

**TRANSMITTAL**

To:

**THE COUNCIL**

Date:

**APR 23 2012**

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



(Matt Karatz)

**ANTONIO R. VILLARAIGOSA**  
Mayor



Los Angeles Housing Department

HOMEOWNERSHIP & PRESERVATION DIVISION

**LAHD**

1200 West 7th Street, 8th Floor, Los Angeles, CA 90017

tel 213.808.8800 | fax 213.808.8515

lahd.lacity.org



Antonio R. Villaraigosa, Mayor

Rushmore D. Cervantes, Interim General Manager

Council File: New  
Council District: Citywide  
Contact Persons:  
Heather Smith 808-8973  
Vasken Djansezian 808-8978  
Douglas Swoger 808-8948  
Helmi Hisserich 808-8662

April 10, 2012

Honorable Antonio R. Villaraigosa  
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 DEPARTMENT (LAHD) TO APPLY FOR AN ALLOCATION OF STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A MORTGAGE CREDIT CERTIFICATE PROGRAM (MCCs) UP TO \$30,000,000 FROM THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC)**

**Summary**

- The MCC Program is among the various homeownership programs administered by the Los Angeles Housing Department (LAHD) that assist low- and moderate-income individuals and families achieve homeownership in the City of Los Angeles.
- LAHD is requesting authority to apply to CDLAC for an allocation of up to \$30,000,000 in MCCs. 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 an 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). LAHD anticipates submittal of an application prior to the CDLAC deadline of July 27, 2012 for an award allocation at CDLAC's September 26, 2012 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, LAHD has issued a total of 324 MCCs.

**Recommendations**

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter.
- II. The City Council, subject to the approval of the Mayor, take the following actions:
  - A. Authorize the City Controller to establish and appropriate a new account within the Mortgage Credit Certificate Fund 643 for FY 2012-2013 as follows:

Account	Title	Amount
43J401	MCC Program	\$115,000
  - B. Expend funds not to exceed \$115,000 from the above fund and account upon proper written demand of the General Manager, or designee, on an as needed basis for costs associated with the MCC Program;
  - C. Adopt the attached Resolution approving the program and authorizing the General Manager, LAHD, or designee, to apply for allocations of MCCs not to exceed a cumulative amount of \$30,000,000 from CDLAC;
  - D. Authorize the City Controller to decrease previous year's appropriation account 43G401, which is no longer needed within the Mortgage Credit Certificate Fee Fund No. 643/43 in the amount of \$100,250.71.
  - E. Authorize the General Manager, LAHD, 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.

**Background**

The Los Angeles Housing Department (LAHD) is requesting authority to apply to CDLAC for an allocation of up to \$30,000,000 in MCCs. The MCC program may be used alone or in conjunction with

LAHD'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 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 LAHD 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. LAHD is requesting authority to submit MCC applications to CDLAC in a cumulative amount not to exceed \$30,000,000. LAHD will submit its application to CDLAC by its next available application deadline, which is July 27, 2012. The application includes a certification that a performance deposit of \$100,000 will be held in LAHD Fund 643, Account No. 43J401 consistent with CDLAC regulations.

Upon receipt of the MCC allocation award, LAHD 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.

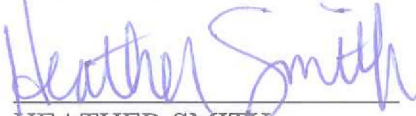
Due to the housing crisis and the economic downturn, the next few years appear to offer the most affordable opportunities in recent years for lower income households to achieve the American dream of homeownership. With prices stabilizing or declining in the for-sale housing market and a relatively large and diverse inventory of homes available, a new \$30,000,000 allocation of MCCs would assist approximately 189 Los Angeles families to become first-time homebuyers.

The City has successfully obtained allocations of Mortgage Revenue Bond authority from CDLAC since 1994. LAHD is requesting the utilization of \$115,000 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 Authority Bonds, which will be converted into MCCs. The \$115,000 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**

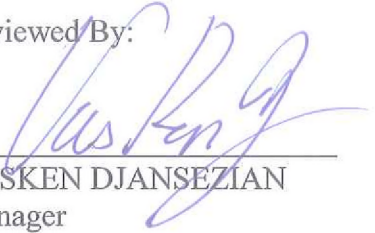
There will be no impact on the City's General Fund.

Prepared By:



HEATHER SMITH  
Management Assistant

Reviewed By:



VASKEN DJANSEZIAN  
Manager

Reviewed By:



DOUGLAS SWOGER  
Director

Reviewed By:



HELMI HISSERICH For  
Assistant General Manager

Approved By:



RUSHMORE D. CERVANTES  
Interim 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 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, particularly of housing affordable to first-time homebuyers, and 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 of Los Angeles, and has determined that establishment and adoption of a mortgage credit certificate program is in the best interests of the City of Los Angeles, 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 prior to the issuance of mortgage credit certificates; and

WHEREAS, the procedures established by the California Debt Limit Allocation Committee 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 Department.

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 of Los Angeles, 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 Los Angeles Housing Department 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 or his designee to submit applications and other documents as may be required to the California Debt Limit Allocation Committee for an allocation in an amount not to exceed \$30,000,000 in mortgage credit certificate authority. The General Manager of the Los Angeles Housing Department is further authorized to expend a maximum of \$600, for each 2012 MCC application, to pay the CDLAC application fee. The Controller, upon proper demand of the Los Angeles Housing Department, shall provide a check in the amount of \$600 to accompany each 2012 application to CDLAC and shall post the required deposit fees with 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 \_\_\_\_\_, 2012 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 \_\_\_\_\_, 2012.

By: \_\_\_\_\_  
City Clerk

(SEAL)