



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



3

March 19, 1991

Transportation/Community Development  
and Budget & Finance Committees  
Sacramento, CA

Honorable Members in Session:

SUBJECT: Various Matters Regarding Single Family Mortgage Bond and  
Mortgage Credit Certificate Programs

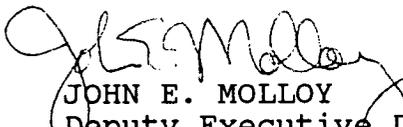
SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency and City Council of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolutions approving application to issue bonds and certificates and execution of the Cooperative Agreement.

Respectfully submitted,

  
JOHN E. MOLLOY  
Deputy Executive Director

TRANSMITTAL TO COMMITTEE:

  
JACK R. CRIST  
Deputy City Manager

Attachment



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



March 26, 1991

City Council of the  
City of Sacramento  
Sacramento, California

and

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** Various Matters Regarding Single Family Mortgage and  
Mortgage Credit Certificate (MCC) Programs

**SUMMARY**

The Sacramento City Council is requested to: 1) approve the request to apply to the California Debt Limit Allocation Committee (CDLAC) to issue mortgage revenue bonds and/or Mortgage Credit Certificates (MCC's) for an amount not to exceed \$20,000,000 or the maximum amount allowable by the State; and 2) adopt the cooperative agreement between the County of Sacramento and the City of Sacramento. The mortgage revenue bonds and/or MCC requests for allocation will be added to a \$35,000,000 request on behalf of the County of Sacramento and a \$5,300,000 request on behalf of the City of Galt. The Redevelopment Agency of the City of Sacramento is also requested to authorize an increase in the Home Ownership Home Assistance Program (HOHAP) Budget.

Staff is proposing	the bond proceeds be apportioned as follows:
\$18,500,000	Specific developer/project commitments in the City
\$11,218,000	Specific developer/project commitments in the County
\$19,800,000	For lender resale home loans City/County
\$ 8,700,000	For lender new construction spot loans City/County
<u>\$ 2,082,000</u>	For special purposes (HOHAP, Neighborhood targeting, special user housing)
<b>\$60,300,000</b>	<b>TOTAL</b>

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## BACKGROUND

Since 1980, the City and County of Sacramento have issued over \$244 million in Single Family Mortgage Revenue Bonds and \$313 million in MCCs providing homeownership assistance to over 6,300 first time homebuyers under a cooperative agreement. These joint bond and MCC programs have provided considerable economies of scale therefore allowing Program cost savings. Furthermore, the cooperative approach has provided for better coordination and consistency between the City and County housing programs, than otherwise would have occurred.

Most recently, the City and County have provided a \$38.6 million 1990 Single Family Bond Program (issued in May, 1990) and a \$55 million 1990 MCC Program (authority received in August 1990). Both programs have met a tremendous need in our community by assisting approximately 1,200 first-time homebuyers. Approximately one half of the MCC Allocation received in August of last year has been used. The remaining MCC Allocation is available mostly for lower income families (with income not to exceed \$31,840) and in target areas including a special set-aside for the Oak Park Redevelopment Area, Southside Park Area and Meadowview. The allocation available for the upper income homebuyers (families with income greater than \$31,840 but not to exceed the program limits) is expected to be depleted by mid-March 1991. The allocation is being used as anticipated. In the past, the lower income set-aside has been used at a slower rate than the upper income allocation. To date, however, we have always been able to meet our lower income set-aside targets.

Again, approximately half of the 1990 Single Family Bond proceeds has been expended. The remaining funds are all committed to lenders and developers for mostly new construction. The funds will be used on projects with draw schedules that extend through 1992. Under the 1990 Single Family Bond Program, the lenders and developers have until December 31, 1992 to originate loans. Staff is monitoring the use of funds closely to make sure developers and lenders keep to their schedules. Attachment 1 provides a summary of past Bond and MCC Program requirements, usage and attributes.

Prior to issuing Bonds/MCC's, the City and County must receive authorization from the State Bond Allocation Committee (California Debt Limit Allocation Committee (CDLAC)). The State Allocation Process was extremely competitive in 1989 and 1990. In order to assure the greatest possibility of receiving an allocation for single family bonds and MCC's, staff intends to submit its City

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application for bond and/or MCC allocation for consideration at the Committee's second meeting scheduled for April 1991. To be competitive, the program will include special targeting provisions for lower income households, special user housing, and targeted neighborhoods.

## Proposed 1991 Single Family Bond Issue

Staff has openly solicited for developers and lenders interested in participating in the 1991 Bond Program and received an overwhelming response for \$60,300,000 (\$38,418,000 newly constructed home loans and \$21,882,000 for existing home loans). One of the developers is requesting allocation for a project in Galt. This total amount exceeds the amount that the City and County of Sacramento can request from the State at any one time by approximately \$5,300,000. This is the first time since 1987 that we have received such a response from developers. Once again developers are focusing on the entry level housing and making a commitment to assist first-time homebuyers. The current bond program structure is ideal to help them meet this need.

Rather than reducing the developer and lender requests, staff proposes including an application from the City of Galt for \$5,300,000, in addition to the City and County applications, since one of the developments is located in Galt. Traditionally, the allocation requests on behalf of the City and County of Sacramento have been sufficient to meet the demand of the entire County, including the cities of Galt, Isleton and Folsom. The County has entered into cooperative agreements with each of the incorporated cities that will allow bond funds to be used anywhere in the County.

The main difference between the proposed 1991 issue and previous issues is that Galt will request its own allocation to be included as part of the overall program. Galt's allocation will be transferred to the County for the issuance of the bonds. There is no other obligations to the City of Galt. Galt has always been and will continue to be eligible for new and resale allocation on a first-come, first-served basis, as are Isleton and Folsom.

Staff is recommending that the application to the State for Single Family Bond Authority include the requests for: 1) \$35,000,000 on behalf of the County; 2) \$20,000,000 for the City of Sacramento; and 3) \$5,300,000 for the City of Galt. Staff further recommends that because of the demand and the limit on how much allocation an issuer can request at any one time from the State CDLAC Committee,

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that we only submit an application for the Single Family Bond Program and that an application for the MCC program be submitted at a later date this year.

The bond issue will include the participation of twelve developers and seven lenders for 20 newly constructed projects (223 units) and 300 resale and new construction homes, for approximately 523 units of housing. Purchase prices of the new homes range from \$92,000 to \$155,000 with unit square footage ranges from 1,000 to 2,400 square feet.

Projects are located in the areas of Del Paso Heights, South Sacramento, Antelope, North Sacramento, Elk Grove, and Galt. A summary listing of the project developers and project information is included in Attachment "2."

Just like the 1990 Program, the proposed 1991 bond issue will have lenders reserving allocation totalling \$8,700,000 for new construction spot loans. These loans will be available on a first-come, first-served basis and will provide tremendous opportunity for small developers and/or infill newly constructed units to be included in the program. In the 1990 Program, one lender has used approximately one-third of the new construction allocation in less than six months. This demonstrated excellent progress considering the slow down in the real estate market towards the latter part of 1990.

Lenders have also reserved allocations for \$19,800,000 for resale home loans anywhere in the County of Sacramento. The existing home component will enable the program to reach more lower income households than is possible under the new construction component because existing homes tend to be less expensive than newly constructed homes. In addition, the income and maximum purchase price limits are lower for existing homes than newly constructed homes.

The proposed program will be structured almost identical to the 1990 Single Family Bond Program. The County shall sell bonds backed by GNMA Mortgage-Backed Securities and FNMA Mortgage-Backed Securities. This allows for FHA government insured and VA guaranteed loans. In general, standard FNMA and GNMA underwriting requirements will apply. However, if a borrower participates in the General Electric Mortgage Insurance Company (GEMICO) Community Homebuyers' Program (CHBP), the standard underwriting requirements are relaxed for conventional loans. This will allow more borrowers to qualify for loans than under a normal conventional insured loan.

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Staff will also explore the possibility of including a purchase and rehabilitation component to the 1991 Program utilizing the FHA 203K Program or FNMA purchase and rehabilitation program for conventional loans. This program component would provide a single loan for the purchase and rehabilitation of older homes in the County.

Attachment "3" provides a detailed summary of the 1991 Single Family Bond Program requirements.

## Community Home Buyer's Program (CHBP)

The Community Home Buyer's Program (CHBP) makes the conventional program component comparable to the traditional FHA programs that have more lenient underwriting and lower down payments. The CHBP Program requires the borrower to first participate in a series of home loan counseling seminars. The counseling component enables GE to relax its underwriting and provide higher loan-to-value ratios, less cash requirement and more flexible income and credit requirements.

The counseling component would be a continuation of our current program coordinated by a part time limited term consultant hired by the Servicer. The Home Buyer's Educational Seminars cover the following topics: 1) how to purchase a home; 2) budgeting; 3) evaluating the buyer's current ability to repay a mortgage; 4) homeownership planning; 5) loan closing; and 6) avoiding loan default.

The counseling component of the Bond Program will provide greatly needed educational programs for first-time homebuyers in Sacramento and provide an impetus to the lending community to support other County-wide Home Loan Counseling efforts currently being developed by staff. A total of 517 people attended the seminars offered from June - December 1990, and seminar registrations are usually required a month in advance. In addition, this educational program will enhance our application to the State Bond Allocation Committee.

## Home Ownership Home Assistance Program (HOHAP)

The County anticipates receiving an allocation of approximately \$2,000,000 for special programs to assist lower income households, special user housing and targeted neighborhoods. These loans funds will be used to augment the Home Ownership Home Assistance Program

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(HOHAP).

The Home Ownership Home Assistance Program (HOHAP) provides a zero interest deferred payment loan to help lower-income families pay loan closing costs when they receive a first loan through the program. (The HOHAP loans are made available from funds raised from previous Bond Issues.)

A total of 14 loans closed under the original HOHAP Program that ended June 1990. Under the 1990 Program, there are currently five applications in process. The lender handling the program has indicated that there is a lot of interest however with the increase in purchase prices, the \$2,500 maximum deferred payment limits does not cover the entire closing costs. In addition, the income adjusted to family size such as (\$21,000 for one person, \$23,100 for two persons, etc...) is not always sufficient to consummate the purchase, even with the HOHAP assistance.

As a result, staff is currently revising the program to include: (1) households with income not to exceed 80% median for a family of four or \$31,840; (2) adding at least two more lenders to participate in the program; (3) countywide marketing with specific emphasis in targeted areas; and (4) increasing maximum HOHAP loan amount to \$5,000; and (5) revised program administration. A report back detailing these changes will be forthcoming later this year.

To date, we have issued over 2,000 MCCs to borrowers with income less than 80% of the median income. We feel we can assist more at the same income level under the Bond HOHAP Program.

## Bond Program Administration

The overall bond program administration shall be the responsibility of Agency staff. This arrangement was first tried in Sacramento County last year and was very successful. It enables the County to have easier access to information, day to day operations and program compliance issues. In 1987 and 1988, the master servicer was also the administrator, responsible for servicing the loans as well as reviewing loan packages for compliance with program requirements. Past experience with outside administrators has proven disappointing and has resulted in high levels of staff involvement in the program anyway.

In accordance with Board policy to include minority firms in County financings, M R Beal and Company is serving as Co-Underwriter.

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Other finance team members include: PaineWebber Incorporated, as lead Underwriter; Jones, Hall, Hill and White, as Underwriter's Counsel; and Orrick, Herrington, and Sutcliffe as Bond Counsel.

The Bond Counsel was chosen from a list of four firms established through a Request for Proposal process (RFP) in 1989. The list was established for a three year period. The lead underwriter was also selected through an RFP process in 1988. The contract with PaineWebber, Inc. expires this year. Staff will be developing a process for the selection of an underwriter and will report back to the Board and Council with recommendations on the selection process.

The actual bond sales and acceptance of the purchase contract will be approved by the pricing committee consisting of the City and County Treasurers, and Executive Director of Sacramento Housing and Redevelopment Agency or their designees. This Committee has approved all previous housing bond sales.

The Tax Equity and Fiscal Responsibility Act public hearing has historically been required for multi-family bond issues only. However, the 1986 Tax Act extended the TEFRA requirement to single family issues. The hearing advises the public of the County's plan to issue revenue bonds for qualified homebuyers and gives interested persons the opportunity to comment on the proposed plan.

## Mortgage Credit Certificate (MCC) Program

Staff is also hereby recommending that an MCC Program application be submitted later in the year. The proposed MCC Program will essentially be a continuation of our current program. (A Program description is included as Attachment 4). The 1991 allocation will include a set-aside for lower income households (income not to exceed 80% of the median income or \$31,840) for 40% of the total allocation and a 10% set-aside for new construction. The MCC Program is recommended to address demand not met through the bond program and can assist up to 700 first-time homebuyers.

## FINANCIAL DATA

Under the Single Family Bond Program, the bonds are not a financial obligation of the City of Sacramento, the City of Galt or the County. The bonds are secured by the home mortgage loans with the

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FHA/VA or PMI insurance. All bond cost will be paid by the developers and lenders participating in the program. The program will generate \$50,000 in up-front fees and approximately \$25,000 fees annually, for the life of the loans.

Staff proposes that \$25,000 of the up-front fees be used to augment the funding for the closing cost/down payment assistance component of the HOHAP Program. This would provide a total of \$155,000 for HOHAP loans to assist approximately thirty-five (35) households. These HOHOP loans provide deferred payment loans to be used with approximately \$2,800,000 of bond loans from the 1990 and 1991 Bond Programs.

Revenue from the Mortgage Credit Certificate (MCC) Program is generated by fees to be paid by: 1) the borrower (\$150 application fee); and 2) the lender (\$225 initial participation fee and \$200 annual renewal fee). The MCC Program could generate approximately \$44,000 if fully approved.

The State Bond Allocating Committee requires the payment of a processing fee and the posting of a 1% rereservation fee when requesting an allocation from the State. The latter is refunded once the bonds are issued or the first MCC is issued. Under the Bond Program, the CDLAC processing fee of .00025 of the requested bond allocation and the one percent (1%) bond reservation fee will be offset by the commitment fees collected from the developers and lenders. With respect to the MCC Program, staff suggests the Agency pay the cost of the CDLAC processing fee from current program revenues, to be recouped as applications are submitted. This CDLAC processing fee is budgeted in the 1991 Agency budget. Staff also suggests that the Agency post the requested one percent reservation fee for requesting an allocation from the State for the MCC allocation, since there is little or no risk of losing this fee. The reservation fee totaling 1% of the requested allocation or a maximum of \$350,000 on behalf of the County and a maximum of \$200,000 on behalf of the City, will place restriction on cash in the Mortgage Revenue Bond Fund for the County and the Downtown Tax Increment Fund for the City. This reservation fee is a pledge to the State that the Agency will implement the MCC Program in a reasonable time frame, and does not represent an actual proposed expenditure. This payment method has been used in the past and is recommended for the 1991 MCC program. Prior to submission of the MCC application to the State, the Executive Director shall certify that the funds are available. In the event the MCC pledged reservation fee is forfeited, staff will report back to the Board for the necessary appropriations.

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## ENVIRONMENTAL REVIEW

CEQA does not apply to actions taken by a Housing Authority to provide financial assistance for development and construction of residential housing for low and moderate income families, per Section 15267. The residential projects which are the subject of the application for financial assistance is subject to CEQA when approvals are/were granted by the City or County for its development. NEPA does not apply.

## MBE/WBE EFFORTS

It is a policy of the City and County to require minority participation in the issuance of bonds. M R Beal Company is a minority-owned firm serving as Co-Underwriter for the 1991 Single Family Bond Program. For all of the first-time homebuyers program, applications are accepted on a first come, first served basis.

## POLICY IMPLICATIONS

All programs included herein achieve previously approved desirable public policy goals. The proposed programs exceed federal and state law requirements by further targeting bond proceeds and MCC's to lower income households. The home loan counseling and down payment assistance components of the bond program are intended to facilitate the participation of lower income households in home ownership.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 13, 1991, The Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolutions. The votes were as follows:

AYES: Moose, Pernell, Simon, Simpson, Strong, Williams, Wooley, Yew

NOES: None

ABSENT: Amundson, Diepenbrock

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## RECOMMENDATIONS

Staff recommends that the Council: (1) authorize the application to the State California Debt Limit Allocation Committee to issue bonds and/or MCCs; and (2) authorize the execution of a cooperative agreement between the City and County of Sacramento. It is recommended that the Redevelopment Agency of the City authorize the Executive Director to increase the HOHAP budget by \$25,000, upon the closing of the bond issuance and receipt of funds from the Trustee.

Respectfully submitted,



for JOHN E. MOLLOY  
Deputy Executive Director

TRANSMITTAL TO COUNCIL:

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WALTER J. SLIPE  
City Manager

Contact Person: Thomas V. Lee - 440-1357

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# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

## RESOLUTION AUTHORIZING INCREASE IN HOME OWNERSHIP HOME ASSISTANCE PROGRAM (HOHAP) BUDGET

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF  
SACRAMENTO:

Section 1: The Agency Budget shall be increased by \$50,000 for revenues received upon issuance of mortgage revenue bonds which issuance is approved concurrently with this resolution.

Section 2: The Home Ownership Home Assistance Program budget shall be increased by \$25,000 from such new revenues.

ATTEST:

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
SECRETARY

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\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

# **RESOLUTION NO.**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**AUTHORIZATION OF AN APPLICATION TO  
THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE TO PERMIT  
THE ISSUANCE OF QUALIFIED MORTGAGE BONDS AND MORTGAGE CREDIT  
CERTIFICATES, AND OF THE EXECUTION FOR AND ON BEHALF  
OF THE CITY OF SACRAMENTO OF A COOPERATIVE AGREEMENT BETWEEN  
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO**

WHEREAS, there is a shortage in the County of Sacramento (the "County") and in the City of Sacramento (the "City") of decent, safe and sanitary housing, particularly of housing afforded by persons in the lower end of the purchasing spectrum, and a consequent need to encourage the construction of homes affordable by such persons and otherwise to increase the housing supply in the County and in the City for such persons; and

WHEREAS, the Board of Supervisors of the County has adopted an ordinance declaring its intent to engage in a home mortgage finance and mortgage credit certificates program (the "Program") pursuant to Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") and to issue bonds and mortgage credit certificates pursuant to the Act in furtherance of the Program; and

WHEREAS, Sections 146 of the Internal Revenue Code of 1986 (the "Code") 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 authorize the legislature of such state to provide the method of allocating authority to issue qualified mortgage bonds and mortgage credit certificates within such state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State of California governs the allocation in the State of California of the state ceiling established by Section 146 of the Code among governmental units in the State having the authority to issue qualified mortgage bonds and mortgage credit certificates; and

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

WHEREAS, Section 8869.85 of the Government Code requires a local agency to file an application for a portion of the state ceiling with or upon the direction of the California Debt Limit Allocation Committee ("CDLAC") prior to the issuance of qualified mortgage bonds or mortgage credit certificates; and

WHEREAS, the Council has determined that it is in the best interest of the City for the City to assign to the County pursuant to Section 8869.85(d) of the Government Code any portion of the State ceiling for private activity bonds allocated to the City on or prior to December 31, 1991 by CDLAC for qualified mortgage bonds and/or mortgage credit certificates; and

WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to certify to CDLAC that the applicant has on deposit an amount equal to one percent (1%) of the amount of allocation requested.

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

Section 1: The Cooperative Agreement, dated as of March 1, 1991, between the County and the City (the "Agreement"), in the form presented to this meeting, is hereby approved and the is hereby authorized and directed to execute and deliver the Agreement, for and in the name and on behalf of the City. The Mayor, with the advice and consent of the City Attorney, is authorized to approve any additions to or changes in the form of the Agreement deemed necessary or advisable, approval of such additions or changes to be conclusively evidenced by execution by the Mayor of the Agreement as so added to or changed. The Mayor, with the advice and consent of the City Attorney, is further authorized to enter into such additional agreements with the County execute such other documents or take such other actions as they may deem necessary or appropriate to carry out the purpose and intent of the Agreement or to cooperate in the implementation of the Program.

Section 2: Sacramento Housing and Redevelopment Agency (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 CDLAC pursuant to Government Code Section 8869.85 for the maximum allocation permitted to a local agency for qualified mortgage bonds and/or mortgage credit certificates.

Section 3: The appropriate officers of the City are hereby authorized to take all actions necessary to effect the assignment to the County of Sacramento of any allocation for qualified mortgage bonds and/or mortgage credit certificates which the City received on or before December 31, 1991 from CDLAC pursuant to Section 146 of the Internal Revenue Code of 1986, Section 8869.85 of the Government Code and Section 4 of the Agreement.

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

Section 4: An amount up to one percent (1%) of the requested allocation is hereby authorized to be placed on deposit, and the Executive Director of the Agency, on behalf of the City, is authorized to certify to CDLAC that such funds are available.

Section 5: The deposit referred to in Section 4 shall, with respect to the application to CDLAC for qualified mortgage bonds, consist of those amounts deposited by developers and lenders with the County in connection therewith.

Section 6: The deposit referred to in Section 4 shall, with respect to the application to CDLAC for mortgage credit certificates, consist of the following: a restriction on cash in the Downtown Tax Increment Fund for an amount not to exceed \$200,000. If the mortgage credit certificate program is not implemented, requiring a cost outlay, staff will report back regarding specific funding appropriations.

Section 7: An application fee of .00025 of the requested mortgage credit certificate allocation amount or \$5,000 is hereby authorized to be paid to the State, and the Executive Director, on behalf of the City, shall certify such funds are available. Funds exist in the Agency budget for such application fee.

Section 8: The officers and employees of the City and the Agency are hereby authorized and directed, jointly and severally, to do any and all things necessary or advisable in order to consummate the issuance of the mortgage credit certificates and the issuance, sale and delivery of the qualified mortgage 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 the issuance of the mortgage credit certificates and the issuance, sale and delivery of the qualified mortgage bonds, including the submission of applications to CDLAC, are hereby ratified and approved.

Section 9: This Resolution shall take effect from and after its adoption.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

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\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

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

THIS COOPERATIVE AGREEMENT ("Agreement"), made and entered into as of March 1, 1991, by and between the County of Sacramento, a political subdivision of the State of California (the "County"), and the City of Sacramento, a political subdivision of the State of California (the "City"),

W I T N E S S E T H:

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 as 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 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; and

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 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 revenue bonds and/or mortgage credit certificates therefor 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 their powers for the purpose of financing home mortgages and/or mortgage credit certificates 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, pursuant to Section 8869.85(d) of the Government Code of the State of California, hereby assigns to the County any portion of the State ceiling for private activity bonds allocated to the City on or prior to December 31, 1991 by the California Debt Limitation Allocation Committee ("CDLAC") pursuant to Section 146 of the Internal Revenue Code of 1986 and Section 8869.85 of the Government Code. Such assignment is solely for use by the County to provide financing for properties located within the territory of the City or of the County.

Section 5. 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. Nothing in this Agreement shall prevent the County from entering into one or more agreements with other political subdivisions within the County, if deemed necessary and advisable to do so by the County.

Section 6. This Agreement may be amended by one or more supplemental 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 the bonds or mortgage credit certificates issued by the County pursuant to the Act in connection with the Program.

Section 7. The term of this Agreement shall extend until the bonds or mortgage credit certificates issued from the allocation assigned in Section 4 hereof 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.

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:

By: \_\_\_\_\_  
Clerk of the Board of  
Supervisors

CITY OF SACRAMENTO

By: \_\_\_\_\_  
Mayor

[SEAL]

ATTEST:

By: \_\_\_\_\_  
City Clerk

**STATUS AND SUMMARY OF RECENT SINGLE FAMILY BOND AND MCC PROGRAMS**

**BONDS**

The Single Family Bond Program makes loans available to first-time homebuyers at a below market interest rate. Income limits under the 1990 Bond Program range from \$39,800 to \$47,760 which represent 90% to 120% of median income. Historically, bond programs have provided funding for only newly constructed homes, however, the 1988 and 1990 Bond Programs have demonstrated that there is an increasing willingness on the part of lenders to post commitment fees, along with the developers, to cover the cost of issuing the bonds for resale homes. State law, however, requires that a minimum of 60% of the bond proceeds be used for new construction.

The 1990 Single Family Bond Program provides an 8.35% mortgage rate on FHA insured or VA guaranteed loans and an 8.52% rate on conventional mortgages primarily to homebuyers purchasing new homes ranging from \$166,140 - 203,060 in nine subdivisions throughout the City and County. Approximately 40% of the bond proceeds were allocated for existing (resale) home loans. As part of the 1990 Bond Programs, the City and County approved the Home Ownership Home Assistance Program (HOHAP) that combines \$2.0 million of bond proceeds with subsidy funds raised from previous Bond Issues for closing costs and matching downpayment assistance.

Since June of 1990, 174 loans totaling \$15,278,365 have been approved under the 1990 Bond Program.

**MCC**

The MCC program provides a tax credit against the federal income taxes for 20% of the annual mortgage interest paid by qualified buyers each year for the life of the loan, thus increasing the spending power of the homebuyer. The program has historically assisted participants in purchasing resale homes. However, we have recently noted a greater MCC demand for the newly constructed homes than was the case in the earlier years of the program.

The 1990 MCC Programs assist primarily resale home purchases. Approximately 12% has been used for new homes with the remainder for existing homes. At least 31% of all MCCs issued were awarded to lower income families whose annual household income does not exceed 80% of the 1990 area median income (\$30,000). Since August 1986, we have issued 3,858 MCCs, with approximately 141 applications pending.

## PROJECT SUMMARY AND DEVELOPMENT STATUS

<u>Developer Project Name</u>	<u># of Units</u>	<u>City County</u>	<u>BR/ Bath</u>	<u>Range Unit Price</u>	<u>Range Unit Size</u>	<u>Requested Mtg. Alloc.</u>	<u>Estimated Number of Units</u>
<b>*M.J. Brock &amp; Sons, Inc</b>							
Larchmont Antelope Hills	109	County	3/2- 4/2	133,000- 152,000	1220- 1725	\$700,000	5
Larchmont Country Creek	95	County	3/2	136,000- 147,000	1166- 1455	\$1,400,000	10
<b>*Calton Homes of CA, Inc.</b>							
Lindenwood	112	City	3/2- 4/2.5	140,000- 163,500	1438- 1961	\$2,000,000	13
<b>*Dominion Development</b>							
Sacramento Gardens	15	City	3/2	105,000- 110,000	1232	\$1,500,000	15
<b>*Forecast Homes of No. Cal.</b>							
Colony Brook	74	City	3/2- 4/2.5	100,000- 130,000	1000- 1600		
Colony Woods	175	County	3/2- 4/2.5	110,000- 140,000	1000- 1600		
Colony Creek II	28	City	3/2- 4/2.5	129,000- 149,000	1250 1600	\$5,000,000	50
<b>*Hatler Properties</b>							
	4	City	3/2	92,000	1100	348,000	4
<b>*Lewis Homes of CA</b>							
Laguna Vista	316	County	2/2- 3/2.5	118,000- 175,000	1030- 2070	\$1,500,000	15
<b>*Marisomont Properties</b>							
Southland Village	35	County	2/2- 3/2	125,000- 131,000	1117- 1270	\$1,900,000	15
<b>*Bruce Mintzer</b>							
Parkview Homes	17	City	3/2	100,000- 125,000	1080- 1454	\$1,870,000	15
<b>*Morrison Homes</b>							
Garland Ranch	243	County	3/2- 4/3	145,000- 175,000	1641- 2105	\$1,300,000	10
Highland Hill	422	County	3/2- 4/2.5	135,000- 157,000	1280- 2400	\$5,200,000	45

<u>Developer Project Name</u>	<u># of Units</u>	<u>City County</u>	<u>BR/ Bath</u>	<u>Range Unit Price</u>	<u>Range Unit Size</u>	<u>Requested Mts. Alloc.</u>	<u>Number of Units</u>
<b>*SCB Investments</b>							
Falcons View	50	County	3/2- 4/3	161,000- 197,000	1400- 2068	\$750,000	5
Kelton	148	City	3/2- 3/2.5	150,000- 170,000	1509- 2068	\$750,000	5
Antelope Live Oak	66	County	3/2- 3/2.5	150,000- 170,000	1508- 2068	\$750,000	5
Thomasville Estates	16	City	2/2- 3/2	114,000- 143,000	1050- 1510	\$750,000	
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<b>*Winncrest Homes, Inc.</b>							
Laguna Park (Vintage)	108	County	3/2	131,000- 144,630	1244- 1471	\$500,000	3
Laguna Park (Somerset)	87	County	2/2- 3/2.5	122,000- 131,000	1136- 1632	\$1,000,000	9
Laguna Meridian	45	County	2/2- 3/2	135,000- 144,630	1275- 1551	\$500,000	4
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<b>*City Developers</b>							
Crestgate Lendale	185	City	2/1.5- 3/2	110,000- 118,000	1209- 1625	\$1,000,000	10
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*Attain Development	92	County	3/2- 4/2	139,600- 155,600	1010- 1892	\$1,000,000	7

**SUMMARY OF PROPOSED 1991  
SINGLE FAMILY BOND PROGRAM REQUIREMENTS**

The 1991 Single Family Bond Issue's structure and requirements are as follows:

- o FHA/VA and FNMA Conventional loan underwriting;
- o 30 year fixed rate loans;
- o Maximum income:

	<u>MAXIMUM INCOME</u>	
	<u>Non Target Areas</u>	<u>Target Areas</u>
<u>New Homes</u>		
1 & 2 person household	\$39,800	\$47,760
3 + household	\$45,770	\$47,760
<u>Existing/Resale Homes</u>		
(a) At least 50% of proceeds	\$41,490	\$41,490
(b) Remaining proceeds		
1 and 2 persons	\$39,800	\$46,100
3 or more persons	\$45,770	\$46,100

- o 2.5 - 3.0 points to be paid by the lender and developer. The actual points will not be determined until bonds are sold.
- o 12 - 24 month origination period;
- o An FHA mortgage rate that is at least 1-1.75% below current VA rate. For example, if the current rate on a VA loan is 9.5% the bond program's mortgage rate will not exceed 8%. A conventional mortgage rate will be slightly higher than FHA/VA loan rate. At this time, we expect a mortgage rate of 8.05% (FHA/VA Loans) and 8.25% (Conventional).

- o Maximum purchase price:

	<u>Non Target Areas</u>	<u>Target Areas</u>
New Homes	\$166,140	\$203,060
Resale Homes	\$126,180	\$154,220

- o Conventional loans with loan-to-value (LTV) ratios in excess of 80% would require private mortgage insurance (PMI).
- o A General Electric (GE) Insurance Community Home Buyers Program that provides special underwriting criteria for the FNMA conventional loans.
- o Seven originators and single Master Servicer. The lenders are: American Savings, Commerce Savings, Ryland Mortgage, First California Mortgage, Norwest Mortgage, Capitol Commerce, and Western Bank Mortgage. Bids for Master Servicer have been received from Western Bank Mortgage and Commerce Savings Bank.
- o The Trustee has not yet been chosen.
- o Homebuyer Educational Program will be available to all program participants and other potential homebuyers. As a requirement of the GE Community Home Buyer's Program, homebuyers who complete the Educational Program will be eligible for more lenient underwriting criteria to qualify for a loan.



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



**MORTGAGE CREDIT CERTIFICATE PROGRAM**

For Additional Information:  
(916) 440-1378

Information Circular No.: 004  
Date: February 12, 1991

The Mortgage Credit Certificate (MCC) Program is being offered by the Sacramento Housing and Redevelopment Agency (SHRA) to help home buyers purchase homes in the City and County of Sacramento. The MCC reduces the amount of 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 anytime 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:**

- |                               |          |
|-------------------------------|----------|
| ▶ 1 or 2 person households    | \$39,800 |
| ▶ 3 or more person households | \$45,770 |
| ▶ Lower Income Set-Aside      | \$31,840 |

**MAXIMUM PURCHASE PRICE:**

	<u>Non-Target Areas</u>	<u>Target Areas</u>
▶ New Homes	\$166,140	\$203,060
▶ Existing Homes	\$126,180	\$154,220

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

## HOW WILL THE MCC ASSIST MY HOME PURCHASE?

You will receive a tax credit for (20%) twenty percent of the annual interest you pay on 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 \$57,000 from your lender at an interest rate of (10%) ten percent for thirty (30) years. In the first year, the interest on this loan would amount to \$5,683. With a twenty percent (20%) MCC, you would receive a Federal income tax credit of \$1,137, twenty percent (20%) of \$5,683. If your annual Federal income tax is \$1,137 or more after all other credits and deductions have been subtracted, you would receive all the benefits of the MCC. You would file a revised W-4 withholding form, and your Federal taxes would be reduced by \$95 per month (\$1,137 divided by 12).

The dollars saved in Federal taxes can go toward your monthly mortgage payment, effectively reducing your mortgage interest rate to an initial 7.6% based on cash flow available to you.

If the tax liability was under \$1,137 -- \$800 for example -- your Federal income tax would be reduced by \$800.

## WHERE CAN I GET A MORTGAGE CREDIT CERTIFICATE?

You may obtain a mortgage credit certificate through any of the participating Lenders. Additional lenders may be added based on availability of allocation, so please ask your lender if they are participating in the 1990 MCC Program.

## 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.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

## IS THERE A FEE TO PARTICIPATE?

There is a \$200 non-refundable application fee for an MCC. There is no allocation of Mortgage Credit Certificates by 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. Before the loan closes each applicant must have received a signed copy of the MCC Commitment.

## WHAT ARE THE LOAN TERMS?

The loan term depends on the Lender and the type of loan you use. Depending on the mortgage marketplace and your borrowing requirements, each Lender can set its own interest rate, length of mortgage term, downpayment requirement, fees, points, closing costs and other loan terms.

MCCs are available with conventional loans, fixed-rate loans, adjustable rate loans, FHA and VA loans, and privately insured loans. MCCs are not available with bond-backed loans (e.g., City and County Single Family Homeownership Programs, Cal Vet Loans, CHFA), which carry a below-market fixed interest rate, or with refinanced loans.

Borrowers may be 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, 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%) twenty percent of the total interest you paid on your mortgage loan that year.

## WHAT KINDS OF PROPERTIES ARE ELIGIBLE?

The MCC can only be used for owner-occupied single family residence (including condominiums and halfplexes) within the City and County of Sacramento, with a special set aside for the Meadowview Area. Maps of the federally designated target areas and Meadowview are attached.

You are responsible for finding your own home to purchase. No listing of homes, real estate agents, or builders are maintained by SHRA.

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