

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 3/11/2019

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

Housing Development Bureau  
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February 22, 2019

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 \$26,837,860**

**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 requests authority to apply to the State of California Debt Limit Allocation Committee (CDLAC) for a Single Family Mortgage Revenue Bond allocation of \$26,837,860 for the MCC Program. The allocation reflects the City of Los Angeles' local fair share amount as determined by CDLAC, which is 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 May 17, 2019, for an award allocation at its meeting on July 17, 2019. In order to accept HCIDLA's application, CDLAC requires the City to adopt a Resolution (Attachment A) 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 the MCC's, per Section 25 of the Internal Revenue Code of 1986, as amended, not to exceed a cumulative amount of \$26,837,860;
- B. Authorize the Controller 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 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**

The MCC Program is a homebuyer assistance program that provides qualified first-time, low- and moderate-income homebuyers a federal income tax credit of twenty percent of their annual mortgage interest. The homebuyer realizes the MCC credit every year when they file their federal income tax returns. The MCC Credit is available throughout the term of the original mortgage, typically 30 years. By reducing the homebuyer's federal tax liability, the MCC reduces the amount of federal income tax paid, thereby providing the homebuyer with additional disposable income to qualify for a mortgage and increasing their home purchase power. The MCC may also reduce the amount of purchase assistance loan funds needed from HCIDLA to purchase a home in the city.

HCIDLA has successfully obtained allocations of Single Family Mortgage Revenue Bond authority for MCCs from CDLAC since 1994. During the last five years, HCIDLA has assisted 454 first-time, low- and moderate-income families purchase homes in the City with the MCC Program.

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 the MCC Program features, eligibility, application process and requirements. The MCC Program may be utilized in combination with HCIDLA's Homebuyer Purchase Assistance Loan Programs or on a stand-alone basis.

### **APPLICATION COSTS**

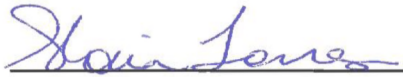
HCIDLA has accrued approximately \$211,592 in application fees (i.e. MCC Funds). The MCC Funds are held in Fund 643, Account 43L407. HCIDLA is requesting to utilize up to \$130,600 in MCC Funds for costs associated with the proposed MCC Program application. CDLAC charges an Initial Application Fee of \$1,200; however, if the City is awarded an MCC allocation, there will be an additional Allocation Award Fee of approximately \$9,400. 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 the City's Bond Tax Counsel and/or contracted Financial Analysis/Advisor provider, 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.

### **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:



GLORIA TORRES  
Finance Development Officer II

Reviewed By:



HELMI HISSERICH  
Director of Housing Strategies & Services

Reviewed By:



SEAN L. SPEAR  
Assistant General Manager

Reviewed By:



LYNDON O. SALVADOR  
Director of Accounting

Reviewed By:



LUZ SANTIAGO  
AGM

Reviewed By:



LAURA K. GUGLIELMO  
Executive Officer

Approved By:



RUSHMORE D. CERVANTES  
General Manager

ATTACHMENT:

Attachment A - MCC Program Resolution

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)