

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**January 27, 2010**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**MORTGAGE CREDIT CERTIFICATE PROGRAM**

Prepared by: John Weir

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**Applicant:** County of Santa Clara

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**Contact Information:**

**Name:** Tracy Cunningham  
**Address:** 2310 North First Street, Suite 100  
San Jose, CA 95131  
**Phone:** (408) 441-4323

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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:** \$12,127,779      **Converted MCC Authority:** \$3,031,945

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**Participating Jurisdictions:**

The Cities of Campbell, Cupertino, Gilroy, Los Gatos, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale and the County of Santa Clara.

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**Allocation Information:**

**Date MCCs will be advertised:** November 14, 2009  
**Expected issue date of first MCC:** February 22, 2010  
**Program Status:** Existing  
**Certificate tax credit rate:** 15%

**Type of housing units to be assisted/average mortgage amount:**  
New construction units: 26 units (37%) with an average mortgage amount of \$315,373  
Existing resale units: 43 units (63%) with an average mortgage amount of \$276,578  
Total units: 69 units with an average mortgage amount of \$290,927

The above numbers of units are:  Estimates  
 Actual requirements imposed by the Issuer

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**Past Performance:**

The application indicates the applicant met the 2009 minimum performance requirement that at least **40%** of the program participants are lower-income households or located in a Qualified Census Tract.

The application indicates the applicant expects to meet the 2010 minimum performance requirement that at least **40%** of program participants will be lower-income households.

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**Recommendation:**

Staff recommends that the Committee approve a reduced amount of \$12,127,779 in tax-exempt bond allocation to the County of Santa Clara for the Mortgage Credit Certificate Program. This is the Applicant's 2010 fair share amount.

**DESCRIPTION OF PROPOSED PROGRAM:**

- **Population to be served by the proposed Program (family size, income levels, etc.):**  
According to the Applicant, the proposed Program expects to serve all ethnic groups and family sizes with a minimum of 40% of the households at or below 80% of the median income adjusted by household size. In 2009, 66% of the households were at or below 80% of the median income.
  
- **Estimated number of first-time homebuyers to be assisted:** 69
  
- **Housing stock to be purchased (types, unit sizes, etc.):**  
According to the Applicant, the housing stock to be purchased will consist of condominiums, townhomes, and single family dwellings. In 2009, 58% of the MCCs issued went to Single-family housing, 44% went to condominiums and 8% went to townhomes.
  
- **Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:**  
According to the Applicant, the program will reserve 20% of the certificates for federally designated target areas and 40% of the MCCs for families with incomes at or below 80% of the area median income adjusted for family size.
  
- **Expected duration MCCs will be available and anticipated monthly rate of issuance.:**  
According to the Applicant, MCCs are expected to be available for 3 months and the anticipated monthly rate of issuance is 23 MCCs per month.
  
- **Other homebuyers assistance programs offered by participating jurisdiction(s):**  
According to the Applicant, the County has a First Time Home Buyer downpayment assistance loan program that offer loans up to \$40,000 at 2% interest. The City of San Jose has a Deferred Second Mortgage program targeted to public school teachers up to \$80,000 at 0% interest along with other low income new construction units throughout the year. The Cities of Santa Clara and Campbell have down payment assistance programs up to \$50,000 for market rate homes. Other cities have various below market rate programs that include MCCs.
  
- **Additional features unique to the proposed Program:**  
According to the Applicant, the County has the second oldest MCC program in California and is one of only a few jurisdictions to adopt an RMCC program to re-issue MCCs to MCC holders who refinance when rates drop. This program has enable more than 10,000 recipients to retain their annual credit and help keep housing costs down.

**PURCHASE PRICE INFORMATION:**

The proposed maximum limits are:

Unit Type	Average Area Purchase Price*	Non-Target Area Max Purchase Price	Target Area Max Purchase Price
New Units	\$ 708,495	\$ 637,646	\$ 779,345
Existing Units	\$ 708,495	\$ 637,646	\$ 779,345

\*This is established by (check one):  
 IRS Safe Harbor limitations  
 As determined by special survey  
 Cal HFA Sales Price limits (High Cost Area only)

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

New Units	\$ 630,000
Existing Units	\$ 570,000

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based:** \$102,500

**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	\$ 102,500	\$ 123,000
3+ persons	\$ 117,875	\$ 143,500

**DESCRIPTION OF PUBLIC BENEFITS:**

**Past Program Performance:**

<u>Year</u>	<u>Amount of Allocation</u>	<u>Amount of Allocation Used</u>	<u>Number of MCCs Issued</u>	<u>Outstanding MCC Authority</u>
2007	\$ 6,699,580	\$ 6,699,580	28	\$ 0
2008	\$ 12,001,694	\$ 12,001,694	9	\$ 0
2008*	\$ 1,784,899	\$ 1,758,487	9	\$ 6,603
2009	\$ 12,070,309	\$ 12,044,008	69	\$ 6,575
2009*	\$ 12,070,309	\$ 7,133,240	41	\$ 1,234,267

\* Bonus Round

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.