



City Council Staff Report

DATE: September 2, 2009 CONSENT CALENDAR
SUBJECT: APPROVE PARTICIPATION IN THE RIVERSIDE COUNTY MORTGAGE
CERTIFICATE (MCC) PROGRAM
FROM: David H. Ready, City Manager
BY: Department of Community & Economic Development

SUMMARY

The Riverside County Board of Supervisors has authorized the County's Economic Development Agency (EDA) to re-apply to the California Debt Limit Allocation Committee (CDLAC) for an allocation of Mortgage Credit Certificates (MCC) on or about October 16, 2009. The City of Palm Springs began participation in the County's MCC Program for mortgage loans available for first-time homebuyers in Palm Springs last year. Adopting of the attached resolution is necessary for the City to continue its participation in the coming year's MCC Program.

RECOMMENDATION:

Approve Resolution No. _____, "APPROVE PARTICIPATION IN THE RIVERSIDE COUNTY MORTGAGE CERTIFICATE (MCC) PROGRAM".

STAFF ANALYSIS:

A Mortgage Credit Certificate (MCC) entitles qualified homebuyers to reduce the amount of federal income tax liability on a home mortgage. This tax credit allows the buyer to qualify more easily for a loan by effectively increasing the stated income of the buyer.

The Riverside County MCC Program allows a 15% rate, which can be applied against the interest paid on the mortgage loan. The borrower can then claim a credit on their taxes equal to 15% of the interest paid during the year. Since the taxes paid by the borrower are being reduced, the annual take-home pay is effectively increased. The borrower can still deduct the remaining part of the interest paid as a standard deduction. When underwriting a loan, a lender takes this potential increase in income into consideration and the borrower is able to qualify for a larger loan than would otherwise be possible.

This program can be used with all types of homes, including foreclosures, newly constructed and existing resale single-family, condominium and manufactured homes, and may be the "extra cushion" to assist future first-time homebuyers will need to purchase in the City. The following table illustrates how a MCC increases a borrower's "effective home buying power":

ITEM NO. 2.W.

Effective Home Buying Power With and Without an MCC

	Without MCC	With MCC
First Mortgage Amount	\$300,000	\$300,000
Mortgage Interest Rate	7%	7%
Monthly Mortgage (P & I Only)	\$1,996	\$1,996
MCC Rate	N/A	15%
Monthly Credit Amount	N/A	\$262.25
"Effective" Monthly Mortgage Payment	\$1,996	\$1,733.75
Annual Income Needed *	\$85,542	\$74,304

* Annual Income Needed is based on monthly Principal & Interest (P&I) not exceeding 28% of monthly income.

The EDA will be submitting an application for approximately \$3.4M on or about October 16, 2009 for applicants acquiring homes within the County. Program guidelines include income restrictions, as well as limits to the purchase price of the home. Future Palm Springs' homebuyers can qualify for the MCC on their own through an approved lender, even if the City does not provide down-payment assistance.

The City started participating in the MCC Program last year. Staff recommends approval of the attached Resolution, to provide another tool for qualified first-time homebuyers to purchase a home in Palm Springs.

FISCAL IMPACT:

No impact to the City or the Redevelopment Agency budget. Potential homebuyers can qualify through a lender to receive the MCC from the County.

DALE E. COOK, JR.
 Community Development Administrator

THOMAS J. WILSON
 Assistant City Manager

DAVID H. READY, Esq., Ph. D.
 City Manager

ATTACHMENT: Resolution

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF PALM SPRINGS APPROVE
PARTICIPATION IN THE RIVERSIDE COUNTY
MORTGAGE CERTIFICATE (MCC) PROGRAM.

WHEREAS, the Tax Reform Act of 1986 established the Mortgage Credit Certificate Program ("MCC Program") as a means of assisting qualified individuals with the acquisition of new and existing single family housing; and

WHEREAS, pursuant to Division 31, Part 1, Chapter 3.5, Article 3.4 of the California Health and Safety Code Sections 50197 et seq, local issuers are authorized to issue Mortgage Credit Certificates ("Certificates") and administer MCC Program; and

WHEREAS, the Board of Supervisors of the County of Riverside adopted Resolution No 87-564 on December 22, 1987 establishing a Mortgage Credit Certificate Program; and

WHEREAS, the Board of Supervisors of the County of Riverside has authorized the Riverside County Economic Development Agency ("EDA") to administer the MCC Program pursuant to the applicable federal, state and local policies and procedures, and to enter into those agreements necessary for efficient administration of the MCC Program; and

WHEREAS, the County of Riverside ("County") will be applying to the California Debt Limit Allocation Committee ("CDLAC") for a mortgage credit certificate allocation on October 16, 2009 or thereabouts; and

WHEREAS, the City of Palm Springs ("City") wishes to participate in the MCC Program administered by the EDA in connection with mortgage loans it will make available for the acquisition of new and existing single-family housing in Riverside County; and

WHEREAS, the adoption of this resolution is necessary to include the City of Palm Springs as a participating unit of general government under County's MCC program; and

WHEREAS, the City agrees to cooperate with the County of Riverside to undertake the MCC program within City jurisdiction to assist persons or households of limited income to purchase new and existing single family residences located in the city; and

WHEREAS, the City by adopting this Resolution, hereby gives notice of its election to participate in the Riverside County MCC program.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY
RESOLVE AS FOLLOWS:

SECTION 1. To participate in the MCC Program administered by the EDA in connection with mortgage loans it will make available for the acquisition of new and existing single-family housing in Riverside County;

SECTION 2. To assist the County of Riverside to market the MCC Program within the city's jurisdictional boundary by publishing a general public notice in the local newspaper at least twice a year.

ADOPTED THIS ___ day of September 2009.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss:
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California