

City of Sacramento

Legislation Details (With Text)

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Title: (City Council / Housing Authority) Approval of Updated Multifamily Lending and Mortgage Revenue Bond Policies [Continued from 11/05/2019]
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Date	Ver.	Action By	Action	Result
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Title:
(City Council / Housing Authority) Approval of Updated Multifamily Lending and Mortgage Revenue Bond Policies [Continued from 11/05/2019]

File ID: 2019-01174

Location: Citywide

Recommendation:

Adopt: 1) a City Council Resolution approving updated Multifamily Lending and Mortgage Revenue Bond Policies; and 2) a Housing Authority Resolution approving updated Multifamily Lending and Mortgage Revenue Bond Policies.

Contact: Christine Weichert, Assistant Director, (916) 440-1353, Tyrone Roderick Williams, Director of Development, (916) 440-1316, Sacramento Housing and Redevelopment Agency

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

Attachments:

- 1-Description/Analysis
- 2-Summary of the Major Changes to the Multifamily Financing and Mortgage Revenue Bond Policies
- 3-Impact of Administrative Fee Reduction
- 4-Multifamily Lending and Mortgage Revenue Bond Policies (Redlined version)
- 5-Council Resolution

6-Housing Authority Resolution

7-Exhibit A - Final Multifamily Lending and Mortgage Revenue Bond Policies

8-Councilmember Hansen's Requested Changes

Description/Analysis

Issue Detail: In 1993, the Council adopted policies for the Sacramento Housing and Redevelopment Agency (SHRA) that governed the location, type, and quality of affordable housing developed in the City utilizing funding administered by SHRA. These policies facilitate the straightforward and timely review of applications and help ensure that developments are constructed and maintained to a high standard. The policies were revised in 1999, 2005, and again in 2009. Since the last revision of the policies, Redevelopment was eliminated in California (therefore eliminating a significant source of funding for affordable housing finance) and a number of funding sources and programs have 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 has worked in coordination with stakeholders to update and revise the policies. In response to comments received from the development community at the stakeholder meetings and in order to allow funds to be administered more effectively, staff is recommending

revisions to the Multifamily Lending and Mortgage Revenue Bond Policies (Policies) to align with the current financing landscape, the City's housing goals, and to make projects less costly by lowering fees for developers.

The recommended Policy revisions include input from eight public workshops and three circulated drafts. Major changes proposed include revisions to funding priorities, reduction of annual fees, deeper affordability targeting, and affirmative marketing requirements which are described in detail in Attachment 2. In addition to policy revisions, SHRA has integrated documents which consolidate the information required from developers when preparing applications for funding. At the November 12, 2019 City Council meeting, Councilmember Hansen presented a listed of proposed changes. These proposals and SHRA's recommendations are presented in Attachment 8.

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 fund allocations such as No Place Like Home and Choice Neighborhood Initiatives Grant may 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.

Multifamily loans are provided to 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 administered funding sources.

Policy Considerations: The Multifamily Financing and Mortgage Revenue Bond Policies allow SHRA to effectively administer the Multifamily Housing lending programs. Staff has revised the document taking into consideration significant stakeholder input to ensure that projects funded are those that best meet the City's housing objectives, broaden and strengthen construction, property management, and resident services requirements, and to reflect changes to the industry lending practices and standards.

The Multifamily Lending and Mortgage Revenue Bond Policies provide direction to projects initiated by the development community and create a common framework for the evaluation of all SHRA financed multifamily projects including those that are initiated by SHRA. Revisions to the policies will allow SHRA to act strategically, provide clarity to the development community, and ensure sustainability for all assisted projects.

Economic Impact: None

Environmental Considerations:

California Environmental Policy Act (CEQA): The proposed actions are administrative and therefore not a project under CEQA pursuant to CEQA Guidelines Section 15378.

National Environmental Policy Act (NEPA): The proposed actions are exempt under NEPA pursuant to 24 CFR 58.34(a)(2) and (3).

Sustainability: Not applicable.

Commission/Committee Action: At its meeting of September 4, 2019, the Sacramento Housing and Redevelopment Commission (Commission) considered the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Boyd, Griffin, Morgan, Starks, Staajabu

NOES: None

ABSENT: Macedo, Nunley, Wedding

Rationale for Recommendation: There have been many significant changes in the local affordable housing arena since the last time the Policies were revised. Staff recommendations are based on significant stakeholder input as well as knowledge of regulatory and programmatic changes at the federal, state, and local levels.

Financial Considerations: The updated Policies include revisions to the application fee for all developments submitting a full application. After adoption of the new Policies, the application fee will be \$12,500 for both loan-only or bond-financed projects, as the number of staff hours is the same for both financing scenarios. In addition, it is proposed that the Annual Administration Fee rate be reduced from 0.15% to 0.125% and that a flat fee of \$100 per SHRA-funded affordable unit be added. It is also proposed that the Annual Administrative Fee be capped at \$15,000 for loan-only projects and \$25,000 for bond projects. The net result of these changes is generally a reduction in the administrative monitoring fees that will be charged to projects for the 55-year compliance period. Attachment 3 includes an analysis of the how the proposed adjusted Administrative Fee will impact mortgage revenue bond funded projects.

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