



City of Palo Alto

City Council Staff Report

(ID # 6209)

Report Type: Consent Calendar

Meeting Date: 11/16/2015

Summary Title: Cooperative Agreement for Mortgage Credit Certificate Program

Title: Adoption of a Resolution Approving the City of Palo Alto's Continued Participation in the Mortgage Credit Certificate (MCC) Program through the County of Santa Clara

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that Council approve and adopt the attached Resolution for the City's continued participation in the Mortgage Credit Certificate Program through the County of Santa Clara.

Background

The Mortgage Credit Certificate (MCC) Program was authorized by Congress in the Tax Reform Act of 1986. MCCs provide financial assistance by giving federal income tax credits to first-time buyers of single-family homes, townhouses and condominiums. The City of Palo Alto has participated in the MCC program since its inception in 1988. The program is administered by the County of Santa Clara on behalf of the county jurisdictions.

The County of Santa Clara intends to submit a County-wide application for a 2015 MCC Allocation from the California Debt Limit Allocation Committee (CDLAC) for a December 16, 2015 CDLAC Allocation Meeting. MCCs will be available to eligible first-time homebuyers countywide on a first-come, first served basis. Eligible buyers must be first time purchasers and cannot have had an ownership interest in their principal residence for the previous three years, from date of application. The home to be purchased utilizing the MCC program must be used as the borrower's principal residence and may not be used as a place of business or as a rental or vacation home. It may be either an attached (condominium/townhome) or detached single-family home.

Summary of Key Issues

The MCC program is a Federal Income Tax Credit Program administered by the County of Santa Clara. The MCC program was originally created by Congress through the Tax Reform Act of 1986. The program provides assistance to first-time homebuyers in the purchase of owner-occupied residential units. The MCC program increases the loan amount offered to a qualifying homebuyer and reduces federal income taxes by 15% of the annual interest paid on a home mortgage.

The tax credit allows the buyer to qualify more easily for a loan by increasing the effective income of the buyer. Since the borrower's taxes are being reduced by the amount of the credit, this increases the take-home pay by the amount of the credit, thus enabling the buyer to qualify for a larger loan than would otherwise be possible.

The City entered into a Cooperative Agreement with the County of Santa Clara on August 10, 1993. The Cooperative Agreement is still in effect and includes provisions for the County to administer the MCC program for, and issue MCCs within, the City of Palo Alto. Other cities in the county which have existing Cooperative Agreements or will be adopting Cooperative Agreements are Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Morgan Hill, Mountain View, San Jose, Saratoga, and Sunnyvale.

The Resolution will reinforce the City's participation in the MCC program, which will enable residents of the City of Palo Alto to receive MCCs on or after December 16, 2015, if the County receives an allocation from the California Debt Limit Allocation Committee (CDLAC) in December as anticipated.

Policy Implications

The actions recommended in this report implement the City's adopted Housing Element policies and programs supporting housing that is affordable to very-low, low and moderate income households. Policy H3.4 calls for pursuing funding for the acquisition, construction and rehabilitation of housing that is affordable to very low-, low- and moderate-income households. In addition, Program H3.4.2 supports local funding sources including the County of Santa Clara's Mortgage Credit Certificate Program.

Resource Impact

There is no cost to the City to participate in the MCC program. The administrative costs for the MCC Program are paid for by the County's receipt of a \$500 application fee charged to each qualified applicant.

Timeline

The County will submit a County-wide application for a 2015 MCC Allocation from the California Debt Limit Allocation Committee (CDLAC) for a December 16, 2015 CDLAC Allocation Meeting.

November 16, 2015

City Council consideration of proposed resolution

December 1, 2015
December 16, 2015

City to submit executed resolution to County
County submits application to CDLAC

Environmental Review

For purposes of the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA), this action itself is not a project; therefore, no environmental impact assessment is necessary.

Attachments:

- Attachment A: Draft Mortgage Credit Certificate Resolution (PDF)
- Attachment B: Cooperative Agreement Between the County of Santa and the City of Palo Alto, August 10, 1993 (PDF)

Resolution No.

Resolution of the Council of the City of Palo Alto Approving
the City's Continued Participation in the Mortgage Credit
Certificate Program through the County of Santa Clara

RECITALS

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, the County of Santa Clara administers the County-wide Mortgage Credit Certificate Program as a Federal Income Tax Credit program; and

WHEREAS, the City of Palo Alto seeks to participate in the Mortgage Credit Certificate Program for 2015, 2016, and 2017 to assist persons and households of low to moderate income to purchase new and existing single-family residences in the City of Palo Alto.

The City Council of the City of Palo Alto hereby resolves as follows:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The City entered into a Cooperative Agreement with the County of Santa Clara on August 10, 1993 to participate in the County of Santa Clara Mortgage Credit Certificate program.

SECTION 3. The City Council states its intention to continue to participate with the County of Santa Clara in the Mortgage Credit Certificate Program for 2015, 2016, and 2017.

SECTION 4. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect and comply with the terms and intent of this resolution and the participation in the Mortgage Credit Certificate approved hereby.

SECTION 5. This resolution shall take effect immediately upon its adoption.

SECTION 6. For purposes of the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA), this action itself is not a project; therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Senior Assistant City Attorney

City Manager or Designee

Director of Planning and
Community Environment

RECEIVED

SEP 07 1993

**COOPERATIVE AGREEMENT BETWEEN THE COUNTY OF SANTA CLARA AND
THE CITY OF PALO ALTO**

THIS COOPERATIVE AGREEMENT (the "Cooperative Agreement") is made and entered into as of AUG 10 1993, 1993, by and between the *COUNTY OF SANTA CLARA*, a legal subdivision and body corporate and politic of the State of California (the "County"), and the City of Palo Alto, a municipal corporation of the State of California (the "City").

WITNESSETH:

WHEREAS, the Tax Reform Act of 1984 established the Mortgage Credit Certificate Program (hereinafter referred to as "MCC Program") as a means of assisting qualified individuals with the acquisition of new and existing single family housing; and

WHEREAS, the County and the City have heretofore determined to engage in an MCC Program pursuant to Chapters 1399, Statutes of 1985 Section 50197, et seq of the Health and Safety Code of the State of California (the "Act") in order to assist individual home purchasers in the County to afford both new and existing homes within the statutory limits as provided for in said Act; and

WHEREAS, in furtherance of the MCC Program, the City Council may, from time to time, authorize the County to apply to the State of California Debt Limit Allocation Committee (CDLAC) in the name of the City of Palo Alto for a mortgage bond allocation. The amount of which can be traded for authority to issue Mortgage Credit Certificates in a face amount equal to one quarter the value of the Cities bond allocation ;and

WHEREAS, the County Housing Bond Coordinator is administering a County-wide MCC Program; and

WHEREAS, the City and the County wish to cooperate with one another pursuant to the Act in the exercise of their powers under the Act for the purposes of the MCC Program;

WHEREAS, the County will be operating an MCC Program in the County, and the City desires that the Program be applicable to otherwise eligible real property in the City;

NOW, THEREFORE, in consideration of the 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 meanings assigned to such words and phrases in the

Act

SECTION 2. 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 and Zoning Law of the State of California (Government Code Sections 65000 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 3. The County shall continue to staff a program for the effective administration of the MCC program within the geographical boundaries of the County. The County shall continue its cooperation with local real estate and lending institutions in order to maintain their participation in securing applications from eligible applicants for review and approval by County representatives on behalf of the County and the City.

SECTION 4. If, during the term of this agreement, the City determines that it cannot utilize all of the MCC allocation provided by the CDLAC, the City will have the option to assign a portion of the allocation to the County for redistribution among the County and other participating cities.

SECTION 5. This agreement may be terminated by either party upon 90 days written notice delivered to the other party. The term of this agreement shall extend until such termination by written notice.

SECTION 6. The City agrees to undertake such further proceedings or actions as may be necessary to carry out the terms and intent of this agreement as expressed in the recitals hereto; provided, however, that nothing herein shall require the City to appropriate any funds to the County for services under this agreement. Funds for the administration of the program shall be derived by the County from the application fee paid by MCC applications administered by the County. These fees shall be collected and retained by the County in all cases administered by the County including those where the City's MCC allocation is debited.

SECTION 7. Nothing in this Cooperative Agreement shall prevent the County from entering into one or more agreements with other municipal corporations 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.

SECTION 9. Nothing contained herein shall be interpreted to impose a relationship of partners or joint ventures between the City and the County.

SECTION 10. The County agrees to indemnify, defend and hold the City, its officers, attorneys, employees and agents harmless against any and all claims, damages or causes of action arising from any act or omission on the part of the County, its officers, attorneys, employees and agents.

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

COUNTY OF SANTA CLARA

ATTEST:

By Ron Gonzales
Ron Gonzales
Chairperson of the
Board of Supervisors

ATTEST:

Clerk of the Board,
Phyllis Perez

APPROVED AS TO FORM AND LEGALITY:

Kenneth D. Almond
County Counsel

City of Palo Alto

By Jan Nelson
Mayor

ATTEST:

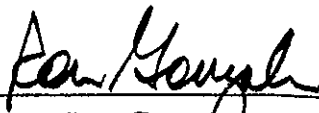
Chene Avlat-Kent
City Clerk, Acting Asst.

APPROVED AS TO FORM:

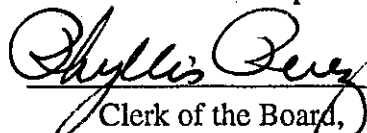
Susan W. Case
Sr. Asst. City Attorney

COUNTY OF SANTA CLARA

ATTEST:

By  AUG 10 1993
Ron Gonzales,
Chairperson of the
Board of Supervisors

ATTEST:


Clerk of the Board,
Phyllis Perez

APPROVED AS TO FORM AND LEGALITY:


Deputy County Counsel

City of Palo Alto

By _____

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney