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SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



FROM: Economic Development Agency SUBMITTAL DATE: March 26, 2003

SUBJECT: MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

RECOMMENDED MOTION:

That the Board adopt Resolution No. 2003-134 authorizing the Economic Development Agency to submit an application to the California Debt Limit Allocation Committee for a private activity bond allocation to be used for Mortgage Credit Certificates.

BACKGROUND:

On December 22, 1987, the Board established a Mortgage Credit Certificate (MCC) Program which entitles low and moderate income first-time home buyers to a federal income tax credit for a specified percentage of the interest paid on their mortgage. The tax credit is utilized by Lenders to increase the home buyer's cash flow, thereby allowing the homebuyer to qualify more easily for a mortgage.

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[Handwritten Signature]
Bradley J. Hudson, Assistant CEO/EDA

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FINANCIAL DATA:

CURRENT YEAR COST: \$300.00
NET COUNTY COST: \$0
BUDGET ADJUSTMENT: NO
COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: NO
SOURCE OF FUNDS: CDBG Funds

ANNUAL COST \$0
IN CURRENT YEAR BUDGET: YES
FOR FY: 2003/2004

C.E.O. RECOMMENDATIONS:

APPROVE

County Executive Officer Signature: *Rhonda King*

FORM APPROVED
COUNTY COUNSEL

MAR 27 2003

Department Recommendation: Consent Policy
Per Executive Office: Consent Policy

Since 1988, over 1,700 low and moderate income home buyers have been assisted by the Mortgage Credit Certificate Program in the County of Riverside. Due to this level of demand and the success of this program in assisting first-time home buyers, the Economic Development Agency desires to continue the Program. The County must apply to the California Debt Limit Allocation Committee for a private activity bond allocation to be applied towards Mortgage Credit Certificates.

It is the County's intent to submit an application to the California Debt Limit Allocation Committee (CDLAC), during the meeting to be held June 25, 2003. CDLAC requires that an application be submitted for review prior to the allocation meeting, and the application is due April 16, 2003. CDLAC also requires a resolution from the issuer's governing body authorizing the application.

CDLAC allocation policy favors the California Housing Finance Agency over local programs, thus funds for Mortgage Credit Certificates will continue to be limited. However, it is the County's intention to obtain the maximum possible allocation.

In February, 1996, the Board approved a reduction in the MCC credit rate from 20% to 15%. This has enabled the program to assist additional buyers. Therefore, staff intends to continue to offer the 15% MCC credit rate.

As part of the Application process, the County must certify that it has on deposit an amount equal to one percent of the amount of private activity bond allocation being requested, to a maximum of \$100,000, irrespective of the dollar amount of the bond allocation. The Economic Development Agency will use its CDBG letter of credit as the deposit. If for any reason only a portion of the allocation granted is actually used, then a pro rata portion of the deposit will be forfeited. The County has approximately three years to use its allocation. Based on existing demand at the current purchase price limits the requested allocation will be used within approximately two and a half years. In addition to the deposit, CDLAC requires a \$300.00 application fee, which will be paid from funds generated by fees paid by applicants to the program.

Federal regulations require completion of a special survey to establish new purchase price limits for the MCC program, based on the average area purchase price of new and existing homes. The County plans to conduct a special survey by July 30, 2003 in order to increase program purchase price limits to reflect current home prices within the program jurisdiction. This is expected to increase the number of eligible home buyers that can be assisted under the program.

The Mortgage Credit Certificate program is an important component of the County's housing strategy and staff recommends that the Board approve the attached resolution authorizing staff to submit an application for allocation to continue this program.

RESOLUTION NO. 2003-134

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE AUTHORIZING SUBMISSION OF AN APPLICATION FOR A PRIVATE ACTIVITY BOND ALLOCATION FROM THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE TOBE APPLIED TOWARD MORTGAGE CREDIT CERTIFICATES

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of private activity bonds that may be issued in any calendar year by entities within a State and authorizes the Governor or the Legislature of such State to provide a method for the allocation or private activity bond authorization within the State; and

WHEREAS, Section 50185 et. seq. of the Health and Safety Code of the State of California and Sections 8869.8 et. seq. of the Government Code of the State of California and the procedures adopted pursuant thereto require a local agency to file an application with the California Debt Limit Allocation Committee (the "Committee") prior to the issuance of private activity bonds; and

WHEREAS, the Board of Supervisors (the "Board") of the County of Riverside (the "County") hereby finds and declares that it is necessary, essential and a public purpose for the County to issue Mortgage Credit Certificates for persons and families within the income limitation established by Section 50197 et. seq. of the Health and Safety Code of the State of California (the "Act"); and

WHEREAS, the Board has established, by Resolution No. 87-564, adopted on December 22, 1987, a Mortgage Credit Certificate Program (the "Program") and desires at this time to take certain preliminary steps toward securing sufficient authority to be able to issue Mortgage Credit Certificates through the Program; and

WHEREAS, the Board desires to authorize the Executive Director of the Economic Development Agency, or his designee, to apply to the Committee for a private activity bond allocation that is to be applied to the issuance of Mortgage Credit Certificates; and

WHEREAS, the County may, on behalf of the cities with which it has entered into "Cooperative Agreements," apply to the Committee for a private activity bond allocation to be applied toward Mortgage Credit Certificates; and

WHEREAS, the Board hereby finds and declares that this Resolution is being adopted pursuant to the powers granted to it by the Act.

NOW, THEREFORE, BE IT FOUND, DETERMINED, RESOLVED AND ORDERED by the Board of Supervisors of the County of Riverside in regular session assembled, as follows:

Section 1. The Board hereby finds and declares that the above recitals are true and correct.

Section 2. The Executive Director of the Economic Development Agency (the "Director"), or his designee, is hereby authorized to apply to the Committee for a private activity bond allocation in the maximum amount possible, and the allocation received is to be applied to the Program.

Section 3. The County hereby authorizes the Director to accept the transfer, to the extent offered, from any city in the County that has entered into a Cooperative Agreement with the County, of the private activity bond allocation granted to such city by the Committee for the issuance of Mortgage Credit Certificates.

Section 4. The Director is hereby authorized, on behalf of the County, to assist cities located within the County and desiring to cooperate with the County in the Program in applying to the Committee for allocations to be used for the issuance of Mortgage Credit Certificates by the County.

Section 5. The County hereby authorizes the Director to use any allocation received to issue Mortgage Credit Certificates for eligible home buyers within the unincorporated County and within the jurisdiction of any city in the County that has entered into a Cooperative Agreement with the County.

Section 6. The Director is hereby authorized, on behalf of the County, to certify to the Committee that the required amounts have been placed in an escrow account established to comply with the requirements of the Committee.

Section 7. The Director is hereby authorized and directed, for and in the name and on behalf of the County, to do any and all things and take any and all actions, and execute and deliver any and all certificates, agreements, and other documents which he, or his designee, may deem necessary or advisable in order to carry out the purposes of this Resolution. All actions heretofore taken by the Director with respect to the Program and the application, are hereby approved, confirmed and ratified.

Section 8. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED ON THE ____ DAY OF APRIL, 2003, by the Board of Supervisors of the County of Riverside by the following vote:

AYES:

NAYES:

ABSTAIN:

ABSENT:

ATTEST:

NANCY ROMERO
Clerk to the Board

BY: _____
Deputy

BJH:RZ:JV:BKC:bc

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