully submitted,

William H Edgar

WILLIAM H. EDGAR
Interim Executive Director

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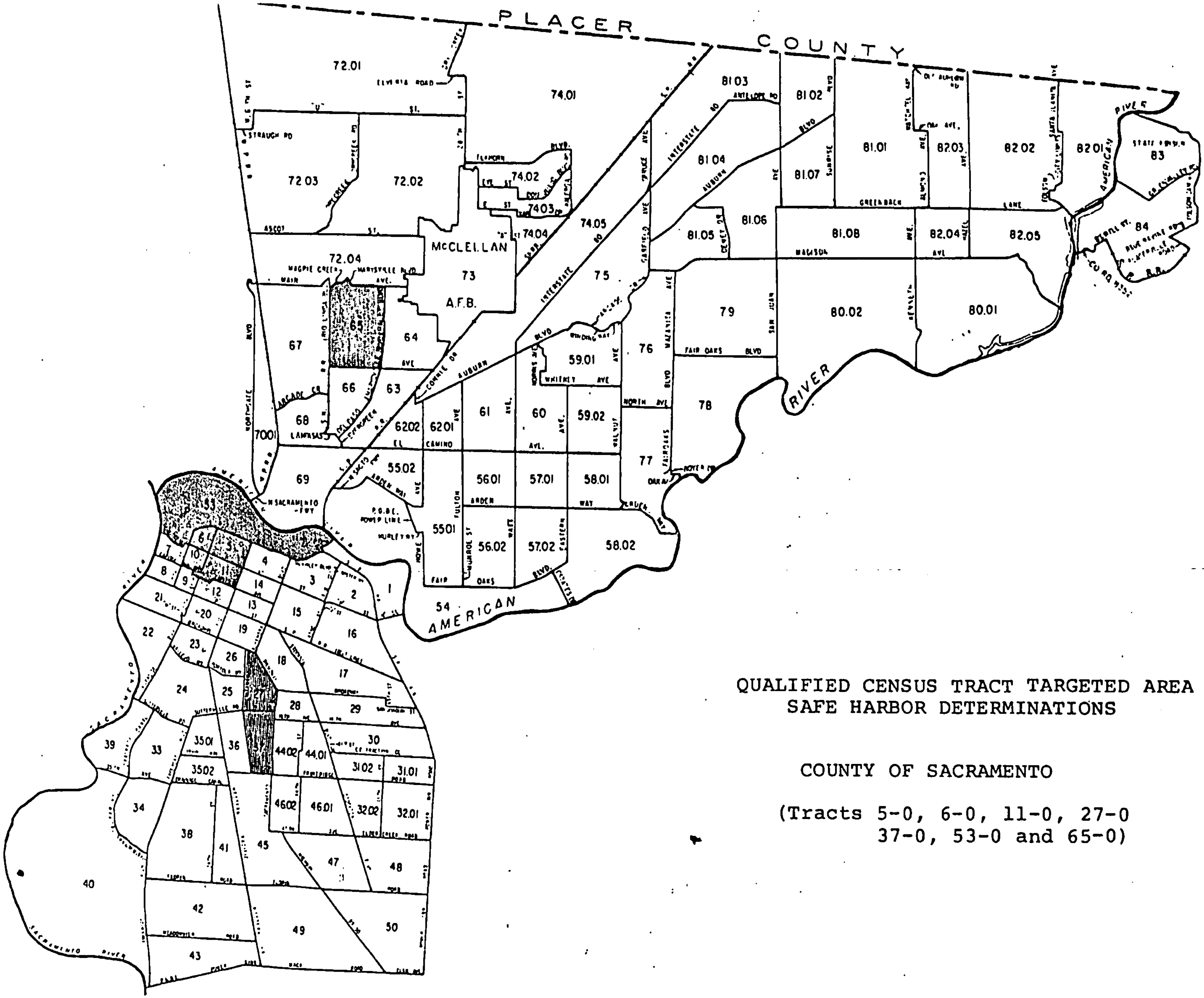

QUALIFIED CENSUS TRACT TARGETED AREA
SAFE HARBOR DETERMINATIONS

COUNTY OF SACRAMENTO

(Tracts 5-0, 6-0, 11-0, 27-0
37-0, 53-0 and 65-0)

APPENDIX I (9)

ANALYSIS OF ARBITRAGE

SINGLE FAMILY MORTGAGE REVENUE BONDS

A. **To receive an A rating on a mortgage bond issue, the following criterion must be met in 5 years, under various prepayment scenarios:**

Mortgage loans	**+**	**Reserve funds**	**=**	**Bonds outstanding**

B. When bonds are first issued, the right side of this equation is typically less than the left side of the equation. The difference is referred to as "non-asset bonds" and may be defined as follows:

Non-asset bonds	=	Cost of issuance	+	Underwriting discount	+	Capitalized interest

C. Capitalized interest results from two sources:

1. a program assumption, required by the rating agencies, that all mortgage payments will be 30 days late

2. market conditions in which bond proceeds are invested temporarily (before mortgage loans are made) at a rate the produces investment earnings which are less than the interest which accrues on the bonds. This source is referred to as "negative arbitrage".

D. For issues structured under the old regulations, non-asset bonds could be covered from the following sources:

Arbitrage on mortgage loans	+	Developer points	+	Prepayment penalties	+	Arbitrage earned on investments

E. Under new regulations these sources have become severely limited for the following reasons:

1. arbitrage from mortgage loans has been nominally reduced 33% from 1.50% to 1.00%, but because the method for calculating yield has changed substantially, arbitrage from mortgage loans has been effectively reduced by about 100%

2. developer points, as well as origination fees, are to be treated as a discount to the mortgage loans in determining the yield on the loans, thereby substantially reducing their usefulness

3. prepayment penalties also must be taken into account in determining the yield on the loans, thereby effectively eliminating their usefulness

4. arbitrage on temporary funds as well as reserve funds has been eliminated. (This restriction ensures negative arbitrage during the period before mortgage

APPENDIX II

loans are made, to the extent that the amount of money available to the program is less than the amount of bonds outstanding.)

F. The following sentence summarizes the effect of the new regulations in terms of the first statement in this analysis:

To receive an A rating on a mortgage revenue bond issue, the following criterion must be met in 5 years, under various prepayment scenarios:

Non-asset bonds	=	**Arbitrage on mortgage loans**	+	**Developer points**

G. In addition to the non-asset bonds, the program will incur annual costs which must be paid out of the 1.00% arbitrage available on mortgage loans. These annual costs are estimated as follows:

.25% Servicing	+	.05% Trustee	+	.04% Special hazard insurance	=	.34% Annual costs

This leaves .66% of the 1.00% arbitrage available on mortgage loans to pay for non-asset bonds and any other program costs

H. For the following reasons it is more beneficial to pay non-asset bonds from sources other than mortgage payments:

1. the rating agencies require proof that the program be tested under a number of rapid prepayment scenarios, which severely limit the arbitrage generated over time through mortgage payments.

2. the elimination of arbitrage on temporary investments and reserve funds ensures negative arbitrage to the extent that money available for the program is less than bonds outstanding over the period before mortgage loans are made.

Since the new regulations have effectively eliminated other sources of arbitrage, developer points remain as the only alternative.

I. Under the new regulations developers points and origination fees are treated as a discount to the mortgage loan, thereby increasing the effective yield of loan above its nominal rate. Points are therefore discussed in terms of "costing arbitrage" available on the mortgage loans. For mortgage loans with a nominal rate of 14.0%, each point paid in the program increases the mortgage yield by .217%. In other words, each point costs .217% of the 1.00% arbitrage available on the mortgage loans.

J. Since there is only .66% of arbitrage available on the mortgage loans after annual costs have been subtracted and since origination fees have been set at ½ point, the maximum number of points that developers can pay into the program to cover non-asset bonds is determined as follows:

.660% Arbitrage remaining after annual costs	-	.108% Effect of ½ point origination fee	=	.552% Arbitrage remaining after origination and annual costs
.552% Arbitrage remaining after origination annual costs	÷	.217% Cost per point	=	2.54 points Maximum available to pay for non-asset bonds

HOW ISSUANCE COSTS ARE FUNDED*

COSTS	Percent of Issue: 1980 Bond Issue ($13,495,000)	Proposed Bond Issue: Current Conditions	Proposed Bond Issue: December 1980 Conditions
Underwriting Discount	3.00%	3.40% [a]	3.00%
Costs of Issuance	1.49	.71	.71
Negative Arbitrage	0	1.48 [b]	0
Delay Factor in Mortgage Payments (assumption for rating agency)	1.07 [c]	1.18 [d]	1.07 [c]
Prepayment test (assumption for rating agency)	.76	.24 [e]	.24 [e]
	6.32%	7.01	5.02

a - reflects higher sales credits and underwriting risk
b - reflects 13% bond rate and 11.5% reinvestment rate
c - reflects one month's interest at 12.5% mortgage rate
d - reflects one month's interest at 14.0% mortgage rate
e - cost is reduced under pass-through structure proposed for issue

SOURCES OF FUNDS	Percent of Issue: 1980 Bond Issue	Proposed Bond Issue: Current Conditions	Proposed Bond Issue: December 1980 Conditions
Developer points	5.28%	2.37% [a]	2.85% [a]
Arbitrage on reserves	.12	0 [b]	0 [b]
Arbitrage on short-term investment of program fund	.92	0	0
Prepayment penalties [c]	0	0	0
	6.32%	2.37%	2.85%

a - reflects maximum that can be charged under arbitrage restrictions
b - eliminated under new regulations
c - effectiveness is limited under new regulations

Sources of Funds Less Costs

		Shortfall
1980 Bond Issue	6.32 - 6.32 = 0%	0
Proposed Issue - Current Conditions	2.37 - 7.01 = -4.64%	$2,320,000
- 12/80 Conditions	2.85 - 5.02 = -2.17%	$1,085,000

*This information is an approximation.

APPENDIX III

APPENDIX IV (13)

COSTS OF ISSUANCE AND UNDERWRITER DISCOUNT

	1980 Bond Issue ($13,495,000)	% of Issue	(Projected) Next Bond Issue $50,000,000)	% of Issue
Print/distribute Official Statement	$ 48,901	.36%	$ 50,000	.10%
Bond Counsel	36,500	.27	90,000	.18
Housing Authority	30,000	.22	55,000	.11
Feasibility Study	23,398	.17	22,500	.05
Administrator	22,572	.17	52,500	.10
Trustee	11,480	.09	20,000	.04
Printing of Bonds	8,269	.06	15,000	.03
Rating Agency	7,500	.06	12,000	.02
Verify Calculations (Accounting Firm)	6,500	.05	10,000	.02
Special Hazard Insurance	4,752	.04	18,000	.04
Contingency	1,028	.01	10,000	.02
TOTAL	$200,900	1.50%	$355,000	.71%

UNDERWRITER DISCOUNT ($'S PER $1,000)

	1980 Bond Issue	% of Issue	Next Bond Issue (Projected) 12/81 Sale	% of Issue	2/82 Sale	% of Issue
Sales credit	$21.79	2.18%	$25.00	2.5%	$20.00	2.00%
Underwriting Risk	2.00	.20	3.00	.30	2.00	.20
Management Fee and Expenses	6.21	.62	6.00	.60	6.00	.60
TOTAL	$30.00	3.00%	$34.00	3.40%	$28.00	2.80%

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PRICING COMPARISONS

Terms of Other AB 1355 Issues Sold To Date

(in thousands)

Issue	$50,000 Pittsburg	$13,495 Sacramento	$14,090 Tulare	$100,000 Orange	$33,500 San Bernardino	$25,000 San Diego	$8,130 Oakland	$45,000 Los Angles
Date of Sale	11/21/80	12/19/80	12/19/80	8/14/80	12/30/80	12/17/80	12/16/80	12/19/80
Senior Manager	Dean Witter	Blyth Eastman	Dean Witter	Blyth Eastman	Goldman Sachs	E.F. Hutton	Blyth Eastman	Salomon
Rating	A/	A1/	A/	A/A+	A/A	/A	/AAA	/AA
Net Interest Cost less Housing Bond Index (lower figures are more favorable)	.750	-.130	.397	-.111	.640	NA (floating rate bonds)	-1.325	.897
Underwriter Discount	$40.00	$30.00	$36.00	$28.41	$27.00	$28.00	$30.00	$28.30

TENTATIVE TIME SCHEDULE
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
1982 A AB 1355 FINANCING

11/23	Receive first draft of lending and administration documents
12/01	Meet with lenders and developers
12/02	Initiate feasibility study
12/03	Receive first draft of indenture and developer documents
12/10-11	Respond to program documents (drafting session)
12/21	Receive second draft of program documents Distribute documents to lenders and developers
1/04	Submit application to bond credit committee
1/06	Meet with lenders and developers
1/07-08	Respond to comments (drafting session)
1/15	Receive draft feasibility study Receive draft OS Receive revised program documents
1/15	Schedule hearing before bond credit committee
1/19	Sign-off on feasibility study and revised documents Respond to draft OS
1/20	Revise OS
1/21	Submit materials to rating agencies Distribute revised document to lenders and developers
2/02	Receive approval from Council and Board to proceed
2/03	Meet with lenders and developers
2/04	Receive ratings Execute tentative participation agreements
2/05	Mail OS and underwriting documents
2/09	Price bonds
2/12	Finalize terms of developer and lender documents Receive approval of bond credit committe
2/16	Execute bond purchase agreement
3/08	Preclosing
3/09	Closing

APPENDIX VI

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BUILDING INDUSTRY ASSOCIATION OF SUPERIOR CALIFORNIA, INC.

BUILDING INDUSTRY ASSOCIATION OF SUPERIOR CALIFORNIA

2211 Royale Road • Sacramento, California 95815 • Telephone ~~(916) 927-0578~~
(916) 925-2772

December 1, 1981

Sacramento City Council
City of Sacramento
City Hall
Ninth & I Street
Sacramento, CA 95814

Dear Councilperson:

This is to confirm our position regarding tax-free mortgage revenue bonds. Our industry is acutely aware of the money market and its almost daily nuances. We support the Housing Redevelopment Agency's position and concur with the decision to delay a bond issue at this time.

I am confident that the builder members of our association will approach the program with the same vigor as shown in the past. We believe in the concept, and support you and the agency in its goals.

Respectfully,

James E. Merrey
James E. Merrey
Executive Vice President

JEM/rs

cc: Don McCormick
Sid Dunmore
Rick Vorpe

APPENDIX VII

BUILDING INDUSTRY ASSOCIATION OF SUPERIOR CALIFORNIA

2211 Royale Road • Sacramento, California 95815 • Telephone ~~(916) 927-0578~~
(916) 925-2772

December 1, 1981

Sacramento County Board of Supervisors
700 H Street, Suite 1450
Sacramento, California 95814

Dear Supervisor:

This is to confirm our position regarding tax-free mortgage revenue bonds. Our industry is acutely aware of the money market and its almost daily nuances. We support the Housing Redevelopment Agency's position and concur with the decision to delay a bond issue at this time.

I am confident that the builder members of our association will approach the program with the same vigor as shown in the past. We believe in the concept, and support you and the agency in its goals.

Respectfully,

James E. Merrey
Executive Vice President

JEM/rs

cc: Don McCormick
Sid Dunmore
Rick Vorpe

APPENDIX VIII