# STAFF REPORT

ITEM NO. 8

CITY OF OCEANSIDE

DATE: May 2, 2007

TO: Chairman and Members of the Community Development Commission

FROM: Neighborhood Services Department

SUBJECT: **ADOPTION OF A RESOLUTION APPROVING AN APPLICATION FOR THE MORTGAGE CREDIT CERTIFICATE PROGRAM**

## SYNOPSIS

Staff recommends that the Community Development Commission (CDC) adopt a resolution authorizing staff to apply to the California Debt Limit Allocation Committee (CDLAC) for the Mortgage Credit Certificate (MCC) Program and authorizing the Executive Director to execute the documents.

## BACKGROUND

Since 1992, the City has applied for, and has been awarded, a total of over $36,000,000 in Private Activity Bonds, which have been converted to over 300 MCCs, according to a federal conversion ratio contained in the Tax Reform Act of 1984.

The MCC Program was authorized by Congress in the Tax Reform Act, as an alternative to mortgage revenue bond-backed financing. The program is intended as a tool for providing home ownership assistance to low-income households. Applications for MCC-issuing authority are made by local agencies to CDLAC. A resolution by the local jurisdiction's governing body is necessary to meet the requirements of the CDLAC application.

## ANALYSIS

The Neighborhood Services Department intends to apply to CDLAC for an estimated $1,189,102 in MCCs.

An MCC is a document awarded to a home buyer whose income meets the required Federal Guidelines, which allows the buyer a credit each year on his/her federal income tax in an amount equal to 20 percent of the mortgage interest paid for that year. The MCC reduces, through a direct credit, the borrower's Federal income tax liability, thereby increasing the income available to qualify for a mortgage loan.

An MCC can have the effect of raising loan-qualifying limits by 20 percent. The certificate is registered with the IRS, it is not transferable, and it is revoked if the certificate holder moves out of the qualifying home.

The Neighborhood Services Department contracts with AHA Housing, Inc., to administer its MCC Program under a professional services agreement. AHA Housing, Inc. also administers the MCC Program for San Diego, Orange, and Ventura Counties.

A borrower applies for an MCC through AHA Housing, Inc. directly and chooses one of the participating lenders in the AHA Housing, Inc. database. The lender applies for an MCC on behalf of the borrower and, if qualified, AHA Housing, Inc. reserves an MCC for the borrower. The MCC is issued at close of escrow.

According to federal guidelines, program participation is open to all interested mortgage brokers and lenders. Lenders consider the MCC Program an effective way to increase first-time buyer business and the program also assists lenders in fulfilling their requirements under the Community Reinvestment Act.

## FISCAL IMPACT

CDLAC requires an initial filing fee of $600 and a refundable Performance Deposit totaling $5,946. The Performance Deposit is a requirement of California Government Code Section 8869.84(e) which attempts to ensure that the allocation is used properly.

CDLAC reserves the right to capture the Performance Deposit if the City fails to issue its first certificate within 120 days of the allocation date. However, staff believes that this does not pose a risk to the City as we have issued over 320 certificates to qualified borrowers over the last 14 years.

## COMMISSION OR COMMITTEE REPORT

In order to speed the application process to CDLAC, the Housing Commission, on April 25, 2000, unanimously recommended that the CDC approve all subsequent open applications for the MCC program. A copy of the Oceanside Housing Commission Report is attached.

## CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

## RECOMMENDATION

Staff recommends that the Community Development Commission (CDC) adopt a resolution authorizing staff to apply to the California Debt Limit Allocation Committee (CDLAC) for the Mortgage Credit Certificate (MCC) Program and authorizing the Executive Director to execute the documents.

PREPARED BY:

Frank Grana
Housing Program Manager

SUBMITTED BY:

Peter A. Weiss
Interim Executive Director

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Margery M. Pierce, Director of Neighborhood Services

Nita McKay, Financial Services Director

Exhibits: Housing Commission Report
Resolution

# OCEANSIDE HOUSING COMMISSION REPORT

TO: OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

FROM: OCEANSIDE HOUSING COMMISSION

RE: RECOMMENDATION TO ADOPT A RESOLUTION APPROVING AN OPEN APPLICATION FOR THE MORTGAGE CREDIT CERTIFICATE PROGRAM

DATE: APRIL 25, 2000

THE HOUSING COMMISSION UNANIMOUSLY RECOMMENDS THAT THE COMMUNITY DEVELOPMENT COMMISSION APPROVE AN OPEN APPLICATION FOR THE MORTGAGE CREDIT CERTIFICATE PROGRAM.

| | |
|---|---|
| ALLEN | (ABSENT) |
| CROCKER/ERICSON | YES |
| GILL | YES |
| HUSKEY | YES |
| NEAL | YES |
| OLINSKI | YES |
| OWENS | YES |
| PARKER | YES |
| TAYLOR | (ABSENT) |
| CAMP (ALTERNATE) | YES |
| ELLIOTT (ALTERNATE) | YES |

RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE APPROVING THE SUBMISSION OF AN APPLICATION FOR AN ALLOCATION UNDER THE MORTGAGE CREDIT CERTIFICATE PROGRAM, AN ALLOCATION OF QUALIFIED MORTGAGE BONDS, ELECTING TO EXCHANGE SAID BONDS FOR MORTGAGE CREDIT CERTIFICATES, APPROPRIATING A DEPOSIT OF $5,946, AN INITIAL FILING FEE OF $600, AND AUTHORIZING ITS EXECUTION BY THE EXECUTIVE DIRECTOR.

WHEREAS, the Health and Safety Code of the State of California, commencing at Section 50197.1, authorizes cities or their Community Development Commission to issue mortgage credit certificates pursuant to a duly adopted and qualifying Mortgage Credit Certificates program;

WHEREAS, federal law limits the amount of mortgage credit certificates that may be issued in any calendar year by entities within a state and authorizes the legislature of such state to provide the method of allocation within the state;

WHEREAS, Chapter 3.5 of Part 1, Division 31 of the Health and Safety Code, commencing at Section 50172, governs the allocation among governmental units in the state having the authority to issue mortgage credit certificates;

WHEREAS, the Tax Reform Act of 1984 requires a local agency to file an application with the California Debt Limit Allocation Committee ("Committee") prior to the issuance of mortgage credit certificates; and

WHEREAS, the Committee has, under the authority of Health and Safety Code, required a deposit of up to one half of one percent of the portion of the allocation requested.

NOW, THEREFORE, the Community Development Commission of the City of Oceanside DOES RESOLVE as follows:

1. The Commission approves the submission of an application to the Committee for an allocation of qualified mortgage bonds, payment of an initial filing fee of $600, and

authorizes the Executive Director to execute said application.

2. Pursuant to Health and Safety Code Section 50197.2, the Committee hereby elects to exchange all of its authority to issue qualified mortgage bonds for authority to issue mortgage credit certificates. The Executive Director shall notify the Committee of its election, and explain to the Committee the mechanism established in its program that will assure that the dollar amount of the mortgage credit certificate authority will not be exceeded.

3. The agency hereby deposits $5,946, as required by the Committee under the authority of the Health and Safety Code.

4. The Executive Director, or his designee, the Finance Director, or other written designee, is hereby authorized to place a deposit in the amount of $5,946 and to maintain same on deposit, in accordance with the current rules and regulations of the Committee, and to certify such fact and deposit to the Committee, including the promise to pay same over to the Committee upon an event of forfeiture.

5. This resolution shall be in full force and take effect immediately upon the passage and adoption hereof.

PASSED AND ADOPTED by the Community Development Commission of the City of Oceanside, California, this _____day of _____, 2007, by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:

_____
Chairman

ATTEST:

_____
Secretary

APPROVED AS TO FORM:

_____
General Counsel