



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 5, 2020**

FROM: OFFICE OF HOMELESS SOLUTIONS **WARDS: ALL**

SUBJECT: RESOLUTION AUTHORIZING THE CITY OF RIVERSIDE TO PARTICIPATE IN THE COUNTY OF RIVERSIDE MORTGAGE CREDIT CERTIFICATE PROGRAM

ISSUE:

Adoption of a Resolution authorizing participation in the County of Riverside's Mortgage Credit Certificate Program.

RECOMMENDATIONS:

That the City Council:

1. Adopt the attached Resolution authorizing the City of Riverside to participate in the County of Riverside's Mortgage Credit Certificate Program; and
2. Authorize the City Manager, or designee, to execute any and all documents to implement participation in the County of Riverside Mortgage Credit Certificate Program, including making minor corrections as necessary.

BACKGROUND:

The County of Riverside Economic Development Agency (EDA) will be applying for a new allocation of funds for the Mortgage Credit Certificate (MCC) program with the California Debt Limit Allocation Committee (CDLAC). MCC is a tax credit that facilitates first time home ownership. The City has long participated as a partner in the MCC program.

The MCC Program entitles qualified buyers to reduce the amount of their federal income tax liability for an amount equal to 20% of the mortgage interest paid during the year on their primary mortgage loan. For example, if a prospective first-time homebuyer seeks to purchase a home for \$300,000 with a 30-year mortgage at a simple 4% interest rate, the amount of interest that will be paid during the first year of the loan is \$12,000 ($\$300,000 \times 0.04$). With a Mortgage Credit Certificate, the borrower can then claim twenty percent of the interest they have paid, or \$2,400 ($\$12,000 \times .20$), as a tax credit. This tax credit would have the effect of increasing the borrower's available net income by \$200.00 ($\$2,400/12$) per month. When underwriting the loan, the lender will take into consideration this additional net income, thereby helping to ensure that the potential homebuyer will more easily qualify for a loan.

The following table illustrates how an MCC may increase a borrower's "effective home buying power":

Effective Home Buying Power With and Without an MCC		
	Without MCC	With MCC
First Mortgage Amount	\$300,000	\$300,000
Mortgage Interest Rate	4%	4%
Monthly Mortgage (Principal & Interest Only)	\$1,432	\$1,432
MCC Rate	N/A	20%
Monthly Credit Amount	N/A	\$200
"Effective" Monthly Mortgage Payment	\$1,432	\$1,232
Annual Income Needed*	\$61,371	\$52,800
* Annual income needed is based on monthly principal and interest not exceeding 28% of monthly income		

The County's MCC Program provides a benefit to first-time homebuyers by effectively increasing their "home buying power." Furthermore, the additional income will help ensure that the household's monthly housing expense is affordable and does not exceed 30% of their monthly income. Non-first-time homebuyers are also eligible as long as they purchase a residence that is located within a low income Target Area census tract within Riverside County. In this instance, income limits and purchase prices may be higher. The MCC Program also effectively promotes homeownership in the City as it requires owner occupancy and eligible properties may be a new or re-sale, detached or attached single-family home, condominium unit, a co-op unit, or a manufactured home on a permanent foundation. In the City of Riverside, three first-time homebuyers benefitted from the MCC Program in the 2018-2019 cycle. The City had a 54% homeownership rate in 2018 according to the U.S. Census.

DISCUSSION:

Staff is requesting the City Council to adopt the attached Resolution which will allow the City of Riverside to participate in the Riverside County MCC Program, which is administered by the Riverside County Economic Development Agency in connection with mortgage loans it will make available for the acquisition of new and existing single-family housing in Riverside County. As part of its participation, the City also agrees to assist the County of Riverside to market the County's MCC Program within the City's jurisdiction by publishing a general notice in the local newspaper at least twice a year.

FISCAL IMPACT:

There are sufficient funds in the Housing Authority Account Account No. 2875000-425100 to cover the cost of publishing the MCC Program in The Press-Enterprise twice a year.

Prepared by: Michelle Davis, Housing Authority Manager

Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Moises Lopez, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Resolution to Participate in MCC Program