

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 23, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by Sarah Lester

Applicant: County of Santa Clara

Contact Information:

Name: Tracy Cunningham
Address: 1735 North First Street, #265
San Jose, CA 95112
Phone: (408) 441-4323

Allocation Amount Requested: \$6,699,580 **Converted MCC Authority:** \$1,674,895

Applicant's Fair Share Amount: \$6,699,580 **Converted MCC Authority:** \$1,674,895

Participating Jurisdictions: Cities of Campbell, Cupertino, Gilroy, Los Gatos, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale, and the unincorporated areas of Santa Clara County

Allocation Information:

Date MCCs will be advertised: March 7, 2007
Expected date of issuance of first MCC: June 7, 2007
Program Status: Existing program
Certificate tax credit rate: 15%

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

New construction units: 9 units (28%) with an average mortgage amount of 369,800
Existing resale units: 21 units (72%) with an average mortgage amount of \$381,627
Rehabilitation units: 0 units (%) with an average mortgage amount of \$0
Totals units: 30 units with an average mortgage amount of \$378,079

Past Performance:

The Applicant indicates that 54 MCCs were issued in 2006, of which 34 (63%) were issued to households with income 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.

Recommendation:

Staff recommends that the Committee approve the requested amount of \$6,699,580 in tax-exempt bond allocation. This is the Applicant's 2007 fair share amount.

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STAFF REPORT
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Existing resale units:	21 units (72%) with an average mortgage amount of \$381,627
Rehabilitated units:	<u>0</u> units (0%) with an average mortgage amount of \$0
Total units:	30 units with an average mortgage amount of \$378,079

The above numbers of units are: estimates
 actual requirements imposed by the Issuer

DESCRIPTION OF PROPOSED PROGRAM:

- ***Population to be served by the proposed Program (family size, income levels, etc.):***
The proposed Program expects to serve a diverse ethnic composition. According to the Applicant, last year's performance indicates that 55% of the MCCs issued were to ethnic minorities. The average family size is 1-2 persons and 63% of the homebuyers had household incomes at or below 80% of the area median income.
- ***Estimated number of first-time homebuyers to be assisted:*** 30
- ***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 a few detached single family dwellings. The units are expected to consist of 1, 2, and 3 bedrooms.
- ***Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:***
The program will reserve 15% of the certificates for federally designated target areas and 40% for families with incomes of at or below 80% of the area median income adjusted for family size. The County reserves 5% of its allocation for Below Market Rate (BMR) units made available through programs administered by several of the participating cities. The application states that all BMR programs in Santa Clara County target lower income families (80% of area median income and below) and all impose resale restrictions on the designated unit. According to the application, this ensures that BMR units will continue to be affordable to lower income families as the units come on the market for resale. The County also reserves an allocation amount, as required by federal regulations, for the County's newest target area: Census tract 5009.02 in downtown San Jose.
- ***Expected duration MCCS will be available and anticipated monthly rate of issuance:***
According to the Applicant, MCCs will likely be issued at a rate of 18 MCCs per month.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***
The application indicates that there are several other first-time homebuyer programs offered throughout the County.
 1. The City of San Jose has implemented a Deferred Second Mortgage program targeted to public school teachers.
 2. The Cities of Santa Clara and Campbell have maintained a Second Mortgage program, which can be combined with their BMR programs.
 3. The Cities of Palo Alto, Sunnyvale, Morgan Hill, Los Gatos and Gilroy operate BMR programs in which the buyers can also participate in the MCC program.
 4. Neighborhood Housing Services of Silicon Valley (NHSSV) also offers up to \$80,000 in down-payment assistance to first-time homebuyers who purchase homes in the City of San Jose.
 5. The Santa Clara County Housing Trust operates a \$6,500 down-payment assistance program. Assistance is in the form of a no-interest loan, due in 30 years, or upon sale or refinance of the property.

6. Santa Clara County’s Office of Affordable Housing implemented a new down-payment assistance program, July 1, 2005. Assistance is in the form of a 5-year, 2% interest, deferred loan, which converts to 0% interest after 5 years. The program combines ADDI funds with HOME funds to offer a deferred loan up to \$40,000. The term of the loan is 30 years and can act as a subordinate to other Agency loans.

• ***Any other features unique to the proposed Program:***

According to the application, the County of Santa Clara’s MCC program is one of only a few jurisdictions to adopt a Reissuance Mortgage Credit Certificate (RMCC) program to reissue MCCs to MCC holders who refinance when interest rates drop. The application states that this program has enabled more than 9,000 MCC recipients to retain their annual tax credit and keep their housing more affordable than would otherwise be possible.

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	\$708,547	\$637,692	\$779,402
Existing Units	\$750,068	\$675,061	\$825,075

*This is established by (check one):
 IRS safe harbor limitations
 As determined by special survey
 (See application attachment “H” attached)

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

New units	\$427,929
Existing units	\$424,045
Rehabilitated units	\$0

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: \$105,500

Applicable standard that defines the area median income:

HUD statewide median HUD county MSA median
 Local median as determined by a special study
 (See application attachment “I” attached)

Percent of MCCs reserved for IRS-designated target areas in the jurisdiction(s): 15%

Proposed maximum income limits:

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	\$105,500	\$126,600
3+ persons	\$121,325	\$147,700

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>
2004	\$18,205,450	\$18,205,450	113	\$0
2005	\$20,210,322	\$20,210,322	104	\$0
2006	\$11,950,336	\$11,950,336	54	\$0

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 the requested amount of \$6,699,580 in tax-exempt bond allocation, to the County of Santa Clara for the Mortgage Credit Certificate Program. This is the Applicant's 2007 fair share amount.

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