





CITY OF REDDING REPORT TO THE CITY COUNCIL

MEETING DATE: September 17, 2019 ITEM NO. 4.4(b)	FROM: Larry Vaupel, Development Services Director
APPROVED BY	
 Larry Vaupel, Development Services Director 9/5/2019 lvaupel@cityofredding.org	 Barry Tippin, City Manager 9/8/2019 btippin@cityofredding.org
SUBJECT: 4.4(b)--Assignment of 2019 Single-Family Private Activity Bonds	

Recommendation

Authorize assignment of the City of Redding’s 2019 Single-Family Private Activity Bonds to the Golden State Finance Authority (GSFA); and authorize the City Manager, or designee, to send an assignment request letter with attachment to the California Debt Limit Allocation Committee (CDLAC) and GSFA.

Fiscal Impact

There is no fiscal impact to the City. The bonds issued are purchased by the private sector and the repayment is not an obligation of the state or the federal government.

Alternatives; Implication of Alternatives

The City Council could decline to assign the City’s 2019 Single-Family First Time Homebuyer (SFFTH) Program allocation to GSFA. If the allocation is unused by the City, it will be reallocated to another entity by the CDLAC.

Background

The California Debt Limit Allocation Committee (CDLAC) is responsible for setting and allocating California’s annual debt ceiling and administering the tax-exempt bond program to issue the debt. Each year, CDLAC divides the annual state debt limit among its primary bond program areas. The Single-Family First-Time Homebuyer Program is one such program area and is the source of the allocation discussed in this report.

Through the SFFTH Program, state and local government agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) or mortgage credit certificates (MCCs) to assist first-time homebuyers to purchase homes. MRBs are issued to back below-market interest rate mortgages while MCCs are utilized by homeowners to reduce their federal tax liability by

allowing them to take 20 percent of the annual mortgage interest paid as a tax credit to their net tax due.

In 1998, the CDLAC implemented a population-based allocation process, known as a “fair share” allocation. Based on this formula, Redding’s annual fair share fluctuates between \$430,000 and \$985,000 per year, which is insufficient to operate a viable MCC Program. The City is an associate member of the Golden State Finance Authority, a joint powers authority that provides affordable housing finance options for low- to moderate- income households. Since 1998, the City has assigned its share to GSFA on an annual basis. GSFA’s programs are multi-jurisdictional, they are able to combine several smaller allocations together into a viable MCC Program that will benefit first-time homebuyers in our community.

Staff received a letter requesting that the City assign its 2019 fair share allocation to GSFA (see the attached letter). At this time, the City’s 2019 fair share allocation is \$604,732. If assigned, the 2019 allocation will be directed to the MCC Program which is administered on a first-come, first-served basis. Qualified homebuyers who purchase homes in Redding will be able to apply for an MCC through their mortgage lender. The MCC allows the homebuyer to claim a tax credit for some portion of the mortgage interest paid each year realizing a dollar-for-dollar reduction against their federal tax liability. In 2018-2019, Redding Homebuyers received 51 MCCs averaging \$39,212 each. Presently, 10 income eligible first-time homebuyers are awaiting eligibility determination for the program.

Council Priority/City Manager Goals

- **Government of the 21st Century** – “Be relevant and proactive to the opportunities and challenges of today’s residents and workforce. Anticipate the future to make better decisions today.”

Attachments

Letter from Golden State Finance Authority
Letter to GSFA
ATTACHMENT K