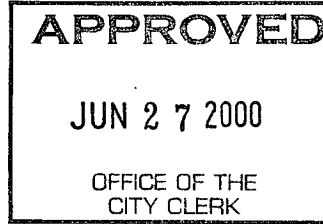




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June 21, 2000

City Council of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Teacher Home Purchase Program

LOCATION & COUNCIL DISTRICT- City

RECOMMENDATION

Staff recommends adoption of the attached resolution(s) which authorize(s) the Executive Director or her designee to:

- Adopt the attached Teacher Home Purchase Program as part of the Agency's Mortgage Credit Certificate Program;
- Apply to the California Debt Limit Allocation Committee (CDLAC) for allocations of Mortgage Credit Certificates (MCCs) under their Extra Credit Teacher Home Purchase Program, pay filing fees and post the performance deposit of one-half of one percent of the allocation requested;
- Modify the income limits of the existing Agency First-time Homebuyer Program (FTHB), which provides downpayment assistance, to use in conjunction with the Teacher Home Purchase Program;
- Reallocate \$100,000 of available Mortgage Revenue Bond funds to use with the Agency's downpayment assistance in conjunction with the Teacher Home Purchase Program and to pay for the initial filing fee; and
- Amend the Agency Budget to receive income from application fees from this program.

CONTACT PERSONS

Carla Christian, Program Manager, 264-1524
Beverly Fretz-Brown, Director of Development Services, 440-1347

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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FOR COUNCIL MEETING OF June 27, 2000

SUMMARY

On April 26th the California Debt Limit Allocation Committee adopted the Extra Credit Teacher Home Purchase Program, whose purpose is to recruit and retain teachers and principals in low-performing schools by offering special Mortgage Credit Certificates. This staff report authorizes the Agency to adopt a Teacher Home Purchase Program for Sacramento along with an income limit modification to the Agency's FTHB program when used with the new Teacher Home Purchase Program. This staff report is also requesting allocation of Mortgage Revenue Bond funds to use with the Agency FTHB (downpayment) program for buyers exceeding 80 percent of median income.

COMMISSION ACTION

It is anticipated that at its meeting June 21, 2000, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending approval of the attached resolutions. In the event they fail to do so, you will be advised prior to your June 27, 2000 meeting.

BACKGROUND

Several months ago, State Treasurer Philip Angelides announced an incentive program to provide housing assistance to teachers who would agree to work in the most distressed schools. This program, called the Extra Credit Teacher Home Purchase Program, was adopted by the California Debt Limit Allocation Committee on April 26, 2000. It offers fully credentialed teachers and principals a Mortgage Credit Certificate if they agree to work at least five years in a low-performing school.

Sacramento has offered the MCC Program since 1986, and has assisted over 9,300 families in becoming homeowners. The MCC 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. In addition, the homebuyer's potential tax savings can be used by a lender to help qualify the household for a mortgage loan.

A low-performing school is defined as a K-12 public school ranked in the bottom 30 percent of schools based on the most recent Academic Performance Index (API). In order to assist Sacramento's school districts in their recruitment efforts for these schools, staff recommends the adoption of a new Teacher Home Purchase Program, included as Attachment I, which will enable the Agency to compete for the new MCCs. This program would be made available to eligible teachers and principals working in any of the identified schools and purchasing a home

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anywhere within Sacramento. Staff will work with all school districts in Sacramento County to develop a plan that will identify their eligible schools and promote, publicize and market the program. School district officials will also certify the eligible applicants for the Agency's proposed Teacher Home Purchase Program. The Agency's Teacher Home Purchase Program would consist of MCCs and also provide down payment assistance.

Priority for allocation of MCCs by CDLAC will be given to local programs that also offer down payment assistance with this program. Staff anticipates being able to use the Agency's First-Time Homebuyer program for the low-income participants in this program. However, staff is recommending the adoption of the limits allowed by state law for the Teacher Home Purchase Program, which are 100 percent of statewide median for a family of one to two persons (\$55,400) and 115 percent of statewide median for a family of three or more (\$63,710). In order to provide downpayment assistance to those families exceeding the Agency's FTHB program income limits, staff is recommending the allocation of Mortgage Revenue Bonds funds to use for a limited number of applicants. The allocation of \$100,000 of MRB funds would provide assistance to approximately 20 teachers under this program.

FINANCIAL CONSIDERATIONS

CDLAC requires that the Agency post a performance deposit of one-half of one percent of the allocation, but not to exceed \$100,000 for each application. The performance deposit is released upon issuance of the first mortgage credit certificate. There is also a filing fee of approximately \$3,500.

The agency FTHB program will be used with low-income buyers. In addition, the Agency's FTHB redevelopment area program, which utilizes Tax Increment Funds, will be used for moderate-income buyers within the redevelopment areas. Staff is requesting the reallocation of \$100,000 in Mortgage Revenue Bond funds to the Teacher Home Purchase Program to be used for moderate-income buyers. It is estimated that this amount will assist 20 teachers with downpayment assistance. This allocation will also be used to pay the filing fees and any other administrative expenses.

It is anticipated that the Agency will receive approximately \$29,250 in application and lender fees over the course of the program. The report authorizes the Executive Director to amend the Agency budget to receive this revenue.

POLICY CONSIDERATIONS

Adopting the Teacher Home Purchase Program as a component of the Agency's MCC program is a new policy designed to assist school districts in Sacramento County to recruit and retain teachers and principals in the lowest performing schools. Modifying the income limits of the

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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Agency First-Time Homebuyer Program will allow the program to be used in conjunction with the Teacher Home Purchase Program with buyers who exceed the current FTHB limits.

ENVIRONMENTAL REVIEW

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

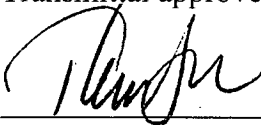
M/WBE CONSIDERATIONS

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,



ROBERT P. THOMAS
City Manager



TEACHER HOME PURCHASE PROGRAM PROGRAM GUIDELINES

I. PROGRAM DESCRIPTION

The California Debt Limit Allocation adopted the Extra Credit Teachers Home Purchase Program whose purpose is to recruit and retain teachers and principals in low-performing schools. The Sacramento City Council and the Sacramento Board of Supervisors have authorized the Teacher Home Purchase Program. The Teacher Home Purchase Program is a program designed to provide housing assistance to teachers or principals working in a low-performing school. The program offers Mortgage Credit Certificates and First-Time Homebuyer Downpayment Assistance.

II. PROGRAM TERMS AND CONDITIONS

Eligible Teachers and Principals

Teachers be fully credentialed and employed full-time in a low performing school in the grade level as authorized by his or her credential. Principals must be fully credentialed and employed full-time in a low performing school.

All eligible teachers and principals must agree to serve for a minimum of five years in a low-performing school.

Low Performing School

A low performing school is designated as a K-12 public school ranked in the bottom 30% based on the most recent Academic Performance Index (API) i.e. schools that have received an API statewide ranking of a 1,2, or 3.

Program Eligibility

The employing school district must complete and submit a "Program Eligibility Certificate" certifying that the applicant is eligible to participate in the program.

Other Requirements

- Be a first-time homebuyer. This is defined as not having an ownership in a principal residence at any time in the last three years. In federally designated target areas, this requirement does not apply.
- Occupy the home
- Not exceed the Income and Purchase Price Limitations below:

Maximum Annual Gross Income	<u>Non-Target Area</u>	<u>Target Areas</u>
1 or 2 person household	\$55,400	\$66,480
3 or more person household	\$63,710	\$77,560
Maximum Purchase Price	<u>Non-Target Areas</u>	<u>Target Areas</u>
New Homes	\$153,710	\$187,860
Existing Homes	\$134,260	\$164,010

III. FIRST-TIME HOME BUYER PROGRAM – DOWN PAYMENT AND CLOSING COSTS ASSISTANCE

The Agency's FTHB down payment and closing cost assistance program is being made available to use in conjunction with the Teacher Home Purchase Program. The above income limits may apply to only a limited number of applicants. Please refer to the First-Time Home Buyer Program Administrative Guidelines for the income limits and other requirements of that program.

IV. MORTGAGE CREDIT CERTIFICATES

Please refer to the Agency's Mortgage Credit Certificate Manual for full program guidelines and procedures.

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 the buyer pays, resulting in more available income to qualify for a mortgage loan and to make monthly mortgage payments

How the MCC Works

Eligible buyers will receive a tax credit for (15%) fifteen percent of the annual interest paid on the mortgage loan. The amount of the credit will not be more than the buyer's ability to take full advantage of the tax credit will depend on the buyer's 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.

V. PROGRAM APPLICATION AND TERMS

The interested homebuyer may apply to participate in the Teacher Home Purchase program by contacting any of the participating lenders. Lenders vary in their requirements for mortgage loan application, but generally buyers 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.

Program Fees

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 the applicant has made a formal application, the lender will arrange with SHRA to reserve funds for the MCC-assisted mortgage loan. This reservation will hold the MCC while the 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. There is a fee of \$145 to apply for the FTHB Program.

Mortgage Types

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.).

Federal Recapture

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.

Properties

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 the County of Sacramento. SHRA is currently not offering the FTHB Program in the City of Citrus Heights. The buyer is responsible for finding your own home to purchase. No listing of homes, real estate agents, or builders are maintained by SHRA..

Federally Designated Target Areas

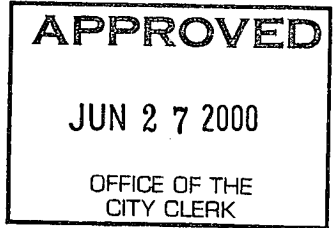
The following census tracts are Federally Designated Target areas. In these areas Target Areas the applicants do not need to be first-time buyers:

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

RESOLUTION NO. 2000-379

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF



**ADOPTION OF THE TEACHER HOME PURCHASE PROGRAM;
APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
FOR MORTGAGE CREDIT CERTIFICATES UNDER THE EXTRA CREDIT
TEACHER HOME PURCHASE PROGRAM; AND RELATED DELEGATION OF
AUTHORITY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO**

WHEREAS, the California Debt Limit Allocation Committee adopted the Extra Credit Teacher Home Purchase Program on April 26, 2000 whose purpose is to recruit and retain teachers and principals in low performing schools; and

WHEREAS, there are many identified low performing schools within the City of Sacramento; and

WHEREAS, the County has operated a Mortgage Credit Certificate Program since 1986 and operates by means of Cooperative Agreements with the cities of Sacramento, Citrus Height, Folsom, Galt and Isleton; and

WHEREAS, the City wishes to assist the school districts in their recruitment efforts of teachers and principals to work in the lowest performing schools by offering housing assistance.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The Teacher Home Purchase Program, as attached to the staff report that accompanies this resolution, is approved and incorporated in the Mortgage Credit Certificate Program.

Section 2. The County of Sacramento, the Sacramento Housing and Redevelopment Agency and the Housing Authority of the County of Sacramento are authorized (to the extent of their respective authorities to administer the City's Mortgage Credit Certificate Program) to submit an application or applications on behalf of the City of Sacramento to the California Debt Limit Allocation Committee ("CDLAC") for the issuance of Mortgage Credit Certificates under the Extra Credit Teacher Home Purchase Program.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 3. 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 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 4. The budget is amended to reallocate \$100,000 of Mortgage Revenue Bond funds to the Teacher Home Purchase Program and to pay filing and other administrative fees.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____ (9)