

STAFF REPORT

CITY OF YORBA LINDA

Administration Department

DATE: JUNE 2, 2009

TO: HONORABLE MAYOR/CHAIR AND MEMBERS OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

FROM: PAMELA STOKER, HSG. & REDEVELOPMENT SPECIALIST

SUBJECT: PARTICIPATION UNDER THE COUNTY OF ORANGE APPLICATION FOR ALLOCATION OF 2009 MORTGAGE CREDIT CERTIFICATES

RECOMMENDATION

It is recommended that the City Council/Redevelopment Agency:

- a. Authorize the Interim City Manager/Executive Director to enter into a Cooperative Agreement with the County of Orange for participation in the 2009 Mortgage Credit Certificate Program.
- b. Authorize the City Manger/Executive Director, or his designee on behalf of the City to take such steps and execute documents as necessary to support the County's submission to the California Debt Limit Allocation Committee (CDLAC) on behalf of the participating cities.

BACKGROUND

The Mortgage Credit Certificate ("MCC") Program was originally authorized by the Congress in the Tax Reform Act of 1984. It provides assistance to first-time homebuyers in the purchase of owner-occupied residential dwellings. The 2009 MCC Program would provide income eligible buyers with an opportunity to reduce the amount of federal income tax otherwise due by an amount equal to 20% of the mortgage interest payments as a dollar for dollar credit. The remaining 80% may be taken as the usual allowable deduction on the Federal Tax return. The result increases the household's overall income and ability to qualify for a mortgage loan. Certificate holders receive the tax credit each year that they reside in the property.

The City of Yorba Linda participated in the Mortgage Credit Certificate Program from 1992 through 2002, until program funding ran out and no new applications were submitted on behalf of Orange County. Over the ten year period that the City participated in the MCC Program, an average of 8 certificates annually were issued to first time buyers, of which 80% of the recipients also utilized the City's Mortgage Assistance Program.

DISCUSSION

The County is proposing to make the 2009 allocation available to homebuyers countywide on a first-come, first-served basis, rather than appropriating the allocation among the 29 participating cities, to the extent that the County receives allocations for the program from CDLAC. Administration costs would only apply to the number of actual program participants. The Agency will be billed by the County based upon the amount of the MCC allocation used by the City to the total amount used by the County in the MCC Program countywide as a whole. The County projects that the estimated administrative costs allocated to the City would not exceed \$15,000, though based on past participation in the program, staff believes the costs to be much less for Yorba Linda. The annual cost for participating in the program in prior years was less than \$5,000.

The Certificates can be used by purchasers of both existing and new homes at a maximum purchase price limit of \$864,177, with borrower income limits not to exceed \$111,600 for a 1-2 person household, and \$130,200 for a 3+ person household.

Individuals who purchase a home under the MCC Program may also choose to combine the Certificate with the City's existing Mortgage Assistance Program (MAP), which provides down payment assistance to qualified borrowers. The two programs are often coupled together to provide sufficient purchasing power to moderate-income households.

ANALYSIS

The primary responsibility or program administration is the County of Orange. Urban Futures, Inc. is the contractor on behalf of the County of Orange for processing the allocation requests to all participating cities. For the record, Urban Futures Inc. is also the firm by which the Interim City Manager is employed; however, participating cities have no other alternatives in processing applicants for the program. The primary responsibility of the City/Agency is to market the program and direct applicants to Urban Futures, Inc. for pre-qualifying and processing. The City/Agency will have no other administrative obligations under this program.

FISCAL IMPACT

The County has estimated that the maximum cost to the participating cities for the administration of the MCC Program through the County of Orange would be \$15,000. It is recommended that these costs be funded through the Redevelopment Agency's Housing Set-Aside account.

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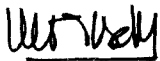
ALTERNATIVES

City may choose not to enter into a Cooperative Agreement with the County of Orange for participation in the CDLAC application for Mortgage Credit Certificates, which would provide a greater number of certificates available to borrowers in other communities.

ATTACHMENT

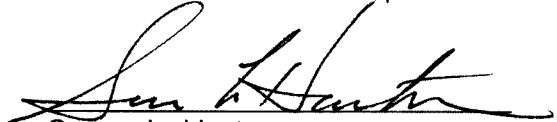
County of Orange Mortgage Credit Certificate Program Cooperative Agreement

Approved by:



William R. Kelly
Interim City Manager/Executive Director

Certified as to Fiscal Impacts:



Susan L. Hartman
Finance Director

**COUNTY OF ORANGE
MORTGAGE CREDIT CERTIFICATE PROGRAM**

**COOPERATIVE AGREEMENT BETWEEN
THE COUNTY OF ORANGE AND THE
CITY OF _____**

THIS COOPERATIVE AGREEMENT (the "Cooperative Agreement") is hereby made and entered into as of this ____ day of _____ 2009, by and between the County of Orange, California, (the "County") and the City of _____ (the "City").

WITNESSETH

WHEREAS, the County has determined to engage in a 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") in connection with the construction and acquisition of homes in the County, all as provided for in said Act; and

WHEREAS, the County has determined to finance the Program by the issuance of mortgage credit certificates as authorized by the Internal Revenue Code of 1986 (the "Code"); and

WHEREAS, the County, pursuant to the Act, has established the Program, and has determined to cooperate with the City pursuant to the Act and in the exercise of its powers under the Act for purposes of the Program; and

WHEREAS, the City has adopted the Program and determined to cooperate with the County pursuant to the Act in the exercise of their powers under the Act for the purposes of the Program;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereto agree as follows:

SECTION 1. The words and phrases of this Cooperative Agreement shall, for all purposes hereof unless otherwise defined herein, have the same meanings assigned to such words and phrases in the Act.

SECTION 2. The County agrees to use its best efforts to undertake the Program and to issue mortgage credit certificates therefore pursuant to the Act and the Code from time to time to the extent that the County receives allocations from the California Debt Limit Allocation Committee ("CDLAC").

SECTION 3. The City represents and warrants to the County that: (i) the City has heretofore adopted a general plan for the City in conformance with the provisions of the

Planning Zoning Law of the State of California (Government Code Sections 6500 et seq.), (ii) said general plan includes a land use element and a housing element as required by Government Code Section 65302, and (iii) the Program complies with said land use element and housing element.

SECTION 4. The City agrees that the County may issue mortgage credit certificates under the Program, as specifically set forth in the Act and the Code, with respect to property located within the geographic boundaries of the City and further agrees that the County may exercise any or all of the City's powers for the purpose of issuing mortgage credit certificates pursuant to the Act and the Code with respect to property located within the geographic boundaries of the City. At the expiration of one year from the date funds become available to the City from an allocation under the Program, the County may review the City's progress in committing funds from such allocation and, following consultation with the City, may reallocate to another city or public agency agreeing to participate in the Program or already participating in the Program any unused portion of such allocation.

SECTION 5. The City agrees to make any deposit required by CDLAC for an application for a mortgage credit certificate allocation. The City further agrees to pay within 45 days after invoiced by the County its proportionate share (based upon the number of participants in the Program) of administration costs applicable to each allocation received from CDLAC, which share is estimated not to exceed \$15,000.

SECTION 6. 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 Cooperative Agreement.

SECTION 7. Nothing in this Cooperative Agreement shall prevent the County from entering into one or more agreements with other public bodies and political subdivisions within the County, if deemed necessary and advisable to do so by the County.

SECTION 8. This Cooperative 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 owners of any mortgage credit certificates issued by the County in connection with the Program.

SECTION 9. This Cooperative Agreement shall expire and be of no further force and effect upon the written agreement of the parties hereto, provided that termination of this Cooperative Agreement shall not adversely affect the rights of the owners of any mortgage credit certificates issued by the County in connection with the Program.

IN WITNESSS WHREOF, the parties hereto have caused this Cooperative Agreement to be executed and attested by their proper officers duly authorized, and their official seals to be hereto affixed, all as of the date first above written.

COUNTY OF ORANGE

By: _____
Public Finance Manager

APPROVED AS TO FORM:

BENJAMIN P. DE MAYO
COUNTY COUNSEL

By: _____
Deputy County Counsel

Dated: _____

CITY OF _____

By: _____
Mayor

(SEAL)

ATTEST:

City Clerk