

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: May 22, 2015

CAO File No. 0220-00540-1127  
Council File No. 15-0476  
Council District: Citywide

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer *DH*  
*R*

Reference: Housing and Community Investment Department transmittal dated April 8, 2015;  
Received by the City Administrative Officer on April 16, 2015

Subject: **HOUSING AND COMMUNITY INVESTMENT DEPARTMENT REQUEST TO  
APPLY FOR MORTGAGE CREDIT CERTIFICATES IN THE AMOUNT OF  
\$30,552,813**

---

### SUMMARY

The Housing and Community Investment Department (HCID) requests authorization to apply to the California Debt Limit Allocation Committee (CDLAC) for an allocation of single-family Mortgage Revenue Bonds (MRBs) for the Mortgage Credit Certificate (MCC) Program in the amount of \$30,552,813. In addition, HCID requests the adoption of the attached Resolution authorizing the continued operation of the MCC Program and the submission of the application. The HCID expects to submit the application prior to the CDLAC deadline of July 17, 2015 for an award allocation at CDLAC's September 16, 2015 meeting. This Office concurs with the recommendations of the Department.

### BACKGROUND

The MCC Program is a first-time homebuyer assistance program for qualified low and moderate income individuals which provides a federal income tax credit of up to twenty percent of the annual mortgage interest paid to the lender. Through the MCC Program homebuyers realize annual tax savings by reducing the household's federal tax liability. These savings can be applied to homebuyer's home mortgage payments and increase his or her purchasing power.

The HCID applies to CDLAC annually on behalf of the City for allocations of single-family MRBs that are converted to MCCs once received by the City. The HCID states that the City has successfully obtained allocations of MRBs from CDLAC for MCCs since 1994 to assist low and moderate income families attain homeownership in the City. In the last five years HCID states that it has received approximately \$125.5 million in MRBs and assisted 917 families through the MCC program. Based on the recent increase in home prices in the for-sale housing market in the City, the HCID anticipates that a new \$30,552,813 allocation of MCCs would assist approximately 190 families to become first-time homebuyers.

As part of the application, CDLAC requires a \$600 application fee and certification of a \$100,000 performance deposit held for the upcoming application. The HCID requests the utilization of \$120,000 in MCC funds for costs associated with the MCC program including the costs associated with the application to CDLAC. The performance deposit will be reimbursed to the City by CDLAC upon the award of single-family MRBs. The balance of MCC funds (\$19,400) will be used to pay for contractual services related to the CDLAC application and for the filing fee assessed by CDLAC upon award of the MRBs. The HCID states that the \$120,000 in MCC funds is available as a result of the collection of MCC application fees over the life of the program. The HCID initially anticipated submitting the application for single-family MRBs to CDLAC by May 15, 2015 for CDLAC's July meeting, but subsequently HCID stated that it would submit the application by July 17, 2015, for an award allocation at CDLAC's September 16, 2015 meeting.

In addition, HCID requests that appropriations in the amount of \$153,702 in Mortgage Credit Certificate Fee Fund No. 643 be decreased in Account 43K407 and transferred to Account 43L407 to cover the \$120,000 requested for the performance deposit, application fees, and contractual services. The \$153,702 amount is being transferred to carry over the available funds from the previous fiscal year account to the current account. An additional \$40,984 is requested to be appropriated to the MCCF Fund No. 643 Account 43L407 from the available cash balance in the fund to align available funding with the current fiscal year account.

## **RECOMMENDATIONS**

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

1. Authorize the Controller to:
  - a. Establish a new account, 43L407 titled MCC Program and appropriate \$194,686 within Mortgage Credit Certificate Fee (MCCF) Fund No. 643, and expend funds upon proper demand of the General Manager, Housing and Community Investment Department (HCID), or designee, on an as-needed basis for costs associated with the Mortgage Credit Certificate (MCC) Program;
  - b. Decrease appropriations in MCCF Fund No. 643 Account 43K407 in the amount of \$153,702;
  - c. Increase appropriations in MCCF Fund No. 643 Account 43L407, on an as-needed basis, upon receipt of MCC fees;
2. Adopt the attached Resolution approving the 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 \$30,552,813; 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 on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement those instructions.

### **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. The recommendations of this report comply with City Financial Policies in that the proposed transactions are fully funded by Mortgage Credit Certificate Fee Fund monies.

Attachment

*MAS:NSC:02150103C*