



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Approve Mortgage Credit Certificate Program (MCC) Cooperative Agreement between the County of Santa Clara and the City of Sunnyvale

BACKGROUND

The MCC Program was originally established by the federal Deficit Reduction Act of 1984 and modified by the Tax Reform Act of 1986 (the TRA) to help lower and moderate income households buy homes. The program provides MCC recipients with a credit against their personal income tax liability equal to fifteen percent of their total annual mortgage interest payments. The MCC differs from some other tax credit programs, such as the earned income tax credit (EITC), as it can reduce the amount of income tax owed by the home owner, but does not provide a cash refund like the EITC if the amount of taxes owed is less than the value of the MCC. Additional details about the program are provided in the MCC Fact Sheet in Attachment 1.

The County of Santa Clara began administering its MCC Program in 1987. In March 1991, Sunnyvale entered into a cooperative agreement with the County to allow it to administer the MCC Program within Sunnyvale on the City's behalf. Since inception of this program, the County has issued 650 MCCs in Sunnyvale.

The Housing and Human Services Commission reviewed this item at its special meeting on October 28, 2015 and unanimously recommended approval of the Cooperative Agreement.

EXISTING POLICY

General Plan, Housing Element

Goal A: Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

Policy A.6: Provide first time homebuyer assistance to low and moderate income households, with priority to buyers who currently work and/or live in Sunnyvale

Policy A.7: Support collaborative partnerships with non-profit organizations, affordable housing builders, and for-profit developers to gain greater access to various sources of affordable housing funds.

ENVIRONMENTAL REVIEW

This action is not a project for purposes of the California Environmental Quality Act (CEQA) because it constitutes a governmental fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guideline 15378(b)(4)).

DISCUSSION

County staff has determined that the 1991 MCC Cooperative Agreement with the City, although still valid, should be replaced with a more current agreement to support its application for a new MCC allocation from the California Debt Limit Allocation Committee (CDLAC). CDLAC is the state agency established to administer the State's allocation of bonding authority to ensure that the total amount of private activity bonds issued (or converted to MCCs) does not exceed the federal limits established under the TRA.

The County has asked Sunnyvale, and any other local cities that wish to participate, to enter into new cooperative agreements with the County for MCC program administration during calendar years 2015 through 2017, in support of its application for a new MCC allocation in mid-December. If the County receives this allocation, MCCs will be available to eligible first-time home buyers within the participating jurisdictions in the County on a first-come, first served basis.

To be eligible for an MCC, home buyers must be buying their first home, which means they cannot have owned any interest in their principal residence in the three years before they apply for an MCC. The home purchased with the MCC must be the buyer's principal residence and cannot 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. In addition, certain household income and home price limits also apply, as explained in Attachment 1.

In order to participate in the County's current application to CDLAC for a 2015 MCC allocation, the attached MCC Cooperative Agreement (Attachment 2) must be approved by Council, signed by the City Manager or designee and sent to the County by December 1. The Cooperative Agreement allows the County to administer the MCC Program on the City's behalf and issue certificates in Sunnyvale, if the County receives an allocation from CDLAC. County staff expects that most other local cities will also enter into the same type of cooperative agreement with the County for this program. CDLAC will meet and consider allocation of MCCs at its meeting on December 16, 2015.

FISCAL IMPACT

The recommended action will not impact the General Fund, and the City is not required to provide any matching funds for the program. The County's program administrative costs are covered by the application fees it receives from MCC applicants.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Approve the MCC Cooperative Agreement with the County of Santa Clara as shown in Attachment 2 to the report and authorize the City Manager or designee to sign the Agreement.

The recommended action will provide an additional way for the City and County to make homeownership more affordable to first-time home buyers. MCCs may be used in combination with the City's Below Market Rate and/or First Time Home Buyer Programs, or used as a stand-alone

program for buying a market-rate home.

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Reviewed by: Hanson Hom, Director, Community Development

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. MCC Fact Sheet
2. MCC Cooperative Agreement