

TRANSMITTAL

To:

THE COUNCIL

Date:

NOV 12 2013

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to be 'Eric Garcetti', written in a cursive style.

ERIC GARCETTI
Mayor

(Ana Guerrero)



Eric Garcetti, Mayor
Mercedes M. Márquez, General Manager

Finance & Development Division

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Council File: New
Council District: Citywide
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October 28, 2013

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST ADOPTION OF RESOLUTION AUTHORIZING THE LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT TO APPLY FOR AN ALLOCATION OF STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A MORTGAGE CREDIT CERTIFICATE PROGRAM OF \$25,381,123 FROM THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

SUMMARY

- The Mortgage Credit Certificate (MCC) Program is among the various homeownership programs administered by the Los Angeles Housing and Community Investment Department (HCIDLA) that assists low- and moderate-income individuals and families achieve homeownership in the City of Los Angeles.
- The MCC Program is a first-time homebuyer assistance program that assists qualified purchasers earning at or below 120% of Area Median Income (AMI) by providing a federal income tax credit of up to 20% of the annual mortgage interest paid to the lender. By utilizing a MCC, a homebuyer may realize annual tax savings that can be applied to their home mortgage payment, thereby increasing the homebuyer's purchasing power.

- In order to issue MCCs to homebuyers, the City must apply for and receive an allocation of single-family Mortgage Revenue Bond authority for the MCC Program from the State of California Debt Limit Allocation Committee (CDLAC). HCIDLA is requesting authority to apply to the CDLAC for an allocation of \$25,381,123 in MCCs. HCIDLA anticipates submittal of an application prior to the CDLAC deadline of January 17, 2014, for an award allocation at CDLAC's March 19, 2014 meeting date.
- The City has successfully obtained allocations of mortgage revenue bond authority from CDLAC for over twenty years and has utilized these allocations to assist low- and moderate-income families achieve homeownership in the City of Los Angeles. During the past five years, HCIDLA has issued a total of 557 MCCs.

RECOMMENDATIONS

HCIDLA's General Manager respectfully requests that:

- I. The Office of the Mayor schedule this transmittal for consideration at the next available meeting(s) of the appropriate City Council committee(s) and forward the transmittal to the City Council for review and approval immediately thereafter.
- II. The City Council take the following actions:
 - A. Authorize Controller to:
 - 1) Establish new account, 43K407 MCC Program, and appropriate \$170,000 within the Mortgage Credit Certificate Fee Fund No. 643/43;
 - 2) Expend funds not to exceed \$170,000 upon proper demand of the General Manager of HCIDLA, or designee, on as needed basis for costs associated with the MCC Program;
 - 3) Decrease account 43J407 MCC Program in the amount of \$102,168.17 within the Mortgage Credit Certificate Fee Fund No. 643/43;
 - B. Adopt the attached Resolution approving the program and authorizing the General Manager, HCIDLA, 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, not to exceed a cumulative amount of \$25,381,123 from CDLAC;
 - C. Authorize the General Manager, HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement these instructions.
- III. The Mayor concur with the actions of the City Council.

BACKGROUND

HCIDLA is requesting authority to apply to CDLAC for an allocation of \$25,381,123 in MCCs. The MCC program may be used alone or in conjunction with HCIDLA's existing low and moderate-income purchase assistance homeownership programs. The MCC Program is a first-time homebuyer assistance program that assists qualified homebuyers earning 120% or less of AMI by providing a federal income tax credit of up to 20% of the annual mortgage interest paid to the lender. The homebuyer family receives the MCC credit each year when they file their federal tax return. The MCC credit is available throughout the term of the original mortgage (typically 30 years). The MCC saves the prospective homebuyer money by reducing the amount of income tax paid to the federal government. By reducing the borrower's federal tax liability, the tax credit provides the homebuyer with additional income, which can be used for mortgage payments. The homebuyer can use this to qualify for a larger first mortgage, thus reducing the amount of purchase assistance funds needed from HCIDLA to purchase a median priced home in the City of Los Angeles.

MCCs are obtained from an allocation of Single Family Mortgage Revenue Bond authority from CDLAC. This allocation is converted to MCCs upon award. HCIDLA is requesting authority to submit MCC applications to CDLAC in a cumulative amount not to exceed \$25,381,123. HCIDLA will submit its application to CDLAC by its next available application deadline, which is January 17, 2014. The application includes a certification that a performance deposit of \$100,000 will be held in HCIDLA Fund 643, Account No. 43K407 consistent with CDLAC regulations.

Upon receipt of the MCC allocation award, HCIDLA will notify its participating lenders of the availability of MCC funds for eligible homebuyers through a series of lender training sessions. During the sessions, the lenders will be provided with training and materials regarding MCC Program eligibility and underwriting requirements.

Due to the recent housing market crisis and the current housing recovery trend, the next few years appear to offer the most affordable opportunities in recent years for lower and moderate income households to achieve the American dream of homeownership in the City of Los Angeles. With home prices stabilizing in the for-sale housing market in the City, a new \$25,381,123 allocation of MCCs would assist approximately 190 Los Angeles families to become first-time homebuyers.

The City has successfully obtained allocations of Single Family Mortgage Revenue Bond authority from CDLAC since 1994. HCIDLA is requesting the utilization of \$170,000 in MCC funds to be used for costs associated with the MCC Program of which \$100,000 will be reimbursed to the City by CDLAC upon the award of the Single Family Private Activity Bonds, which will be converted into MCCs. The \$170,000 in MCC funds is available as a result of the 20 plus years of collecting MCC application fees. The proposed MCC expenditures are eligible expenditures of MCC.

Fiscal Impact Statement

There will be no impact on the City's General Fund.

Prepared By:



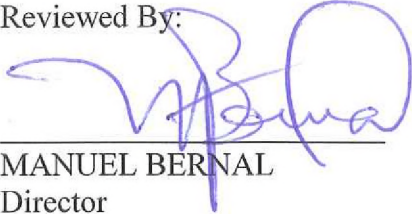
TIM DONIS
Finance Development Officer I

Reviewed By:



GLORIA TORRES
Finance Development Officer II

Reviewed By:



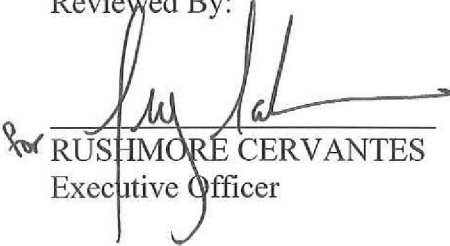
MANUEL BERNAL
Director

Reviewed By:



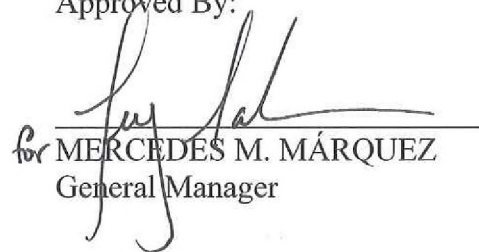
HELMI HISSERICH
Assistant General Manager

Reviewed By:



RUSHMORE CERVANTES
Executive Officer

Approved By:



MERCEDES M. MÁRQUEZ
General Manager

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES TO CONTINUE OPERATION OF A MORTGAGE CREDIT CERTIFICATE PROGRAM AND AUTHORIZING AN APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR AN ALLOCATION FOR THE ISSUANCE OF MORTGAGE CREDIT CERTIFICATES IN AN AMOUNT NOT TO EXCEED \$30,000,000, AND AUTHORIZING THE GENERAL MANAGER OF THE LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT TO EXECUTE THE NECESSARY FORMS AND AGREEMENTS, INCLUDING A DEPOSIT CERTIFICATION FORM.

WHEREAS, there is a shortage of decent, safe and sanitary housing in the City of Los Angeles ("City"), particularly of housing affordable to first-time homebuyers; and

WHEREAS, the preservation and encouragement of homeownership is a vital component of the City's strategy for preserving and protecting its communities from forces of decline and disinvestment; and

WHEREAS, the City, in its adopted housing policies has established the preservation and encouragement of homeownership opportunities, particularly for first-time homebuyers, as a major priority for the City and has determined that establishment and adoption of a mortgage credit certificate program is in the best interests of the City, in furtherance of these adopted policies and priorities; and

WHEREAS, Section 25 of the Internal Revenue Code of 1986, as amended, (the "Code") permits and limits the amount of mortgage credit certificates that may be issued in a calendar year by entities within a state, based on an allocation of state mortgage revenue bond authority and further, the Government Code requires a local agency to file an application for a portion of the state mortgage revenue bond and mortgage credit certificate authority according to the procedures and directions of the California Debt Limit Allocation Committee ("CDLAC") prior to the issuance of mortgage credit certificates; and

WHEREAS, the procedures established by the CDLAC and adopted pursuant to Section 8869.84 of the Government Code require that participating entities such as the City, deposit into escrow, 1/2 of 1% of the amount of the allocation (not to exceed \$100,000) to be held as insurance that the allocation will be used and establish certain fees which must be paid by the City, and these funds are available from existing resources of the Los Angeles Housing and Community Investment Department ("HCIDLA").

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:

The recitals hereinabove set forth are true and correct, and the Council so finds. This Resolution is being adopted pursuant to Chapters 1 through 5 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended (the "Act"), Ordinance No. 173302 and the Charter of the City (the "Law").

The City, for the purpose of meeting its housing goal of increasing and preserving homeownership, hereby determines to continue to operate a mortgage credit certificate program and declares its intent to issue mortgage credit certificates as authorized by the Code.

The City Council hereby approves and authorizes the General Manager of the HCIDLA or his designee to execute the necessary agreements and declarations necessary to carry out this program.

Pursuant to the Act in accordance with the Law, the City hereby authorizes the General Manager of the HCIDLA or his designee to submit applications and other documents as may be required to the CDLAC for an allocation in an amount not to exceed \$30,000,000 in mortgage credit certificate authority. The General Manager of the HCIDLA is further authorized to expend a maximum of \$600 for each 2013 MCC application, to pay the CDLAC application fee. The Controller, upon proper demand of the HCIDLA, shall provide a check in the amount of \$600 to accompany each 2013 application to the CDLAC and shall post the required deposit fees with the CDLAC in an amount not to exceed \$100,000 with respect to the program.

This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED BY THE CITY COUNCIL of the City of Los Angeles this _____ day of _____, 2013 at Los Angeles, California.

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held _____, 2013.

By: _____
City Clerk

(SEAL)