

City of Sacramento

Legislation Text

File #: 2019-01826, **Version:** 1

Title:

Mortgage Revenue Bond Fee Report for Construction of New Multifamily Affordable Housing

File ID: 2019-01826

Location: Citywide

Recommendation:

Receive and file.

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Attachments:

1-Description/Analysis

2-Mortgage Revenue Bond Fee Memorandum - Keyser Marston Associates, Inc.

Description/Analysis

Issue Detail: The City Council (Council) approved a revision to the Sacramento Housing and Redevelopment Agency (SHRA) Multifamily Lending and Mortgage Revenue Bond Policies (Lending Policies) on December 3, 2019. During this discussion, and given the critical need for new affordable housing and the high cost to develop housing, the Council raised concerns about fees associated with the construction of new multifamily housing.

In 2017, SHRA staff conducted a review of the major public-sector Mortgage Revenue Bond (MRB) issuers in the State of California. Based on that analysis, SHRA recommended a reduction in the Bond Issuance Annual Administration Fee that had been in place since 2009. The reduction included reducing the rate from 15 basis points (.15%) to 12.5 basis points (.125%) and introducing a cap of \$25,000 per year for bond projects. As an example, the Annual Administration Fee for Lavender Courtyard was lowered by \$27,500 as a result of this fee reduction.

As part of the discussion regarding approval of the Lending Policies, SHRA committed to reporting back with additional information regarding MRB Annual Administration Fees for new construction projects. In preparation, SHRA contracted with Keyser Marston Associates, advisors in public/private real estate development. The result of their research is provided as Attachment 2 to this report.

According to the Keyser Marston study, SHRA's annual monitoring fee of .125% of the bond amount is in line with the rates of other local issuers. Differences lie in the calculation of the fee basis upon conversion to permanent financing, minimum and maximum fee amounts, and additional fees to monitor compliance with other regulatory agreements. SHRA is one of only two issuers to establish a fee maximum, and has no minimum fee, unlike other local and non-local bond issuers.

The study further states that SHRA has one of the most comprehensive bond monitoring fee programs among all issuers. SHRA conducts onsite visits more frequently than other issuers by providing annual inspections. Other issuers typically visit sites once every three years or not at all.

In addition, SHRA is one of the few issuers to conduct annual residents file audits, receive monthly property management reports, and require audited financial statements. This regular reporting allows SHRA to mitigate compliance issues throughout the year.

Unlike other issuers, resolving landlord-tenant disputes also falls under the purview of SHRA's bond monitoring program. Keyser Marston states that non-local issuers typically have less involvement with landlord/tenant disputes and changes in ownership/management than do local bond issuers.

As is evidenced by the research, SHRA's annual site visits, file reviews and issue resolution, as directed by our governing bodies, warrants the level of fees adopted with the approval of the Lending Policies. SHRA's fees are well aligned with level of effort and are in line with other bond issuers.

Policy Considerations: Not applicable.

Economic Impacts: Not applicable.

Environmental Considerations: Not applicable.

Sustainability Considerations: Not applicable..

Commission Action: Staff presented this item to the Sacramento Housing and Redevelopment Commission on February 5, 2020 as an informational item.

Rationale for Recommendation: Not applicable.

Financial Considerations: Not applicable.

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