

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 8, 2014

CAO File No. 0220-00540-1073

Council File No. 12-0592

Council District: Various

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MSA*

Reference: Housing and Community Investment Department transmittal dated October 28, 2013; received by the City Administrative Officer on November 12, 2013

Subject: **REQUEST FOR AUTHORIZATION TO APPLY FOR MORTGAGE CREDIT CERTIFICATES IN THE AMOUNT OF \$25,381,123**

SUMMARY

The Housing and Community Investment Department (HCID) is requesting authorization to apply for and receive an allocation of single-family Mortgage Revenue Bond authority for the Mortgage Credit Certificate (MCC) Program from the State of California Debt Limit Allocation Committee (CDLAC). The HCID is requesting authority to apply for an allocation of a cumulative amount not to exceed \$25,381,123 in MCCs. The HCID expects to submit the application prior to the CDLAC deadline of January 17, 2014 for an award allocation at CDLAC's March 19, 2014 meeting date. This Office concurs with the HCID recommendations included in the October 28, 2013 transmittal.

The MCC Program is a first-time homebuyer assistance program that assists qualified individuals earning at or below 120 percent of the Area Median Income (AMI) by providing a federal income tax credit of up to 20 percent of the annual mortgage interest paid to the lender. Through the MCC Program homebuyers gain substantial annual tax savings that can be applied to their home mortgage payment, increasing their aggregate purchasing power by reducing the amount of income tax paid and lowering the household's federal tax liability.

The MCCs are obtained from an allocation of single-family Mortgage Revenue Bond authority from CDLAC, which is converted to MCCs upon award. The Department reports the City has successfully obtained allocations of Mortgage Revenue Bond Authority from CDLAC for MCCs for more than twenty years (since 1994) to assist low- and moderate-income families achieve homeownership in the City of Los Angeles. In the last five years, the HCID has issued a total of 577 MCCs. Households receive the MCC credit every year when they file their federal tax returns. When used in conjunction with existing HCID programs, low- and moderate-income purchasers can substantially increase their purchasing power, especially for first time homebuyers.

The Department reports that with home prices stabilizing in the for-sale housing market, the expected allocation of \$25,381,123 in MCCs will assist approximately 190 Los Angeles families in becoming first-time homebuyers. The CDLAC requires that a \$100,000 performance deposit be held for the upcoming application. The HCID is requesting the utilization of \$170,000 in MCC funds to be placed in a Mortgage Credit Certificate Fee Fund (MCCF) used for costs associated with the MCC Program, of which \$100,000 will be used for the performance deposit. This amount will subsequently be reimbursed to the City by CDLAC upon the award of Single Family Private Activity Bonds, which will be converted to MCCs. The balance of the MCCF, or \$70,000, will be used for contractual services expenditures associated with program application. The HCID states that the requisite funding is available for this purpose as a result of more than 20 years of collecting MCC application fees.

In conjunction with this request, the HCID is requesting that \$102,168.17 in surplus MCC Program fees be moved from the previous year's MCC Program Account No. 43J407 to this year's newly established Account No. 43K407 to cover the \$170,000 needed in the current year.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt the Resolution provided as an attachment to the Housing and Community Investment Department (HCID) transmittal dated October 28, 2013, approving the Mortgage Credit Certificate (MCC) Program and authorizing the General Manager, HCID, or designee, to apply for an allocation of MCCs and to issue MCCs, per Section 25 of the Internal Revenue Code of 1986, as amended, from the State of California Debt Limit Allocation Committee for a cumulative total not to exceed \$25,381,123;
2. Authorize the Controller to:
 - a. Establish a new account, 43K407 MCC Program, and appropriate \$170,000 within the Mortgage Credit Certificate Fee Fund No. 643/43 (MCCF):

<u>Account No.</u>	<u>Account Title</u>	<u>Amount</u>
43K407	MCC Program	\$170,000

- b. Expend funds from MCC Program Account 43K407 not to exceed \$170,000 upon proper demand of the General Manager of HCID, or designee, on an as-needed basis for costs associated with the MCC Program;
 - c. Decrease account 43J407 MCC Program in the amount of \$102,168.17 within the

Mortgage Credit Certificate Fee Fund No. 643/43; and,

3. Authorize the General Manager, HCID, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions in this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

FISCAL IMPACT STATEMENT

There is no impact to the City's General Fund. The recommendations of this report comply with the City Financial Policies in that the proposed allocation of \$170,000 in Mortgage Credit Certificate Fee Fund monies will fully fund program expenses incurred by the City in administering the issuance of State Mortgage Credit Certificates.

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