



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**

Comm Rpt
BTF
(37)

DATE: October 19, 1987

**APPROVED
BY THE CITY COUNCIL**

OCT 27 1987

**OFFICE OF THE
CITY CLERK**

City Council of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Authorization for State Authorization to
Issue Mortgage Credit Certificates (MCC)

SUMMARY

The Sacramento City Council is requested to approve that the Executive Director of Sacramento Housing and Redevelopment Agency apply to the State Mortgage Bond Tax Credit Allocation Committee for \$20 million in Single Family Bond authority with the intent to issue qualified mortgage bonds and/or Mortgage Credit Certificates (MCCs). (This will be added to a \$40 million request from the County in a joint application.)

BACKGROUND

Since August, 1986, the MCC Program has demonstrated a need in the City and County of Sacramento for assistance to first-time homebuyers. The certificate allows first-time homebuyers a tax credit on their Federal Income Taxes for 20% of the annual mortgage interest payment for the life of the mortgage as long as they continue to live in the property. The MCC reduces the amount of taxes paid, thus giving the applicant more available income to qualify for a mortgage loan and to make the monthly mortgage payments.

The response to the MCC Program has been overwhelming with approximately 10-15 new reservation requests received daily and the number of participating lenders increasing from 22 to 80 in just six months. In the month of September alone, 15 new lenders were trained to participate in the program.

Thus far, we have received three (3) City/County MCC allocations from the MBTCAC totaling \$32.9 million in MCC authority which is the equivalent of \$143 million in bond authority. All of the available \$11.6 million in 1985 authority has been awarded. The target area set-aside that will be released this month will also be used upon release.* In addition, \$7.1 million of the \$15.0 million 1986 authority has been awarded, committed or reserved.

10-27-87
All Districts (1)

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(Of the \$15 million, \$3 million is set aside until June 10, 1988 for the homes located in the target areas). Attachment I shows the "Use of MCC Allocation." We expect that the 1987 authority, recently received for \$6.3 million will move quite fast. Under the 1987 allocation, we expect to issue 416 MCC's. If the rate of applications to the program remains constant, we should go through the 1987 authority within 2-3 months.

To date, 713 MCCs have been awarded and 570 are pending further review with approval subject to receipt of complete and acceptable application packets. The average household income of applicants is \$27,396. The average Mortgage Loan amount is \$71,912. The average certificate amount is \$10,789 in targeted areas, \$12,519 for low-income set-aside and \$15,225 for the unrestricted. (The certificate amount is derived from a federal formula by taking 20% of the mortgage loan amount).

The current program eligibility requirements include the maximum qualifying annual household income of \$36,340, and maximum qualifying purchase prices of \$101,520 (existing unit) and \$121,050 (new construction unit) in non-targeted areas. The targeted area purchase prices are slightly higher.

As you may recall, the City and County requested and received in August 1987 a joint \$60 million allocation to both issue in Single Family Bonds and Mortgage Credit Certificates. This allocation has been used.

The advantage of reapplying to the State for more MCC allocation before the end of 1987, is that the total amount of Bond/MCC Authority that will be available statewide in 1988 will decline from \$1.9 billion to \$1.3 billion, because of Federal tax law changes made in 1986. The State has not used its full 1987 authority and should approve our requests for MCC's.

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- * Federal law requires 20% of the allocation be set aside for one year for loans to homes in certain target areas (See Attached Map, Attachment II). Historically, the Bond or MCC Programs have not had success in placing loans in these target areas.

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FINANCIAL DATA

The Mortgage Credit Certificate Program is a self supporting program. With the receipt of an additional \$5 million in City MCC Allocation (the Bond Authority is converted to MCC Allocation on a 4 to 1 ratio), plus the \$10 million in County authority we will be able to issue approximately 800 - 1000 more certificates. This translates to an increase in our administrative revenues by \$80,000 - \$100,000.

Furthermore, the MBTCAC has indicated that the normal application reservation fee of half a percent of the requested bond amount will be waived for MCC Programs.

ENVIRONMENTAL REVIEW

Environmental review is not required for actions requested in the staff report.

POLICY IMPLICATIONS

No policy changes recommended.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of October 19, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Glud, Moose, Pettit, Simon, Wiggins, Wooley,
Yew, Amundson
NOES: None
ABSENT: Sanchez, Sheldon, Simpson

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RECOMMENDATION

Staff recommends that Council authorize the Executive Director of Sacramento Housing and Redevelopment Agency to apply to the State Mortgage Bond Tax Credit Allocation Committee for \$20 million for Bond Authority on behalf of the City of Sacramento, and file the election to convert the allocation to MCC's. As per previous MCC programs, the County of Sacramento will formally be filing the election to convert to MCC's on behalf of itself and the City.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slipe

WALTER J. SLIPE
City Manager

Contact Person: John Molloy 440-1360

RESOLUTION NO. 87-902

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

October 27, 1987

APPROVED
BY THE CITY COUNCIL
OCT 27 1987
OFFICE OF THE
CITY CLERK

RESOLUTION AUTHORIZING AN APPLICATION TO THE
MORTGAGE BOND TAX CREDIT ALLOCATION COMMITTEE
TO PERMIT THE ISSUANCE OF QUALIFIED MORTGAGE
BONDS AND/OR MORTGAGE CREDIT CERTIFICATES

WHEREAS, Chapters 1-5 of part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") authorized cities and counties to incur indebtedness for the purpose of financing home mortgages authorized thereby; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of qualified mortgage bonds and/or 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; and

WHEREAS, Chapter 3.5 of Part 1 of Division 31 of the Act governs the allocation among governmental units in the State having the authority to issue qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, Section 50191 of the Act requires a local agency to file an application with the Mortgage Bond Allocation Committee prior to the issuance of qualified mortgage bonds or mortgage credit certificates, and Section 50192 of the Act permits the assignment by the local agency of all or part of the principal amount, if any, of qualified mortgage bonds allocated to the local agency to another issuer authorized pursuant to the Act to issue qualified mortgage bonds or mortgage credit certificates.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. The Redevelopment Agency of the City of Sacramento (the "Agency") is hereby authorized, on behalf of the City of Sacramento, to submit an application, and such other documents as may be required, to the Mortgage Bond Allocation Committee for an allocation of \$20,000,000 with respect to qualified mortgage bonds and/or mortgage credit certificates to be issued by the County of Sacramento in an aggregate principal amount not to exceed \$60,000,000.

SECTION 2. The City hereby authorizes, pursuant to Section 50192 of the Act and Section 4 of the Cooperative Agreement dated as of September 1, 1987 between the County and City (the "Agreement"), the assignment to the County of all of the principal amount, if any, of qualified mortgage bonds and/or mortgage credit certificates which the City has been or will be allocated, on or before December 31, 1987, by the Mortgage Bond Allocation Committee pursuant to Section 146 of the Internal Revenue Code of 1986 and Section 50191 of the Act. Said assignment shall be made only in accordance with the Act and Section 4 of the Agreement.

SECTION 3. The officers and employees of the City and the Sacramento Housing and Redevelopment Agency are hereby authorized and directed, jointly and severally, to do any and all things necessary or advisable in order to consummate the the federal election and issuance of the mortgage credit certificates and the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution, and all actions previously taken by such officers and employees in connection with the establishment of the Program and issuance of the mortgage credit certificates and the issuance, sale and delivery of the Bonds are hereby ratified and approved.

SECTION 4. This Resolution shall take take effect from and after its adoption.

MAYOR

ATTEST:

CITY CLERK

168f/10/19

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October 15, 1987

ATTACHMENT 1

MCC - USE OF MCC ALLOCATION

| | <u>1985 Allocation</u> | <u>Committed or Awarded to date "used"</u> | <u>Remaining Allocation</u> |
|--------------|------------------------|--|---------------------------------|
| Unrestricted | \$5,452,000 | \$5,452,000. | -0- |
| Low Income | 3,828,000 | 3,828,000. | -0- |
| Target Areas | 2,320,000 | 2,320,000.* | -0- |
| TOTAL | <u>\$11,600,000</u> | <u>\$11,600,000.</u> | <u>-0-</u> |

| | <u>1986 Allocation</u> | <u>Committed or Awarded to date "used"</u> | <u>Remaining Allocation</u> |
|--------------|------------------------|--|---------------------------------|
| Unrestricted | \$7,050,000. | \$5,357,164. | \$1,692,836. |
| Low Income | 4,950,000. | 1,634,144. | 3,315,856. |
| Target Areas | 3,000,000. | 42,962. | 2,957,038. |
| TOTAL | <u>\$ 15,000,000.</u> | <u>\$7,034,270.</u> | <u>\$7,965,730.</u> |

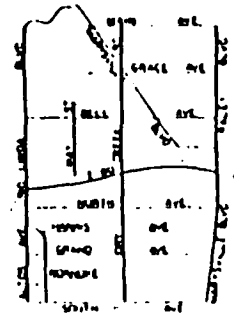
Total MCCs issued - 713

Total MCCs pending - 570

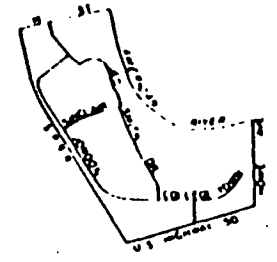
TOTAL MORTGAGE AMOUNT "USED" - \$93,171,350.

*Five MCCs (\$53,948) have been awarded in target areas. The remaining allocation will be used for the unrestricted on October 28, 1987.

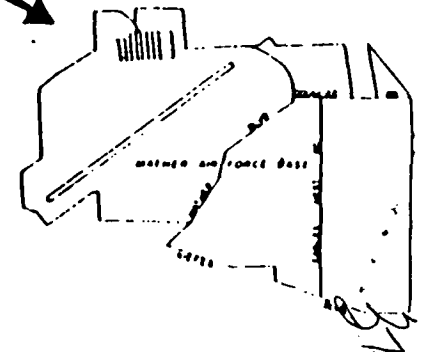
TRACT 65



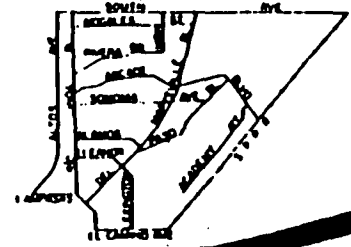
TRACT 52.01



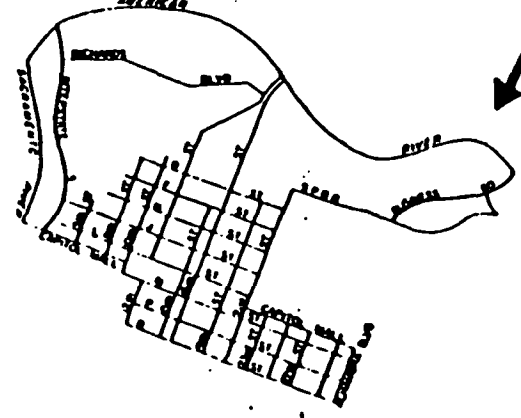
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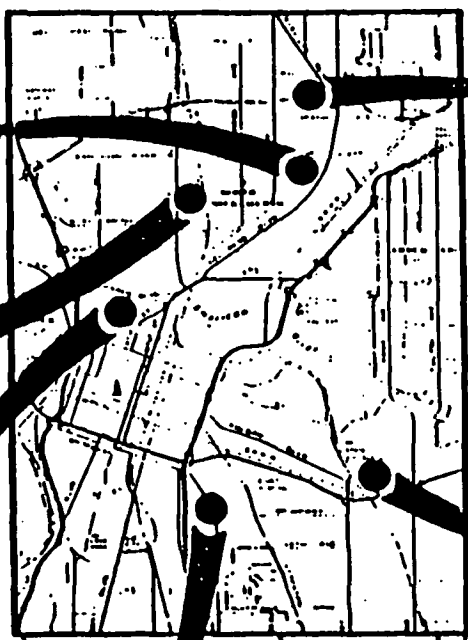
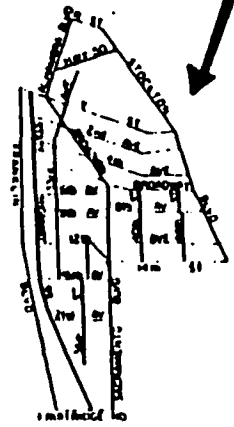
TRACTS 63-66-70.01



TRACTS 5-6-7-10-11-12-13-53



TRACTS 18-27-28-37



**SACRAMENTO
SINGLE-FAMILY BOND
PROGRAM TARGET AREA**

37

RESOLUTION NO. 87-024

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
ON DATE OF

October 27, 1987

AMENDING THE BUDGET FOR ANNUAL CONTRIBUTIONS
CONTRACT NO. CA30-V005-010 FOR TWENTY-ONE
OPT OUT HOUSING VOUCHERS

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO:

Section 1: The Executive Director is authorized to
amend the budget to reflect revenues and expenditures for Annual
Contributions Contract No. CA30-V005-010 for twenty-one (21) Opt
Out Housing Vouchers for the City of Sacramento.

CHAIR

ATTEST:

SECRETARY



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