



# San Bernardino County

## Legislation Text

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**File #: 832, Agenda Item #: 26**

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### **REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION**

**August 20, 2019**

#### **FROM**

**GARY HALLEN, Director, Community Development and Housing**

#### **SUBJECT**

Assignment of County's Tax-Exempt Allocation for Single Family Bond Financing for the Mortgage Credit Certificate Program

#### **RECOMMENDATION(S)**

1. Approve assignment of the County of San Bernardino's Fair Share Tax-Exempt Allocation -estimated to be \$14,400,000 - to the Golden State Financing Authority to administer the Mortgage Credit Certificate Program.
2. Authorize the Chief Executive Officer or Director of Community Development and Housing Department, upon consultation with County Counsel, to provide any necessary documents or certificates pertaining to the assignment of the County of San Bernardino's Fair Share Tax-Exempt Allocation to Golden State Financing Authority.

(Presenter: Gary Hallen, Director, 387-4411)

#### **COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Promote the Countywide Vision.**

**Improve County Government Operations.**

**Operate in a Fiscally-Responsible and Business-Like Manner.**

**Pursue County Goals and Objectives by Working with Other Agencies.**

#### **FINANCIAL IMPACT**

This item will not result in the use of Discretionary General Funding (Net County Cost). The activities associated with a Mortgage Credit Certificate (MCC) Program, as funded through the County's Fair Share Tax-Exempt Allocation, will be borne by Golden State Financing Authority (GSFA). No programmatic costs will be borne by the County. The Community Development and Housing Department will receive \$100 in revenue for each MCC application processed by GSFA during the two year allocation period. This program is estimated to generate approximately \$4,000 in revenue (40 loans).

#### **BACKGROUND INFORMATION**

The assignment of the County's Fair Share Tax-Exempt Allocation will allow GSFA to issue MCCs to assist first-time homebuyers to purchase homes in the County. The MCC is used to reduce the homebuyer's federal tax liability by providing a dollar-for-dollar tax credit resulting in a reduction to the homebuyer's overall tax liability and increasing their purchasing capacity.

The MCC Program is funded through the issuance of tax-exempt debt and is subject to the federal debt issuance limits imposed on each state. The California Debt Limit Allocation Committee (CDLAC) sets and allocates California's annual debt ceiling and administers the tax-exempt bond program. Using a population-based formula, the fair share allocation is determined and then distributed among several jurisdictions. The total San Bernardino County Fair Share Allocation for 2020 is estimated to be \$14.4 million of which approximately \$3.6 million will be used for the MCC program. If the County's allocation is not used or assigned, it will revert to CDLAC for reassignment to fund other programs in other jurisdictions. To ensure these resources are not lost, the County assigns its allocation to GSFA, biennially. GSFA is a joint powers authority (JPA) that administers homeownership programs; the County is a member jurisdiction of the JPA. The Board of Supervisors last approved the assignment to GSFA on January 9, 2018 (Item No. 15) and has done so since 2009.

The MCC Program targets homebuyers with incomes at or below 120% Area Median Income (AMI). The current AMI for a family of four in San Bernardino County is \$69,700. While the maximum threshold is 120% AMI, approximately 50% of program participants fall within the 80% AMI category. To participate in the MCC Program, prospective buyers must work with a preferred lender to purchase a home that meets purchase limits for the program. When the homebuyer receives an MCC, they are able to take 20% of their annual mortgage interest paid as credit on their taxes for the life of the loan. For example, a homeowner paying on a \$160,000 mortgage with a 4% interest rate and a 30-year term could save approximately \$23,000 over the life of the mortgage.

The County's participation in the MCC Program has made resources and homeownership opportunities available to more than 229 moderate and low income first-time homebuyers within San Bernardino County. The following represents the program's statistics since 2012:

Program Year	MCCs Issued	Total MCC Amount	Total First Mortgage Loan Amount
2012	97	\$ 4,360,287	\$21,801,433
2014	56	\$ 2,505,012	\$12,525,058
2016	76	\$ 3,497,424	\$17,487,119
2018	66	\$ 1,323,113*	\$16,546,391
<b>Total</b>	<b>295</b>	<b>\$11,685,836</b>	<b>\$68,360,001</b>

\*represents total value of MCCs issued, does not account for MCC applications that are pending

With the approval of this item, GSFA will continue to administer the MCC Program on behalf of the County. GSFA will also assume the continued role of marketing the MCC Program by distributing English and Spanish program brochures to the real estate and lending communities as well as to prospective homeowners. In addition, GSFA will market the program and maintain a list of approved participating lenders on its website to enable interested homebuyers the ability to contact the lenders directly to participate in the MCC Program and lead of the efforts of selecting and training lenders to participate in the program.

### **PROCUREMENT**

The assignment of its Fair Share Tax-Exempt Allocation to GSFA is non-competitive, as no other State Housing Finance Agencies currently administer the MCC program in California. Additionally, the County is a member of the GSFA and no programmatic costs will be borne by the County. A written request has been made by GSFA to continue its role as assignee of the County's tax exempt allocation to utilize the County's allocation to continue administration of the MCC program for its member jurisdictions (comprised of 33 California counties).

### **REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on July

17, 2019; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412) on August 1, 2019, Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on August 5, 2019.