

# STAFF REPORT



ITEM NO. 12  
CITY OF OCEANSIDE

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DATE: April 22, 2015

TO: Chairman and Members of the Community Development Commission

FROM: Neighborhood Services Department

SUBJECT: **ADOPTION OF A RESOLUTION AUTHORIZING THE CITY TO SUBMIT AN APPLICATION FOR THE MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM THROUGH THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) IN THE AMOUNT OF \$1,329,814**

## **SYNOPSIS**

Staff recommends that the Community Development Commission (CDC) adopt a resolution authorizing the City to submit an application for the Mortgage Credit Certificate (MCC) Program through the California Debt Limit Allocation Committee (CDLAC) in the amount of \$1,329,814; and authorize the Executive Director to execute all necessary application documents.

## **BACKGROUND**

Since 1992 the City has applied for, and has been awarded, a total of over \$50,150,000 in Private Activity Bonds, which have been converted to over 380 MCCs, according to a federal conversion ratio contained in the Tax Reform Act of 1984. The MCC allocations assisted 385 first-time homebuyer households.

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 \$1,329,814 in MCCs. Depending on the loan amount, this will result in six to eight Certificates.

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.

A borrower applies for an MCC through the City directly, and chooses one of the participating lenders in the City's database. The lender applies for an MCC on behalf of the borrower and, if qualified, the City 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. The fee will be disbursed from account number 927477300284 (CDC Adm Prgm Dvlp). CDLAC also requires a refundable Performance Deposit, totaling \$5,617.22 to be held in an internal City-restricted, cash account (284.1020.0004 RCash-Mtg Cr Cert Prog Fees). 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 380 certificates to qualified borrowers over the last 23 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 the City to submit an application for the Mortgage Credit Certificate (MCC) Program through the California Debt Limit Allocation Committee (CDLAC) in the amount of \$1,329,814; and authorize the Executive Director to execute all necessary application documents.

PREPARED BY:



Cecilia Barandiaran  
Management Analyst

SUBMITTED BY:

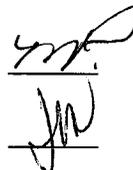


Michelle Skaggs Lawrence  
Interim Executive Director

REVIEWED BY:

Margery M. Pierce, Director of Neighborhood Services

Jane McPherson, Interim Financial Services Director



Exhibits: 1. Housing Commission Report  
2. 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.**

<b>ALLEN</b>	<b>(ABSENT)</b>
<b>CROCKER/ERICSON</b>	<b>YES</b>
<b>GILL</b>	<b>YES</b>
<b>HUSKEY</b>	<b>YES</b>
<b>OLINSKI</b>	<b>YES</b>
<b>OWENS</b>	<b>YES</b>
<b>PARKER</b>	<b>YES</b>
<b>TAYLOR</b>	<b>(ABSENT)</b>
<b>CAMP (ALTERNATE)</b>	<b>YES</b>
<b>ELLIOTT (ALTERNATE)</b>	<b>YES</b>

## RESOLUTION NO. \_\_\_\_\_

1  
2 A RESOLUTION OF THE COMMUNITY DEVELOPMENT  
3 COMMISSION OF THE CITY OF OCEANSIDE APPROVING  
4 THE SUBMISSION OF AN APPLICATION FOR AN  
5 ALLOCATION UNDER THE MORTGAGE CREDIT  
6 CERTIFICATE PROGRAM, AN ALLOCATION OF QUALIFIED  
7 MORTGAGE BONDS, ELECTING TO EXCHANGE SAID  
8 BONDS FOR MORTGAGE CREDIT CERTIFICATES,  
9 APPROPRIATING A DEPOSIT OF \$5617.22, AN INITIAL  
10 FILING FEE OF \$600, AND AUTHORIZING EXECUTION OF  
11 THE APPLICATION BY THE EXECUTIVE DIRECTOR.

12 WHEREAS, the Health and Safety Code of the State of California, commencing at  
13 Section 50197.1, authorizes local agencies, including redevelopment agencies and housing  
14 authorities, to issue mortgage credit certificates pursuant to a duly adopted and qualifying  
15 Mortgage Credit Certificates program;

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

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

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

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

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

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

1 authorizes the Executive Director to execute said application.

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

7 3. The agency hereby deposits \$5,617.22, as required by the Committee under the  
8 authority of the Health and Safety Code.

9 4. The Executive Director, or his designee, the Finance Director, or other written  
10 designee, is hereby authorized to place a deposit in the amount of \$5,617.22, and to maintain  
11 same on deposit, in accordance with the current rules and regulations of the Committee, and to  
12 certify such fact and deposit to the Committee, including the promise to pay same over to the  
13 Committee upon an event of forfeiture.

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

16 PASSED AND ADOPTED by the Community Development Commission of the City of  
17 Oceanside, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by the following vote:

18 AYES:  
19 NAYS:  
20 ABSENT:  
21 ABSTAIN:

22  
23 \_\_\_\_\_  
24 Chairman

25 ATTEST:

26 APPROVED AS TO FORM:

27 \_\_\_\_\_  
28 Secretary

27 *Barbara Hamilton, 1987*  
28 \_\_\_\_\_  
General Counsel