

TRANSMITTAL

To:

THE COUNCIL

Date: 5/16/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garceiti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCEITI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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May 14, 2018

Council File:	New
Council District:	Citywide
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, 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 TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR AN ALLOCATION OF THE STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A MORTGAGE CREDIT CERTIFICATE PROGRAM IN THE AMOUNT OF \$25,507,424

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. The Mortgage Credit Certificate (MCC) Program is a citywide homeownership program administered by HCIDLA that assists individuals and families to achieve homeownership in the city of Los Angeles. Through this transmittal, HCIDLA seeks approval, and requests authority to apply to the State of California Debt Limit Allocation Committee (CDLAC) for a Single Family Mortgage Revenue Bond allocation of \$25,507,424 for the MCC Program. The allocation reflects the City of Los Angeles' local fair share amount as determined by CDLAC published each calendar year based on the city's population. If approved, the allocation will assist approximately 100 families to become first-time homebuyers in the city. HCIDLA plans to submit the application to CDLAC prior to the deadline of July 20, 2018, for an award allocation at its meeting on September 19, 2018. In order for CDLAC to accept HCIDLA's application, CDLAC requires the City to adopt the attached Resolution authorizing HCIDLA to continue operation of the MCC Program. In addition, the Mayor and City Council must authorize HCIDLA to submit an MCC application to CDLAC.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

- A. Adopt the attached Resolution approving the MCC Program and authorize the General Manager of HCIDLA, or designee, to apply for an allocation of MCC's from CDLAC and to issue MCC's, per Section 25 of the Internal Revenue Code of 1986, as amended, not to exceed a cumulative amount of \$25,507,424;
- B. Authorize the Controller, or designee, to expend funds from Fund 643, Account 43L407, in an amount not to exceed \$130,200, upon proper written demand of the General Manager of HCIDLA, or designee, for application costs associated with the MCC Program (i.e., CDLAC Initial Application Fee, CDLAC Second Installment for Allocation Award Fee, CDLAC Performance Deposit Fee and Financial Analysis/Advisor services).
- C. Authorize the General Manager of 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, and authorize the Controller to implement these instructions.

BACKGROUND

HCIDLA has successfully obtained allocations of Single Family Mortgage Revenue Bond authority for MCCs from CDLAC since 1994. HCIDLA has received approximately \$182 million in MCC authority in the past seven allocations from CDLAC, which have resulted in 1,001 families receiving an MCC.

The MCC Program is a homebuyer assistance program that benefits qualified first-time, low- and moderate-income homebuyers by providing a federal income tax credit of twenty percent (20%) of the annual mortgage interest paid to the homebuyer's lender. The homebuyer receives the MCC credit each year when they file their federal income tax return, and is available throughout the term of the original mortgage, typically 30 years. By reducing the borrower's federal tax liability the MCC reduces the amount of federal income tax paid, thereby providing the homebuyer with additional disposable income and increasing their purchasing power. The homebuyer can use this additional income to qualify for a larger first mortgage. The MCC may also reduce the amount of purchase assistance loan funds needed from HCIDLA to purchase a home in the city.

HCIDLA also administers the Reissued Mortgage Credit Certificate (RMCC) Program, which is designed to reissue MCCs to current MCC holders who refinance their original mortgage loan, allowing them to maintain their federal tax credit as long as the home remains their principal residence.

NEW CDLAC MCC APPLICATION AWARD

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 and email notifications. At HCIDLA's training sessions, lenders will be provided with background information regarding MCC Program eligibility, application process and requirements. The MCC Program may also

be utilized in combination with HCIDLA's Homebuyer Purchase Assistance Loan Programs or on a stand-alone basis.

APPLICATION COSTS

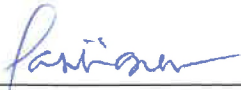
Over the 20 plus years of operating the MCC Program, HCIDLA has accrued approximately \$240,686 in application fees and penalties (i.e. MCC Funds). The MCC Funds are held in Fund 643, Account 43L407. HCIDLA is requesting to utilize up to \$130,200 in MCC Funds for costs associated with the proposed MCC Program application. CDLAC charges an Initial Application Fee of \$1,200; however, if the City is awarded an MCC allocation, there will be an additional Allocation Award Fee of approximately \$9,000. CDLAC also requires certification that a Performance Deposit of up to \$100,000 be held in HCIDLA's Mortgage Credit Certificate Fund No. 643, consistent with CDLAC regulations. Upon award of the Single Family Private Activity Bonds, CDLAC will authorize the release of the \$100,000 Performance Deposit. Up to \$10,000 of the funds will be utilized for costs associated with services provided by Bond Tax Counsel and/or Financial Analysis/Advisor services, if needed, to complete the MCC application. The proposed expenditures, as required by the CDLAC MCC application, are eligible expenditures within the MCC Program.

Additionally, HCIDLA is proposing to use up to \$10,000 from current MCC Funds for marketing purposes, with the intention of expanding the MCC Program by reaching out to more first-time homebuyers, lenders, and other real estate professionals. This outreach will also be targeted to tenants in rent stabilized multifamily housing that are facing eviction under the Ellis Act.

FISCAL IMPACT STATEMENT

There will be no impact to the City's General Fund. HCIDLA's MCC Program Fund has sufficient funds to cover costs associated with the HCIDLA application to CDLAC. Any additional MCC receipts will be appropriated as received.

Prepared By:



LASISI AZEEZ
Finance Development Officer I

Reviewed By:



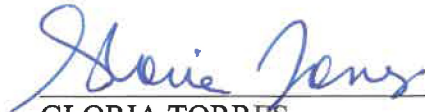
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Director

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Finance Development Officer II

Reviewed By:



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Assistant General Manager

Reviewed By:



RUSHMORE D. CERVANTES
General Manager