

TIME CERTAIN
ITEM NO. **3A+B**
2:00PM

CITY OF SAN ANTONIO
Interdepartmental Correspondence Sheet

TO: Mayor, City Council and
San Antonio Housing Trust Finance Corporation Board

THRU: Terry M. Brechtel, City Manager

FROM: David D. Garza, Director of Neighborhood Action
Milo D. Nitschke, Director of Finance
John Kenny, Executive Director of San Antonio Housing Trust

COPIES: J. Rolando Bono, Deputy City Manager; Jelynn L. Burley, Assistant City
Manager; File

SUBJECT: Resolution Authorizing the Issuance, Sale and Delivery of San Antonio Housing
Trust Finance Corporation Single Family Mortgage Revenue Refunding Notes,
Series 2003A, and Single Family Mortgage Revenue Bonds, Series 2003B

DATE: May 15, 2003

SUMMARY AND RECOMMENDATION

These resolutions by the San Antonio Housing Trust Finance Corporation (the "Corporation") will allow the extension and refunding to new mortgage rates of the Corporation's \$20,981,000 Series 2002A single family mortgage revenues bonds. If no action were taken, the program would end and the Series 2002A bonds would be redeemed on August 1, 2003. The tax-exempt bond allocation will be preserved through refunding approximately \$14,000,000 of unused Series 2002A bond proceeds on or before August 1, 2003 into a short-term, variable rate note program (Series 2003A). Simultaneously, the Corporation would enter into a companion forward delivery bond program (Series 2003B) with bondholder Fannie Mae. Under the Series 2003B program, mortgage rates would be set on \$1-6,000,000 "Commitment Lots" for separate four-month loan origination periods. In addition, the resolutions will also name John Kenny, Executive Director of the San Antonio Housing Trust Finance Corporation, as assistant secretary of the Corporation to act in the absence of the secretary, in coordination with the City of San Antonio.

Staff recommends approval.

BACKGROUND

In 1997, the San Antonio City Council approved the creation and organization of the Corporation to act on behalf of the City for the purposes authorized under the Texas Housing Finance Corporation Act in the Texas Local Government Code. All powers of the Corporation are vested in its Board of Directors, which is composed of the 11 members (currently, the Mayor and City Council). The administrator of the Corporation is the San Antonio Housing Trust Foundation.

The SAHTFC issued single family mortgage revenue bonds in July 2002 which expire August 2003. The purpose of the single family bond program is: (i) to provide below market home mortgage financing and down payment assistance to low and moderate income first-time homebuyer families throughout San Antonio communities; (ii) leverage this program with other initiatives to create partnerships for new developments such as the Affordable Showcase of Homes; Project Renew; Tax Increment Financing Program; Neighborhood Sweep Program; and Housing Asset Recovery Program; and (iii) provide housing programs and financial design flexibility and control to the Corporation and City to accommodate changes in the housing market.

During the first six months of the loan origination period, only 20% of program funds had been committed for long term mortgages. In an effort to simplify and enhance the program and be competitive with the current market, the bond team took measures to decrease the interest rate to 5.95%. Despite these changes, approximately \$14,000,000 of program funds are expected to remain unexpended at the conclusion of the program in August 2003.

In an effort to preserve allocation and avoid additional costs associated with non-origination of loans, staff is proposing to extend/refund the remaining balance of the 2002A program into the 2003A&B programs. At a low cost, this will result in (i) preserving the tax-exempt bond allocation, (ii) allowing further availability of mortgage and down payment assistance funds to low and moderate income San Antonio families, (iii) allowing the servicer and participating lenders the ability to recoup their investment in the 2002A program, (iv) allowing the Corporation to use a greater percentage of its tax-exempt bond allocation from the Texas Bond Review Board. It is important to maximize and originate the tax-exempt bonds so that the SAHTFC does not impair its ability to receive full allocations from the State in subsequent applications. The refunding/extension would be originated in \$1-\$6,000,000 "Commitment Lots" for successive four-month loan origination periods. This will enable the notes to stay competitive with the market as the four-month loans would receive an interest rate based on the market at the time of origination. The SAHTFC would then have 24 months to use all remaining funds for the approximately \$14,000,000 in bonds.

POLICY ANALYSIS

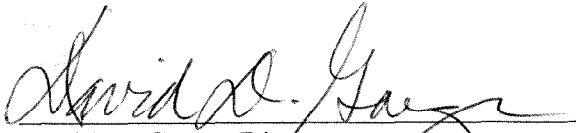
This action is consistent with the City Council direction to staff regarding the development of affordable housing program, which incorporates the utilization of the Single Family Mortgage Revenue Bonds. It is in full compliance with State Law, which requires the approval of the program by the Board of Directors of the Housing Finance Corporation.

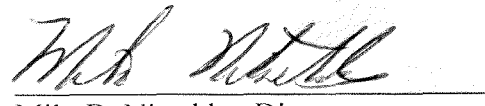
FINANCIAL IMPACT

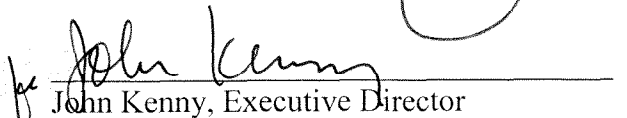
Any costs incurred related to the aforementioned actions will be paid from funds already on deposit under the Series 2002A Indenture, or Housing Trust funds. This program will have no impact on the City's Operating Budget.


COORDINATION

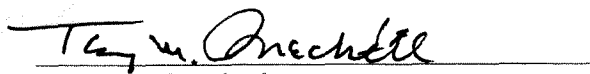
This item has been coordinated with the Neighborhood Action Department, Finance Department, San Antonio Housing Trust Foundation, and the City Attorney's Office. The Urban Affairs committee has also reviewed the revisions and recommended to move forward with these resolutions.


 David D. Garza, Director
 Neighborhood Action Department


 Milo D. Nitschke, Director
 Finance Department


 John Kenny, Executive Director
 San Antonio Housing Trust Foundation, Inc.


 Jelynn LeBlanc Burley
 Assistant City Manager


 Terry M. Brechtel
 City Manager