



REPORT TO CITY COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

08

Consent
April 22, 2014

Honorable Mayor and Members of the City Council

Title: Approval of a Cooperative Agreement for Mortgage Credit Certificates with the County of Sacramento

Location/Council District: All Districts

Issue: This report recommends renewal of the cooperative agreement for the issuance of Mortgage Credit Certificates.

Recommendation: Adopt a Council Resolution authorizing the City Manager to execute the Cooperative Agreement between the City of Sacramento and the County of Sacramento for the purpose of issuing Mortgage Credit Certificates (MCCs).

Contact: Christine Weichert, Assistant Director, Development Finance 440-1353
Susan Perry, Supervisor, Portfolio Management and Homeownership 440-1386

Presenters: Not applicable.

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This staff report authorizes renewal of the cooperative agreement between the City of Sacramento and County of Sacramento for the purpose of issuing certificates under the Mortgage Credit Certificate (MCC) Program. An MCC is a certificate issued by certain state or local governments to an eligible homebuyer that allows the homebuyer to claim a tax credit for a portion of mortgage interest paid during a given tax year. The MCC Program is awarded to and operated by counties throughout the state. The Redevelopment Agency of the County of Sacramento previously operated the MCC program on behalf of the County of Sacramento. In the future the Housing Authority of the County of Sacramento, as staffed by the Sacramento Housing and Redevelopment Agency, will be operating the MCC program for the County of Sacramento. As a result, the existing cooperative agreement needs to be renewed. The MCC Program has been in existence since 1986 and the Sacramento Housing and Redevelopment Agency ("Agency") has administered the MCC Program on behalf of the City and County of Sacramento for 28 years.

Approval of a Cooperative Agreement for Mortgage Credit Certificates with the County of Sacramento

Policy Considerations: The recommended action in this report will allow the Agency to apply for and issue MCCs in the City of Sacramento and is consistent with Agency policies to increase homeownership opportunities. The MCC Program will result in approximately forty-five additional homeowners throughout the City of Sacramento, contributing to goals in the City's 2013-2021 Housing Element. No policy changes are recommended.

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action does not constitute a project under CEQA per Guidelines Sections 15378 (b)(2)(4), and (5).

Sustainability Considerations: There are no sustainability considerations applicable to the administration of a Mortgage Credit Certificate program.

Other: There is no federal involvement in this administrative activity; therefore, the National Environment Policy Act does not apply.

Commission Action: At its meeting April 2, 2014, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Alcalay, Chan, Creswell, Griffin, LeDuc, Macedo, Morgan, Morton, Raab, Stivers

NOES: none

ABSENT: Johnson

Rationale for Recommendation: The Mortgage Credit Certificate (MCC) Program has been a successful tool to increase homeownership opportunities in the City of Sacramento. The recommended actions in this report are necessary to continue to offer the MCC Program in the City of Sacramento.

Financial Considerations: The Agency will administer the MCC Program. There are no financial considerations for the City of Sacramento.

M/WBE and Section 3 Considerations: The items discussed in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements.

April 22, 2014

Approval of a Cooperative Agreement for Mortgage Credit Certificates with the County of Sacramento

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

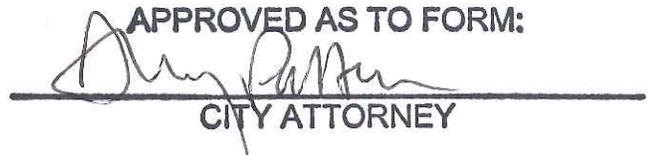
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Approved as to form:


Agency Counsel

APPROVED AS TO FORM:


CITY ATTORNEY

Background Information

History: The Sacramento Housing and Redevelopment Agency's ("Agency") Mortgage Credit Certificate (MCC) Program has been in existence since 1986. The Agency has administered the MCC Program on behalf of the City and the County of Sacramento for 28 years since inception of the program. Countywide, over 11,200 certificates have been issued. The elimination of Redevelopment is requiring the technical change of delegating program authority to the Housing Authority of the County of Sacramento, but the operation and implementation of the MCC Program will remain the same.

The MCC Program provides first-time homebuyers with an income tax credit of twenty percent of the mortgage interest paid each year on their mortgage. By reducing taxes, the MCC gives the homebuyers more disposable income which lenders can use when qualifying a homebuyer. This is a key component in the Agency's effort to provide assistance to first-time homebuyers in the current real estate market where values are appreciating. During the last five years, the countywide average MCC participant's home purchase price was \$170,000 and the average household income was \$46,100. Attachment 3 provides the current MCC Program Guidelines.

The Agency's MCC Program operates by means of a cooperative agreement, as required by California Debt Limit Allocation Committee, between the County of Sacramento and the City of Sacramento. The last cooperative agreement was signed in 2003. Additional municipal corporations participating in the Agency's MCC Program include the City of Citrus Heights, City of Elk Grove, City of Folsom, City of Galt, City of Isleton and the City of Rancho Cordova. The updated cooperative agreement for the City of Sacramento is included as Attachment 4.

Discussion: The Mortgage Credit Certificate Program will be offered by the Agency to help first-time homebuyers purchase homes in areas within the City of Sacramento. In Federally Designated Target areas, MCC Program applicants do not need to be first-time homebuyers and higher income and sales price limits apply. Please refer to the Target Areas Map as Attachment 5.

The MCC reduces the amount of the Federal income tax homebuyers pay, thus giving the homebuyers more available income to qualify for a mortgage loan and to make monthly mortgage payments. In general, each allocation will be exhausted within two-years of funding award. A countywide estimation of 90 homebuyers will receive an MCC per allocation. Approval of this item contributes to the City of Sacramento's 2013-2021 Housing Element goals in the preservation of affordable housing stock.

RESOLUTION NO. 2014 -

Adopted by the Sacramento City Council

On date of

APPROVAL OF THE COOPERATIVE AGREEMENT WITH THE COUNTY OF SACRAMENTO

BACKGROUND

- A. The City of Sacramento has participated in the Mortgage Credit Certificate Program (MCC) since 1986.
- B. The MCC Program is awarded to and operated by counties throughout the state. The Redevelopment Agency of the County of Sacramento previously operated the MCC program on behalf of the County of Sacramento. In the future the Housing Authority of the County of Sacramento, as staffed by the Sacramento Housing and Redevelopment Agency, will be operating the MCC program.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1: The Cooperative Agreement between the City of Sacramento and the County of Sacramento for the purpose of issuing Mortgage Credit Certificates is hereby approved. The City Manager is authorized to execute the Cooperative Agreement and the previous Cooperative Agreement as it may have been amended from time to time is hereby repealed.

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Exhibit A - Cooperative Agreement between the City of Sacramento and the County of Sacramento for the purpose of issuing Mortgage Credit Certificates

**COOPERATIVE AGREEMENT BETWEEN
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO**

THIS COOPERATIVE AGREEMENT (“Agreement”), made and entered into as of April 22, 2014, by and between the County of Sacramento, a political subdivision of the State of California (the “County”) and the City of Sacramento, a California Municipal Corporation (the “City”),

WITNESSETH

WHEREAS, the County has determined to engage in a home mortgage finance and mortgage credit certificate program pursuant to Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”) in connection with the construction, acquisition, rehabilitation or improvement of homes in the County, all are provided for in the Act (the “Program”);

WHEREAS, the County, pursuant to the Act, has adopted a home finance program by Ordinance No. 1235, adopted on November 25, 1980, and has determined to cooperate with the City pursuant to the Act in the exercise of its powers under the Act for purposes of the Program;

WHEREAS, the City, pursuant to the Act, has adopted the Program and has determined to cooperate with the County pursuant to the Act in the exercise of its powers under the Act for purposes of the Program;

WHEREAS, the County has determined to finance the Program by the issuance of mortgage revenue bonds as authorized by the Act and/or mortgage credit certificates as authorized by the Internal Revenue Code of 1986 (the “Code”);

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereto agree as follows:

Section 1. The terms used in this Agreement shall, for all purposes of this Agreement, unless otherwise defined herein, have the meanings assigned to such terms in the Act.

Section 2. The County agrees to undertake the Program and to issue mortgage revenue bonds and/or mortgage credit certificates pursuant to the Act and the Code from time to time to the extent that the county receives allocations from the State.

Section 3. The City hereby agrees to cooperate with the County in the exercise, jointly or otherwise, of its own powers for the purpose of lender financed home mortgages secured by mortgage revenue bonds and/or mortgage credit certificates issued under the Program and by agreeing that the County shall exercise such powers to make or acquire home mortgages and issue mortgage credit certificates under the Program all as more specifically set forth in the Act, with respect to property located within the geographic boundaries of the City.

Section 4. The City agrees to undertake such further proceedings or actions as may be necessary in order to carry out the terms and the intent of this Agreement; provided, however, that nothing contained in this Agreement shall obligate the City to issue debt, acquire any interest in real property, expend or encumber funds or revenue, or take other similar actions. Nothing in this agreement shall prevent the County from entering into one or more agreements with other political subdivisions or public entities within the County, if deemed necessary and advisable to do so by the County.

Section 5. This Agreement may be amended by one or more supplemental written agreements executed by the County and the City at any time, except that no such amendment or supplement shall be made which shall adversely affect the rights of the holders of bonds or mortgage credit certificates issued by the County pursuant to the Act in connection with the Program.

Section 6. Nothing contained in this Agreement shall prevent the City in its own name from issuing mortgage revenue bonds and/or mortgage credit certificates pursuant to the Act and the Code, provided that such actions do not adversely affect the rights of the holders of bonds or mortgage credit certificates issued by the County.

Section 7. The term of this Agreement shall extend until the bonds or mortgage credit certificates issued from allocations are fully paid and retired, or shall terminate if bonds or mortgage credit certificates are not issued to finance the Program.

Section 8. This Agreement shall take effect from and after its adoption and execution.

Section 9. No Implied Waiver of Breach. The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.

Section 10. Notices pursuant to this Agreement to County and City shall be sent to:

County:
County of Sacramento
C/O Sacramento Housing and Redevelopment Agency
801 12th Street
Sacramento, CA 85814

City:
City of Sacramento
300 Richards Boulevard
Sacramento, CA 95811

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunder duly authorized, and their official seals to be hereunto affixed, all as of the day first above written.

COUNTY OF SACRAMENTO

By: _____
Chairman of the Board of Supervisors

[SEAL]

ATTEST

APPROVED AS TO FORM

By: _____
Clerk of the Board

By: _____
County Counsel

CITY OF SACRAMENTO

By: _____
City Manager

[SEAL]

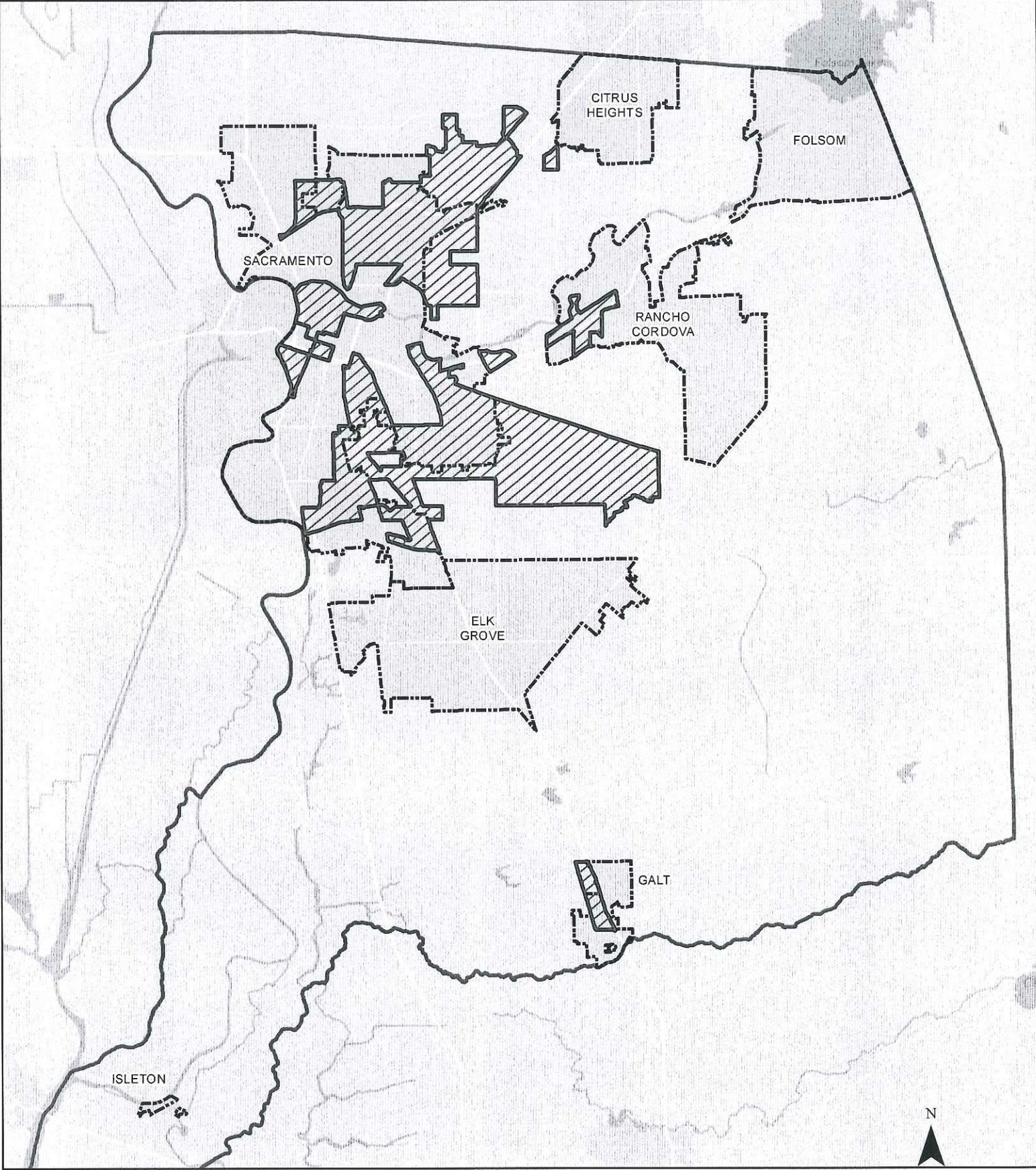
ATTEST

APPROVED AS TO FORM

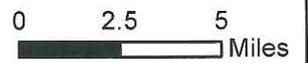
By: _____
City Clerk

By: _____
City Attorney

Mortgage Credit Certificate Program Target Areas



-  Federally Designated Census Tract
-  Incorporated City
-  Sacramento County





Fact Sheet

801 12th Street • SACRAMENTO, CA 95814 (916) 440-1393

SACRAMENTO MORTGAGE CREDIT CERTIFICATE PROGRAM 20 PERCENT PROGRAM GUIDELINES

Mortgage Credit Certificate

The Mortgage Credit Certificate (MCC) Program is being offered by the Sacramento Housing and Redevelopment Agency (SHRA) to help home buyers purchase homes in areas within the cities of Sacramento, Elk Grove, Folsom, Isleton, Galt, Citrus Heights, Rancho Cordova and the County of Sacramento. The MCC reduces the amount of the Federal income tax you pay, thus giving you more available income to qualify for a mortgage loan and to make your monthly mortgage payments.

Eligible Applicants Must

- Be a first-time homebuyer. (You cannot have had an ownership in a principal residence at any time in the last three years). In federally designated target areas, you do not have to be a first-time homebuyer.
- Occupy the home
- Not exceed the Income and Purchase Price Limitations below:

Maximum Annual Gross Income

	<u>Non-Target Areas</u>	<u>Target Areas</u>
1 or 2 person household	\$68,000	\$81,600
3 or more person household	\$78,200	\$95,200

Low-Income Set Aside

40 percent of the allocation will be reserved for households whose income does not exceed 80 percent of the area median adjusted for family size.

Maximum Purchase Price

	<u>Non-Target Areas</u>	<u>Target Areas</u>
New or Existing Homes	\$438,415	\$535,841

How Will the MCC Assist My Home Purchase?

You will receive a tax credit for 20 percent of the annual interest you pay on the the mortgage loan. The amount of the credit will not be more than your annual federal income tax liability after all other credits and deductions have been taken into account. Your ability to take full advantage of the tax credit will depend on your individual tax liability.

For example

You obtain a mortgage loan of \$225,000 from your lender at an interest rate of four and one-half percent for 30 years. In the first year, the interest on this loan would amount to \$10,125. With a 20 percent MCC, you would receive a Federal income tax credit of \$2,025, or 20 percent of \$10,125. If your annual Federal income tax is \$2,025 or more after all other credits and deductions have been subtracted, you would receive all the benefits of the MCC. To realize this tax savings on a monthly basis, you would file a revised W-4 withholding form, and your Federal tax withholding would be reduced by \$168.75 per month (\$2,025 divided by 12).

Lenders may use this tax savings in the underwriting of your loan, thus increasing the amount of loan you may qualify for.

Whom Do I Contact to Obtain a Mortgage Credit Certificate?

You may obtain a mortgage credit certificate by contacting any of the approved lenders who participate in the MCC Program. An Approved Lender List can be obtained on the Agency website which is referenced below.

How Do I Apply?	You apply for the mortgage credit certificate at the same time you make a formal application for a mortgage loan. Lenders vary in their requirements for mortgage loan application, but generally you will have made a purchase offer to buy a house and will be ready to supply credit information, employment data and other information to the lender. You may not apply for MCC after you have already purchased your home.
Is There a Fee to Apply?	There is a \$350 fee to apply for an MCC. This is a non-refundable fee. The lender may also charge an additional fee of \$50 for processing the MCC. There is no allocation of Mortgage Credit Certificates by the lender. After you have made a formal application, the lender will arrange with SHRA to reserve funds for your MCC-assisted mortgage loan. This reservation will hold the MCC while your application is being processed by the lender and SHRA. The lender must receive a signed copy of the MCC Commitment, before the loan may close escrow.
What Are the Loan Terms?	<p>The loan terms depend upon the lender and the type of loan you obtain. Depending on the mortgage marketplace and your borrowing requirements, each lender can set its own interest rate, length of mortgage term, down payment requirement, fees, points, closing costs and other loan terms.</p> <p>MCCs are available with conventional loans, FHA and VA loans, and privately insured loans. Fixed rate or adjustable rate loan types are allowed. MCCs are not available with bond-backed loans (e.g., Single Family Bond Programs, Cal Vet Loans, CalHFA). You may be able to use MCCs with other Agency homebuyer assistance programs according to the Agency Layering Policy.</p>
How Long Does the MCC Last?	Borrowers are subject to provisions of the Federal Tax Law for the recapture of all or a part of the subsidy provided by the Mortgage Credit Certificate Program.
How Long Does the MCC Last?	As long as the home remains your principal residence and the original loan is not refinanced, the MCC will be in effect for the life of your mortgage loan. Each year, the credit certificate is calculated on the basis of 20 percent of the total interest you paid on your mortgage loan that year.
Can I Refinance?	If you refinance your mortgage you will lose your MCC. You must then apply to have your MCC reissued, one time only.
What Kinds of Properties Are Eligible?	The MCC can only be used for owner-occupied single family residences (including condominiums and half-plexes). You are responsible for finding your own home to purchase. Listings of homes for sale, real estate agents, or builders are not maintained by SHRA.
Where Is the Program Available?	The program is currently available anywhere within the County of Sacramento including the cities of Sacramento, Citrus Heights, Elk Grove, Folsom, Isleton, Galt, Rancho Cordova and the unincorporated areas of the County.
Federally Designated Target Areas	<p>The following census tracts are Federally Designated Target areas. In these areas the applicants do not need to be first-time buyers and higher income and sales price limits apply. 0005.00, 0006.00, 0007.00, 0011.01, 0018.00, 0020.00, 0022.00, 0027.00, 0028.00, 0032.02, 0032.03, 0032.04, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 0044.02, 0045.01, 0045.02, 0046.01, 0046.02, 0047.01, 0048.01, 0048.02, 0049.03, 0049.05, 0050.02, 0052.01, 0052.05, 0053.01, 0055.02, 0055.05, 0055.06, 0055.09, 0056.01, 0056.05, 0061.01, 0062.01, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0070.01, 0070.19, 0073.01, 0074.13, 0074.14, 0074.23, 0074.24, 0081.33, 0089.11, 0090.06, 0090.07, 0090.08, 0091.05, 0091.10, 0092.01, 0095.03, 0096.06, 0096.33.</p>
For Additional Information:	Contact the Homeownership Services Department (916) 440-1393, or visit our web site at www.shra.org