ITEM 9A

STAFF REPORT

CITY OF OCEANSIDE

DATE: April 28, 2015

TO: Chairperson and Members of the Housing 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 presents the Mortgage Credit Certificate (MCC) Application for review by the Housing Commission and public comment. This is an Information and discussion item only; no action is required by the Housing Commission at this meeting.

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 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.

CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

Staff presents the Mortgage Credit Certificate (MCC) Application for review by the Housing Commission and public comment. This is an Information and discussion item only; no action is required by the Housing Commission at this meeting.

PREPARED BY:

Cecilia Barandiaran
Management Analyst

SUBMITTED BY:

Margery M. Pierce

Margery Pierce
Director of Neighborhood Services

REVIEWED BY:

Exhibits: 1. MCC Application

COPY

STATE OF CALIFORNIA

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
915 CAPITOL MALL, ROOM 311
SACRAMENTO, CA 95814
TELEPHONE: (916) 653-3255
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Sean L. Spear
Executive Director

MEMBERS

John Chiang, Chairman
State Treasurer

Edmund G. Brown Jr.
Governor

Betty Yee
State Controller

FOR CDLAC USE ONLY

Application No. _____

Analyst: _____

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

APPLICATION FOR AN ALLOCATION OF THE STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A MORTGAGE CREDIT CERTIFICATE PROGRAM

ISSUER (Applicant): **City of Oceanside**

The Applicant hereby makes Application to the California Debt Limit Allocation Committee ("CDLAC" or "Committee") for the purpose of providing a mortgage credit certificate program as described herein.

The Applicant agrees it is our responsibility to provide the Committee with one original and one duplicate copy of the complete Application, accompanied by a check made payable to the Committee in the amount of **$600** and a completed Performance Deposit Certification form. We understand that succinct answers providing the requested information are required and if additional space is required, each additional page will be clearly labeled. The Applicant agrees that it is also our responsibility to provide all other information that is deemed by the Committee to be necessary to evaluate the Application. The Applicant understands that the Committee may verify the information provided and analyze materials submitted as well as conduct its own investigation to evaluate the Application. The Applicant recognizes that it has a duty to inform the Committee when any information in the Application or supplemental materials is no longer true and to supply the Committee with accurate information.

The Applicant represents that it has read all Government Code sections relevant to the CDLAC Regulations Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds ("Regulations"). The Applicant acknowledges that the Committee recommends that the Applicant seek advice from tax counsel.

The Applicant acknowledges that all materials and requirements are subject to change by enactment of federal or state legislation.

In carrying out the development and operation of the proposed program, the Applicant agrees to comply with all applicable federal and state laws regarding unlawful discrimination and will abide by all Committee program requirements.

The Applicant acknowledges that the Application will be evaluated based on federal and state statutes and regulations pertaining to Qualified Private Activity Bonds for existing mortgage credit certificate programs and the

Regulations, which identify the minimum requirements, evaluation criteria, priorities and other standards which will be employed to evaluate Applications.

The Applicant acknowledges that the information submitted to the Committee in this Application or supplemental thereto may be subject to the Public Records Act or other disclosure. The Applicant understands that the Committee may make such information public. The Committee will maintain as confidential, certain financial information, but cannot guarantee confidentiality.

The Applicant declares under penalty of perjury that the information contained in the Application, exhibits, attachments, and any further or supplemental documentation is true and correct to the best of its knowledge and belief. The Applicant understands that misrepresentation may result in the cancellation of an Allocation, and other actions which the Committee is authorized to take.

The Applicant agrees to hold the Committee, its members, officers, agents, and employees harmless from any matters arising out of or related to the awarded Allocation.

The Applicant certifies that it is in compliance with all applicable statutes, laws, rules, and regulations necessary for the transaction of its business.

The Applicant acknowledges that all Application materials are to be delivered to the address below, **by 4:00 p.m.** on the appropriate date at the following address:

The California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814

_____
Signature of Applicant's Senior Official

Michelle Skaggs-Lawrence
Print Name

Interim City Manager
Title

Date_____

Additional information may be obtained by accessing the Committee's web site at http://www.treasurer.ca.gov/cdlac or by calling the Committee at (916) 653-3255.

The California Debt Limit Allocation Committee complies with the Americans with Disabilities Act (ADA) by ensuring that the facilities are accessible to persons with disabilities, and providing this notice and information given to the members of the California Debt Limit Allocation Committee in appropriate alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact the California Debt Limit Allocation Committee at (916) 653-3255 or TDD (916) 654-9922.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

APPLICATION FOR AN ALLOCATION OF THE STATE CEILING ON QUALIFED PRIVATE ACTIVITY BONDS FOR A MORTGAGE CREDIT CERTIFICATE PROGRAM

All references to federal statute are cited for information only. Tax Counsel must be consulted as the requirements are subject to change.

PART I – FINANCING TEAM INFORMATION

1. Name of Applicant (Entity Converting Bonds): **City of Oceanside Community Development Commission**

   Mailing Address: **Nevada Street Annex, 300 North Coast Highway**
   City, State, Zip Code: **Oceanside, CA 92054**

   Federal Identification No.: **951-688570**

   For mailing of official documents:

   Name of Senior Official: **Margery M. Pierce**
   Title of Senior Official: **Director of Neighborhood Services**
   Telephone #: **(760) 435-3377**
   Fax #: **(760) 435-6389**
   E-mail: **mpierce@ci.oceanside.ca.us**

   For questions concerning application:

   Name of Contact Person: **Cecilia Barandiaran**
   Title of Contact Person: **Management Analyst**
   Mailing Address: **Nevada Street Annex, 300 N. Coast Hwy.**
   City, State, Zip Code: **Oceanside, CA 92054**
   Telephone #: **(760) 435-3385**
   Fax #: **(760) 435-6385**
   E-mail: **cbarandiaran@ci.oceanside.ca.us**

2. Name of Tax Counsel Firm (if applicable): **Best, Best & Krieger**

   Name of Attorney: **Warren Diven**
   Mailing Address: **655 W. Broadway, 15th Floor**
   City, State, Zip Code: **San Diego, CA 91942**
   Telephone #: **(619) 525-1337**
   Fax #: **N/A**
   E-mail: **wbdiven@BBKlaw.com**

3. Name of Financial Advisor Firm: **N/A**

   Name of Agent:
   Mailing Address:
   City, State, Zip Code:
   Telephone #: ( )
   Fax #: ( )
   E-mail:

PART II – ALLOCATION INFORMATION

1. Amount of allocation requested: **$1,329,814**

   (This is the amount of mortgage revenue bond allocation that will be converted to mortgage credit certificate (MCC) authority.)

2. Issuer's adopted resolution(s) approving the Program and authorizing application to the Committee (Section 5033(b)(4) of CDLAC Regulations). Attach (**Attachment "A"**).

3. Date MCCs will be advertised: **4/15/2015**

   Public notices that MCCs will be issued must be published at least 90 days before any MCC is to be issued. Attach (**Attachment "B"**) a copy of the proposed advertisement.

4. Proposed date of issuance of first MCC: **August 15, 2015**

   If a multiple jurisdictional Program, attach (**Attachment "C"**) a list of the participating jurisdictions in which MCCs will be issued (see Section 5031(b) of the CDLAC Regulations). **N/A**

5. Provide the month and year in which publicly adopted documents for the continuing participating jurisdictions were last submitted to the Committee (see Sections 5031(b) and 5267(b) of CDLAC Regulations): **May, 2001**

   Issuers must certify that all necessary resolutions and publicly adopted documents for the continuing participating jurisdictions are in place, or will be in place prior to receiving allocation. If the Program is adding new jurisdictions, attach (Attachment "D", if more than one, label each document in sequential order as "D-1", "D-2", etc.) a copy of the publicly adopted document for each new participating jurisdiction (see Section 5031(b) of the CDLAC Regulations).

   I HEREBY CERTIFY THAT THE NECESSARY PUBLICLY ADOPTED DOCUMENTS OF ALL CONTINUING PARTICIPATING JURISDICTIONS ARE DULY ADOPTED AND IN EFFECT AS OF THIS DATE. _____ (Initials of Senior Official signing page 2 of this Application)

   I FURTHER CERTIFY THAT ALL CURRENT COUNCIL AND/OR BOARD MEMBERS OF THE PARTICIPATING JURISDICTIONS ARE AWARE OF THIS APPLICATION.
   _____ (Initials of Senior Official signing page 2 of this Application)

7. Indicate the number of units expected to be financed and the average mortgage amount:

Unit Type	Number of Units	% of Total	Average Mortgage Amount
New Units	0	%	N/A
Resale Units	6	100%	$268,838
Rehabilitated Units	0	%	N/A
Totals	6	%	

Indicate if the above numbers of units are estimates or actual program requirements imposed by the Issuer:

Estimates: __X__ Program Requirements: _____

PART III – PROGRAM INFORMATION

1. Proposed Program Description.

   Attach (**Attachment "E"**) a narrative of the proposed Program that, at a minimum, must include all of the following:

   A. A description of the population to be served (i.e. the ethnicity, family size, and income levels of the expected household participants).
   B. A description of the housing stock expected to be purchased (i.e. the type (detached, condominiums, etc.), units sizes (square footage, bedroom/bath sizes, etc.), and purchase prices).
   C. A description of any specific reservation(s) of MCCs for specific purposes that target lower household incomes, lower purchase prices, new construction units or developments, certain census tracts or neighborhoods, or specific segments of the population to be served. If the program contains a reservation for new construction, include: **a)** a schedule of when new homes or developments are expected to become available, and **b)** a description of the mechanism that is in place to use the allocation if construction is postponed or otherwise delayed.
   D. An indication of the expected length of time that the proposed MCCs are expected to be available and the anticipated monthly rate of MCC issuance over the expected term. Include an explanation of the basis for the anticipated issuance rate and a description of the factors that could influence such rate, either positively or negatively.
   E. A description of other homebuyer assistance programs offered by the participating jurisdiction(s) that will be made available to program participants in conjunction with the proposed MCCs.
   F. A description of any other special features that are unique to the proposed Program.

2. Provide the following demand/supply information:

A. Total number of home sales in program jurisdiction during the past 12 months:	2,432
B. Total number of above home sales that met program purchase price limits:	2,322
C. Average sales price of homes in the Program's jurisdiction:	$396,600
D. Total number of for-sale units currently on the market in the program jurisdiction:	684
E. Total number of above for-sale units that meet the program purchase price limits:	422
F. Average sales price of the units currently on the market in the Program jurisdiction:	$289,255

   Additional relevant information may be provided (**Attachment "F"**) that explains the number of MCCs anticipated to be issued and the type of housing expected to be available.

3. Indicate the proposed tax credit rate of the MCCs: **20 %**
   Explain any change in the MCC tax credit rate from the most recent Allocation award:
   No Change

4. Answer **"YES"** or **"NO"** to indicate if lenders are <u>required</u> to take into consideration the value of the MCC when qualifying potential homebuyers for a mortgage loan: **YES X** NO

   If **"NO"**, explain:

5. Attach **(Attachment "G")** a list of the names and addresses of participating developers and lenders.

6. Answer "Yes" or "NO" to indicate if there are IRS-designated target areas in the jurisdiction(s):

X Yes No

If **"YES"**, indicate the percent of MCCs reserved for target areas: **20 %**

7. Maximum Purchase Prices For purchase price requirements, refer to Internal Revenue Code Section 143(e). The proposed maximum limits are:

Home Type	Average Area Purchase Price*	Non-Target Area Maximum Purchase Price	Target Area Maximum Purchase price
New Construction	**$715,385**	**$643,847**	**$786,924**
Existing Homes	**$715,835**	**$643,847**	**$786,924**

*This is established by (check one):

As determined by special survey. A copy of survey along with tax counsel confirmation that survey methodology complies with federal law must be provided (**Attachment "H"**). Date of survey may not exceed 12 months.

X IRS safe harbor limitations. as published.

Please note that Issuers may institute lower program limits as desired, however, the purpose of this section is to establish maximum purchase prices per I.R.S. code.

8. What are the expected average sales prices of the estimated units to be assisted?

New units	$ N/A
Existing units	$ 268,850
Rehabilitated units	$ N/A

9. Maximum Income Limitations For income requirements refer to Internal Revenue Code Section 143(f). Please provide the information requested below.

a. The maximum Area Median Income* on which maximum program limits are based is: $73,000
*This is established by (check one):

Local median as determined by special survey. A copy of survey along with tax counsel confirmation that survey methodology complies with federal law must be provided (**Attachment "I"**). Date of survey may not exceed 12 months.

HUD Statewide Median

X HUD County Median**

** If High Cost Area, may use current county **Very Low (50%) Income Limits** for 4 Person households multiplied by 2.

b. The proposed maximum income limits are:

Household Size	Non-Target Area	Target Area
1-2 persons	$73,000	$87,600
3+ persons	$83,950	$102,200

PART IV – MINIMUM REQUIREMENTS

Applicants are advised to read Section 5266 of the Committee's Regulations regarding Single-Family Housing Programs when answering the following questions.

1. Attach **(Attachment "J")** evidence documenting the proposed Single Family Housing Program will meet the following requirements of Section 5266(a):

   A. A minimum of **forty percent (40%)** of the participants in the Single Family Housing Program will be households:

      i. Earning eighty percent (80%) or less of the Applicable Median Family Income of the are in which the program is located; **or**

      ii. Located in a Qualified Census Tract.

   The Executive Director may consider an Applicant's request to use a combination of A or B, above, to meet this minimum requirement.

   B. An Applicant may request an exemption to the above minimum requirement specified in Section 5266(a) of the CDLAC Regulations. However, in no case may less than **thirty-five percent (35%)** of the participants in the proposed program be households –

      i. Earning eighty percent (80%) or less of the Applicable Median Family Income of the are in which the program is located; **or**

      ii. Located in a Qualified Census Tract.

   Applicants may use the high-cost area adjustment specifically set forth in 26 U.S.C. Section 143(f)(5) to meet the minimum requirement specified in Section 5266(a) of the CDLAC Regulations.

   To be considered for an exemption, attach **(Attachment "J-1")** convincing documentation, to the satisfaction of the Executive Director, of the programmatic or economic reasons why the minimum requirement specified in Section 5266(a) cannot be met. Attachment J-1 must provide sufficient detailed information to demonstrate that meeting the minimum requirements of Section 5266(a) present an undue financial burden or economic hardship for the Applicant.

2. Attach **(Attachment "K")** the CDLAC Housing Element Certification Form documenting that the proposed Single Family Housing Program will be consistent with the adopted housing element(s) for the jurisdiction(s) in which the proposed program will be operated, as required by Section 5267 of the CDLAC Regulations. **Certification is to be completed by each participating jurisdiction.**

3. The Applicant must meet the minimum requirements of Section 5269 of the CDLAC Regulations that the Applicant:

   A. Demonstrate that no MCC authority from the year two years prior to the current year remains unused (other than minor amounts that are insufficient to fund one MCC); and

   B. Certify that any MCC authority remaining from the year prior to the current year will be used before the use of new MCC authority. The Applicant's certification shall be labeled **Attachment "L"**.

   Attachment M (described in PART V-EVALUATION CRITERIA) will be used to determine that the minimum requirements specified in A and B, above, have been met.

   An Applicant may request an exemption to the above minimum requirements specified in Section 5270of the CDLAC Regulations. To be considered for an exemption, attach **(Attachment "L-1")** convincing documentation, to the satisfaction of the Executive Director, of the programmatic or economic reasons why the minimum requirements specified in Section 5270 cannot be met. Attachment L-1 must provide sufficient detailed information to demonstrate the Applicant's need to use new Allocation when unused MCC remains (other than minor amounts that are insufficient to fund one MCC) from prior years.

PART V – EVALUATION CRITERIA

Applicants are advised to read Section 5275 of the Committee's Regulations regarding Single-Family Housing Programs when answering the following questions.

1. Past Program Performance

   Attach (**Attachment "M"**, provided with this Application) evidence documenting past Program performance over the last three years.

   Attachment M must demonstrate that Mortgage Credit Certificate Program Allocation from prior years has been used to issue Mortgage Credit Certificates.

2. Program Performance Monitoring

   Beginning with calendar year 2000 Allocations, Applicants will be required to track the information identified in the Exhibit attached to this form and report that information to Committee as required.