



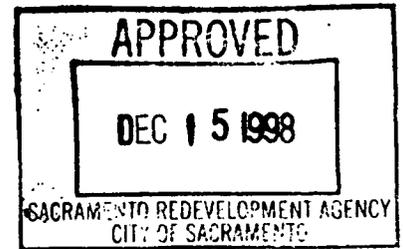
December 2, 1998

1.1

APPROVED
BY THE CITY COUNCIL

DEC 15 1998

OFFICE OF THE
CITY CLERK



AG 98-235

City Council and the Redevelopment Agency
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Application for Mortgage Credit Certificates and Cooperative Agreement

LOCATION & COUNCIL DISTRICT - City

RECOMMENDATION

Staff recommends approval of the attached resolutions which:

- authorize the execution of Cooperative Agreements between the County of Sacramento and the City of Sacramento for the purpose of issuing Mortgage Credit Certificates (MCCs);
- authorize the Agency to apply to the California Debt Limit Allocation Committee (CDLAC) for allocations of MCCs;
- authorize the Executive Director to pay the filing fees and to post the performance deposit of one-half of one percent of the allocation requested, but not to exceed \$100,000 for each application as required by CDLAC; and
- authorize the Executive Director or her designee to amend the budget to receive revenue for the processing of applications and lender participation fees totaling approximately \$35,000.

CONTACT PERSON(S)

Carla Christian, Loan Processing Unit Manager, 264-1524
Richard Nelson, Director of Program Operations, 440-1344

FOR COUNCIL MEETING OF December 15, 1998

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City Council and the Redevelopment Agency of the City of Sacramento
December 15, 1998
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SUMMARY

This report authorizes the Agency to apply to the California Debt Limit Allocation Committee (CDLAC) from time to time for allocations of Mortgage Credit Certificates (MCCs) and renews the cooperative agreements to allow the issuance of MCCs in the participating cities.

COMMISSION ACTION

At its meeting December 2, 1998, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Castello, Cespedes, Harland, Hoag, Holloway,
Newsome, Rotz, Taylor

NOES: None

NOT PRESENT TO VOTE: Amundson

ABSENT: Dobbins, Simon

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BACKGROUND

Since 1985, over 9,100 households have become homeowners through the Agency's MCC Program. The MCC Program, which provides an income tax credit for 15 percent of the annual mortgage interest paid by the borrower each year for the life of the loan, is a key component in the Agency's effort to increase home ownership within Sacramento County. The benefits of the MCC Program are fully explained in Attachment I, the program brochure.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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Although funding has declined over the past few years, the MCC Program continues to be an important part of the Agency's first-time homebuyer programs. Approval of the attached resolutions will authorize the Agency to apply for allocations of Private Activity Bonds from CDLAC to be converted to MCCs.

The Agency's MCC Program operates by means of cooperative agreements between the County of Sacramento and the cities of Sacramento, Folsom, Galt, and Isleton as required by the California Debt Limit Allocation Committee. Through these agreements, the Agency is able to issue MCCs anywhere within Sacramento County and the participating cities. These cooperative agreements need to be renewed and are included as Attachment II.

FINANCIAL CONSIDERATIONS

CDLAC requires that the Agency pay filing fees consisting of a \$300 application fee and, upon use of the allocation, the remainder of the fee, calculated at 0.035 percent of the allocation granted. Funding for the fees exist in the 1998 Agency budget. CDLAC also requires that the Agency post a performance deposit of one-half of one percent of the allocation requested, but not to exceed \$100,000. The performance deposit is released upon issuance of the first mortgage credit certificate. It is anticipated that the Agency will receive approximately \$35,000 in application and lender participation fees.

POLICY CONSIDERATIONS

The recommended action in this report will allow the Agency to apply for and issue MCCs in the County of Sacramento and the cities of Sacramento, Citrus Heights, Folsom, Galt, and Isleton. And, this recommended action is consistent with Agency policies to increase housing opportunities. No policy changes are recommended.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b) (3), nor a federal undertaking under NEPA.

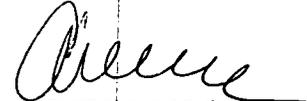
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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M/WBE CONSIDERATIONS

The items discussed in this report have no M/WBE impact, therefore M/WBE considerations do not apply.

Respectfully submitted,


ANNE M. MOORE
Executive Director

Transmittal approved,



 WILLIAM H. EDGAR
City Manager



Fact Sheet

1013-7th STREET, Suite 200 · SACRAMENTO, CA 95814 · (916) 264-1500

SACRAMENTO MORTGAGE CREDIT CERTIFICATE PROGRAM 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, Folsom, Isleton, Galt, Citrus Heights 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 home buyer.**
- Occupy the home
- Not exceed the Income and Purchase Price Limitations below:

Maximum Annual Gross Income	Household Income	\$41,100
-----------------------------	------------------	----------

Maximum Purchase Price	<u>Non-Target Areas</u>	<u>Target Areas</u>
New Homes	\$153,710	\$187,860
Existing Homes	\$134,260	\$164,010

How Will the MCC Assist My Home Purchase?

You will receive a tax credit for (15%) fifteen 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 \$115,000 from your lender at an interest rate of (7.5%) seven and one-half percent for thirty (30) years. In the first year, the interest on this loan would amount to \$8,589. With a fifteen percent (15%) MCC, you would receive a Federal income tax credit of \$1,288, fifteen percent (15%) of \$8,589. If your annual Federal income tax is \$1,288 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 \$107 per month (\$1,288 divided by 12).

The dollars saved in Federal taxes can go toward your monthly mortgage payment, effectively reducing your mortgage interest rate to an approximate initial rate of 6.125% based on cash flow available to you. If the tax liability was under \$1,288 – \$1,000 for example – your Federal income tax would be reduced by \$1,000.

Who Do I Contact to Obtain a Mortgage Credit Certificate?

You may obtain a mortgage credit certificate by contacting any of the participating lenders. Additional lenders may be added, so please ask your lender if they are participating in the current 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.

Is There a Fee to Apply?

There is a \$200 fee to apply for an MCC. Of this, \$150 is a non-refundable fee to SHRA and the participating lender may retain \$50. 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. **The lender must receive a signed copy of the MCC Commitment, before the loan may close.**

What Are the Loan Terms?

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.

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., Single Family Bond Programs, Cal Vet Loans, CHFA). You may be able to use MCCs with the City or County First Time Home Buyer Program in target areas.

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 (15%) fifteen 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) within the cities of Sacramento Folsom, Isleton, Galt, Citrus Heights and County of Sacramento. You are responsible for finding your own home to purchase. No listing of homes, real estate agents, or builders are maintained by SHRA.

Newly Constructed Properties

There are MCC's reserved for new homes. Please see Purchase Price limits for New Homes on page 1.

Where Is the Program Available?

The program is currently available anywhere within the County of Sacramento including the cities of Sacramento, Folsom, Isleton, Galt, Citrus Heights, and the unincorporated areas of the County.

Federally Designated Target Areas

The following census tracts are Federally Designated Target areas. In these areas the applicants do not need to be first-time buyers:

5, 6, 7, 9, 10, 12, 13, 18, 19, 20, 21, 22, 27, 28, 32.02, 37, 42.03, 44.01, 44.02, 45, 46.01, 46.02, 52.01, 53, 62.02, 63, 64, 66, 67.02, 68, 70.01, 73, 91.10 (See attached map)

For Additional Information:

Contact the Ownership Housing and Preservation Division (916) 440-1350.

Office Location

1013-7th Street, Suite 200, Sacramento, CA 95814

revised 2/4/98

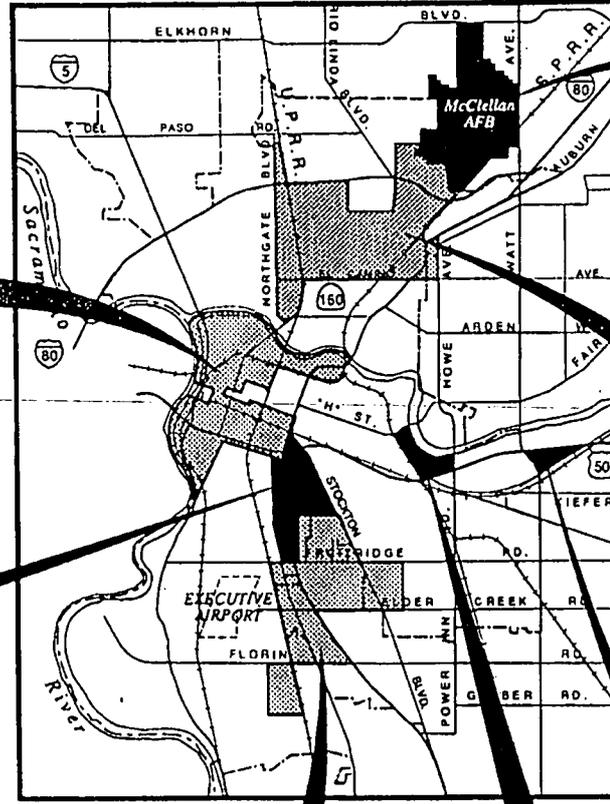
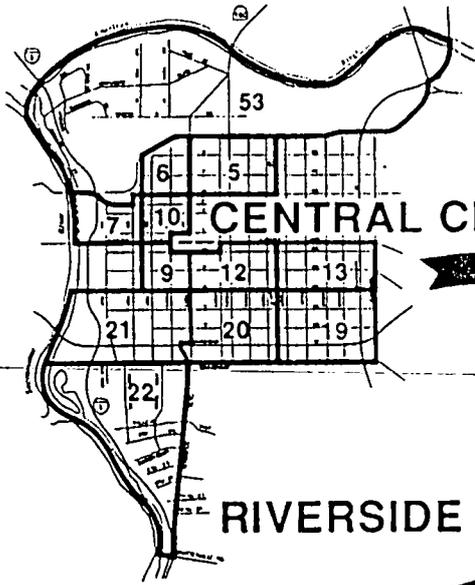
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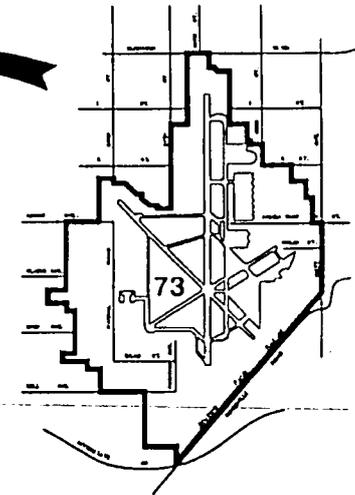
Equal Housing Opportunity

FEDERALLY DESIGNATED TARGET AREAS

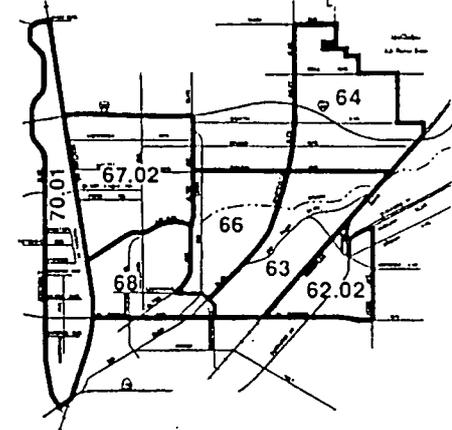
RICHARDS BLVD.



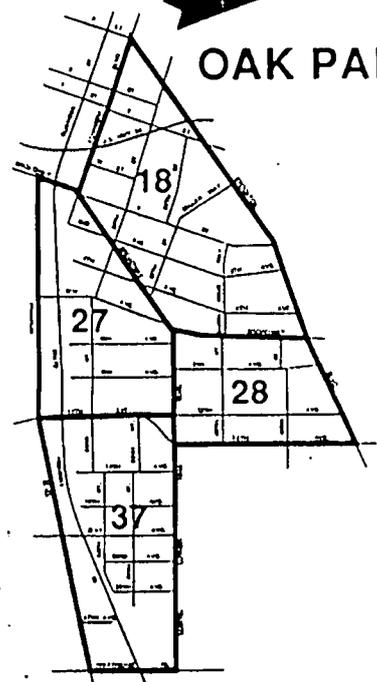
McCLELLAN AFB



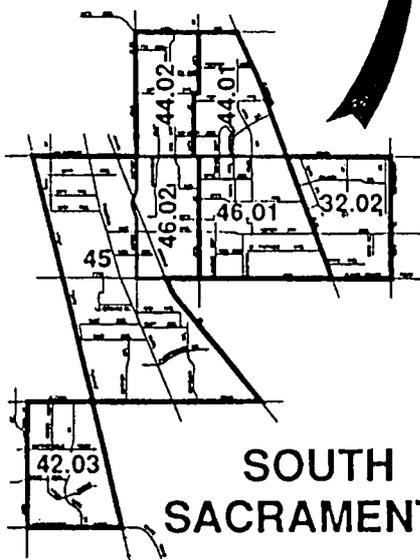
DEL PASO HEIGHTS
GARDENLAND
NORTH SACRAMENTO



OAK PARK



SOUTH SACRAMENTO



CAL STATE



WATT





RESOLUTION NO. 98-061

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR MORTGAGE CREDIT CERTIFICATES; COOPERATIVE AGREEMENT WITH THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO, AND RELATED DELEGATION OF AUTHORITY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

Section 1: The officers and employees of the Sacramento Housing and Redevelopment Agency are 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 ("MCC"); the issuance, sale and delivery of the qualified mortgage bonds; and otherwise to effectuate the purposes of Resolution No. _____ of the City Council of the City of Sacramento County. All actions previously taken by such officers and employees in connection with the establishment of the home mortgage credit certificates and the issuance, sale and delivery of the qualified mortgage bonds, including the submission of applications to the California Debt Limit Allocation Committee and the acceptance of deposits from developers and lenders, are ratified and approved.

Section 2: The Executive Director is authorized to pay filing fees and to post the performance deposit of one-half of one percent of the allocation, but not to exceed \$100,000 for each application as required by the California Debt Limit Allocation Committee.

Section 3: The Executive Director is authorized to amend the budget to receive revenue for the processing of applications and from lender participating fees totaling approximately \$35,000.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 4: This Resolution shall take effect upon its adoption.

CHAIR

SECRETARY

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

APPROVED
BY THE CITY COUNCIL

DEC 15 1998

OFFICE OF THE
CITY CLERK

RESOLU

ADOPTED BY

ON DATE OF

RESOLUTION NO. 98-619

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION
COMMITTEE FOR MORTGAGE CREDIT CERTIFICATES;
MORTGAGE CREDIT CERTIFICATE COOPERATIVE AGREEMENT
WITH THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO,
AND RELATED DELEGATION OF AUTHORITY TO
THE REDEVELOPMENT AGENCY OF 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 affordable by persons at 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 certificate 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, Section 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 (the "ceiling amount") and authorizes the legislature of such state to provide the method of allocating authority to issue qualified mortgage bonds and mortgage credit certificates within such state;

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 amount established by Section 146 of the Internal Revenue Code, among governmental units in the State having the authority to issue qualified mortgage bonds and mortgage credit certificates; and

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 amount 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, CDLAC procedures require an applicant for a portion of the state ceiling amount to certify to CDLAC that the applicant has on deposit an amount equal to one-half of one percent of the allocation requested, but not to exceed \$100,000 for each application.

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

Section 1: The Cooperative Agreement, dated as of December 15, 1998, between the County and the City (the "Agreement"), substantially in the form attached, is approved and the Mayor is authorized and directed to execute and deliver the Agreement, for and in the name and on behalf of the City.

Section 2: 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 the Mayor's execution of the Agreement as so added to or changed.

Section 3: 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 may be deemed necessary or appropriate to carry out the purpose and intent of the Agreement or to cooperate in the implementation of the Agreement.

Section 4: The Redevelopment Agency of the City of Sacramento (the "Agency") is hereby authorized on behalf of the cities of Sacramento, Citrus Heights, Folsom, Galt, and Isleton to submit an application or applications, and such other documents as may be required, to CDLAC pursuant to Government Code Section 8869.85 for the maximum allocation(s) permitted to a local agency for qualified mortgage bonds and mortgage credit certificates.

Section 5: The officers and employees of the City are authorized and directed, jointly and severally, to do any and all things necessary or advisable to consummate the issuance of the mortgage credit certificates; the issuance, sale and delivery of the qualified mortgage bonds; and otherwise to effectuate the purposes of this resolution. All actions previously taken by such officers and employees in connection

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

DATE _____ (11)

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 ratified and approved.

Section 6: This Resolution shall take effect upon its adoption.

MAYOR

ATTEST:

CITY CLERK

f:\kj\staffres\dauid\122-02 city council

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

(12)

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

THIS COOPERATIVE AGREEMENT ("Agreement"), made and entered into as of December 15, 1998, 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 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 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 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 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 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.

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: _____
Mayor

[SEAL]

ATTEST:

APPROVED AS TO FORM

By: _____
City Clerk

By: _____
City Attorney