

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 19, 2019

CAO File No. 0220-00540-1343

Council File No. 19-0255

Council District: Citywide

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated February 22, 2019; Received by the City Administrative Officer on March 12, 2019; Additional Information Received through March 13, 2019

Subject: **REQUEST FOR 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 \$26,837,860**

RECOMMENDATIONS

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

1. Adopt the attached Resolution approving the Mortgage Credit Certificate (MCC) Program and authorizing the General Manager of the Housing and Community Investment Department (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 amount not to exceed \$26,837,860;
2. Authorize the Controller, or designee, to expend funds from Fund 643, Account 43L407, in an amount not to exceed \$130,600, upon proper written demand of the General Manager of HCID, or designee, for application costs associated with the MCC Program; 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.

SUMMARY

The Housing and Community Investment Department (HCID) requests authorization to apply for an allocation of Single-Family Mortgage Revenue Bond authority for the Mortgage Credit Certificate

(MCC) Program from the California Debt Limit Allocation Committee (CDLAC) in an amount not to exceed \$26,837,860. As part of the application process, CDLAC requires the City to adopt 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 May 17, 2019 for an award allocation at CDLAC's July 17, 2019 meeting. If approved, the anticipated allocation will assist approximately 100 families to become first-time homebuyers. This Office concurs with the recommendations of the Department. Additional background and application process information is included in their transmittal dated February 22, 2019.

The HCID has accrued approximately \$211,592 in application fees and penalties (MCC Funds) in over 20 years of operating the MCC Program. These funds are held in Fund 643 Account 43L407. The HCID is requesting to utilize \$130,600 in MCC Funds for costs associated with the MCC Program, of which \$100,000 will be used for the performance deposit. CDLAC will subsequently authorize the release of the funds upon the award of Single Family Private Activity Bonds, which would then be available for future MCC Program costs. The remaining balance of MCC Funds (\$30,600) will be used for: 1) contractual services expenditures and fees associated with the program application, including an Initial Application Fee of \$1,200 and an Allocation Award Fee of approximately \$9,400 if the City is awarded an MCC allocation, and 2) marketing purposes with the intention of expanding the MCC Program and being able to reach out to more first-time homebuyers, lenders and other real estate professionals.

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 allocation of up to \$130,600 in Mortgage Credit Certificate Fee Fund monies will fully fund the application for an allocation of Single-Family Mortgage Revenue Bond authority and marketing for the Mortgage Credit Certificate Program.

RHL:EIC:02190114C

Attachment

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES TO CONTINUE OPERATION OF A MORTGAGE CREDIT CERTIFICATE PROGRAM, TO AUTHORIZE 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 \$26,837,860, TO AUTHORIZE THE GENERAL MANAGER OF THE LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT TO EXECUTE THE NECESSARY FORMS AND AGREEMENTS, INCLUDING A DEPOSIT CERTIFICATION FORM, AND TO EXPEND A MAXIMUM OF \$10,000 FROM THE PROGRAM FUND FOR PURPOSES OF PROGRAM PROMOTION

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, 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 the City has determined that establishment and adoption of a mortgage credit certificate program ("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 ("HCID"); and

WHEREAS, HCID also has Program Fund (Fund 643) in which it deposits fees that it collects relative to the Program including, but not limited to application fees and late fees from lenders and borrowers; and

WHEREAS, HCID would like to expand the Program so that it may apply for an allocation every year as opposed to every other year and believes this expansion would be assisted through Program promotion.

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").

For the purpose of meeting its housing goal of increasing and preserving homeownership, the City may continue to operate the Program and declare its intent to issue mortgage credit certificates as authorized by the Code.

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

Pursuant to the Act in accordance with the Law, the City hereby authorizes the General Manager of the HCID or his designee to:

- (1) Submit applications and other documents as may be required to the CDLAC for an allocation in an amount not to exceed \$26,837,860 in mortgage credit certificate authority.
- (2) Expend a maximum of \$1,200, payable to the CDLAC, for each 2019 MCC application. The Controller, upon proper demand of the HCID, shall provide a check in the amount of \$1,200 to accompany each 2019 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.
- (3) Pay additional fees (not to exceed \$20,000) related to the MCC application, as necessary. These fees may include, but are not limited to, the MCC Filing Fee to the CDLAC if awarded an MCC allocation and fees paid to a third party consultant for helping HCID staff complete the MCC application.
- (4) Expend a maximum of \$10,000 from the Program Fund (Fund 643) for the purpose of promoting and expanding 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 _____, 2019 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 _____, 2019.

By: _____
City Clerk

(SEAL)