

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2007**  
**Executive Summary**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**MORTGAGE CREDIT CERTIFICATE PROGRAM**

*Prepared by Sarah Lester*

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**Applicant:** Housing Commission of the City of San Diego

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**Contact Information:**

**Name:** Vicki Monce  
**Address:** 1122 Broadway  
San Diego, CA 92101  
**Phone:** (619) 578-7491

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**Allocation Amount Requested:** \$25,000,000      **Converted MCC Authority:** \$6,250,000

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**Applicant's Fair Share Amount:** \$4,935,354      **Converted MCC Authority:** \$1,233,839

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There are three local issuers conducting MCC programs in San Diego County: the County of San Diego, the City of San Diego and the City of Oceanside. The San Diego County fair share amount of \$11,533,071 is divided among the three issuers based on population. The City's portion of the 2007 fair share amount is \$4,935,354. The City's request exceeds this amount.

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**Participating Jurisdictions:**

City of San Diego

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**Allocation Information:**

**Date MCCs will be advertised:** January 4, 2007  
**Expected date of issuance of first MCC:** April 1, 2007  
**Program Status:** Existing program  
**Certificate tax credit rate:** 15% in non-targeted areas; 20% in targeted areas

**Type of housing units to be assisted/average mortgage amount:**

New construction units: 81 units (38%) with an average mortgage amount of \$331,004  
Existing resale units: 134 units (62%) with an average mortgage amount of \$179,791  
Rehabilitation units: 0 units (0%) with an average mortgage amount of \$0  
Totals units: 215 units with an average mortgage amount of \$236,760

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**Past Performance:**

The Applicant indicates that 77 MCCs were issued in 2006, of which 56 (73%) were issued to households with incomes at or below 80% of the area median income. This satisfies the 2006 minimum performance requirement that at least 40% of the program participants are lower-income households.

The application indicates the applicant expects to meet the 2007 minimum performance requirement that at least 40% of program participants will be lower-income households with incomes below 80% of the area median income.

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**Recommendation:**

Staff recommends that the Committee approve a reduced amount of \$4,935,354 in tax-exempt bond allocation, which is the Applicant's 2007 fair share amount.

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2007**  
**STAFF REPORT**  
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**MORTGAGE CREDIT CERTIFICATE PROGRAM**

**APPLICANT:** Housing Commission of the City of San Diego

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San Diego, CA 92101

**Phone:** (619) 578-7491

**ALLOCATION AMOUNT REQUESTED:** \$25,000,000

**CONVERTED MCC AUTHORITY:** \$6,250,000

**PARTICIPATING JURISDICTIONS:** City of San Diego

**ALLOCATION INFORMATION:**

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**Certificate tax credit rate:** 15% in non-targeted areas; 20% in targeted areas

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<b>New construction units:</b>	81 units (38%) with an average mortgage amount of \$331,004
<b>Existing resale units:</b>	134 units (62%) with an average mortgage amount of \$179,791
<b>Rehabilitated units:</b>	<u>0</u> units (0%) with an average mortgage amount of \$0
<b>Total units:</b>	<b>215</b> units with an average mortgage amount of \$236,760

**The above numbers of units are:**     X estimates  
  \_ actual requirements imposed by the Issuer

**DESCRIPTION OF PROPOSED PROGRAM:**

- ***Population to be served by the proposed Program (family size, income levels, etc.):*** According to the Applicant, the proposed Program will serve families that will range in size from a single person to a family of eight. The application indicates that from 2005 through 2006, 20% of program participants were Hispanic, 47% were Caucasian, 10% were African American, 20% were Asian and 3% were Other.
- ***Estimated number of first-time homebuyers to be assisted:*** 215  
However, based on the information contained in the application, the City's fair share amount will provide approximately 30 MCCs .
- ***Housing stock to be purchased (types, unit sizes, etc.):***  
The Applicant states that the majority of the housing stock (66%) to be purchased will be newly constructed housing units with most having 2-3 bedrooms. The Applicant further states that approximately 89% will be condominiums and that purchase prices are expected to average \$232,000.
- ***Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:***  
MCCs are issued on a first come-first serve basis. Forty percent (40%) of MCCs will be issued to low-income households.
- ***Expected duration MCCS will be available and anticipated monthly rate of issuance:***  
According to the Applicant, based on existing market conditions influencing the rate of MCCs issued and the availability of affordable for-sale units, it is anticipated that approximately 4-9 MCCs will issued monthly in 2007. However, based on the City's fair share amount and the information contain in the application, it is anticipated that MCCs will be issued at a rate of 2 to 3 per month during a 12-month period.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***  
Down Payment/Closing Cost Assistance Grant Program – First-time homebuyers, earning no more than 80% of area median income, can apply for a recoverable grant equal to 6% of the purchase price (not to exceed \$15,000). This grant can be used toward down payment and closing costs. The grant is recoverable if the buyer sells or rents the home within the first six years.

Shared Appreciation Second Loan Program – First-time homebuyers earning no more than 80% of AMI can apply for a "silent second" loan equal to the lesser of either 25% of the maximum purchase price or appraised value. No monthly payments and no interest payments are required. If the buyer sells or rents the home within 15 years, the equity is shared with the SDHC.

Condominium Conversion Loan Program

This is a two-tiered first time homebuyer program designed to provide financial assistance to low and moderate income tenants occupying rental units affected by condominium conversions. First tier is for households at 80 percent below AMI: maximum loan amount 25 percent of the purchase price. Second tier for households earning 81-100 percent AMI: maximum loan amount 15% of the purchase price. The buyer must have sufficient income and good credit history, plus cash equal to 3% of the purchase price for a down payment, plus closing costs. The buyer must also attend a homebuyer education class.

**3% Interest Deferred Payment Loan Program**

This is a two-tiered first time homebuyer program offering three percent (3%) interest deferred second loan program to assist buyers purchasing affordability restricted units (e.g., inclusionary or density bonus). First tier is for households at 80 percent below AMI: maximum loan amount 25 percent of the affordable purchase price. Second tier is for households earning 81-100 percent AMI: maximum loan amount 15 percent of the affordable purchase price. The buyer must have sufficient income and good credit history, plus case equal to 3% of the purchase price for a down payment, plus closing costs. The buyer must also attend a homebuyer education class.

- ***Any other features unique to the proposed Program:*** None indicated.

**PURCHASE PRICE INFORMATION:**

**The proposed maximum limits are:**

<u>Unit Type</u>	<u>Average Area Purchase Price*</u>	<u>Non-Target Area Maximum Purchase Price</u>	<u>Target Area Maximum Purchase price</u>
New Units	\$548,838	\$493,954	\$603,722
Existing Units	\$581,691	\$523,522	\$639,860

\*This is established by (check one):  
 IRS safe harbor limitations  
 As determined by special survey

**Expected average sales prices of the estimated units to be assisted:**

New units	\$331,004
Existing units	\$179,791
Rehabilitated units	Not Applicable

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based: \$64,900**

**Applicable standard that defines the area median income:**

HUD statewide median  
 HUD county MSA median  
 Local median as determined by a special study

**Percent of MCCs reserved for IRS-designated target areas in the jurisdiction(s): 20%**

**Proposed maximum income limits:**

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	\$64,900	\$77,880
3+ persons	\$74,635	\$90,860

**DESCRIPTION OF PUBLIC BENEFITS:**

**Past Program Performance:**

<u>Year</u>	<u>Amount of Allocation Awarded</u>	<u>Amount of Allocation Used</u>	<u>Number of MCCs Issued</u>	<u>Status of Outstanding MCC Authority</u>
2003	\$13,677,108	\$13,677,108	109	\$0
2004	\$13,419,139	\$ 7,352,712	55	\$1,516,607*
2006	\$ 8,867,993	\$ 6,699,436	38	\$ 542,139

\*Outstanding MCC authority expired December 31, 2006. According to the applicant, due to the high cost of housing in the City of San Diego, fewer income eligible buyers are able to purchase their first home. The applicant further states that the City's maximum purchase price limits were lower than the market; however, they were recently adjusted in an attempt to keep pace with the current housing prices.

Pursuant to CDLAC Procedures Section 18.I.E.1.,2., the Applicant has:

1. Demonstrated that no Mortgage Credit Certificate authority from the year two years prior to the current year has been unused (other than minor amounts not to exceed \$1 million); and
2. Certified that any Mortgage Credit Certificate authority remaining from the year prior to the current year will be used before the use of new Mortgage Credit Certificate Authority.

**RECOMMENDATION:**

Staff recommends that the Committee approve a reduced amount of \$4,935,354 in tax-exempt bond allocation to the Housing Commission of the City of San Diego for the Mortgage Credit Certificate Program. This is the Applicant's 2007 fair share amount.

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