

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 26, 2008**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**MORTGAGE CREDIT CERTIFICATE PROGRAM**

*Prepared by Sarah Lester.*

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**Applicant:** Sacramento Housing and Redevelopment Agency

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**Contact Information:**

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**Allocation Amount Requested:** \$20,000,000      **Converted MCC Authority:** \$5,000,000

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**Applicant's Fair Share Amount:** \$9,338,223      **Converted MCC Authority:** \$2,334,556

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**Participating Jurisdictions:**

Cities of Sacramento, Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and the unincorporated areas of Sacramento County

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**Allocation Information:**

**Date MCCs will be advertised:** February 26, 2008  
**Expected date of issuance of first MCC:** May 26, 2008  
**Program Status:** Existing program  
**Certificate tax credit rate:** 20%

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

**New construction units:** 7 units (13%) with an average mortgage amount of \$248,000  
**Existing resale units:** 46 units (87%) with an average mortgage amount of \$217,000  
**Rehabilitated units:** 0 units (N/A) with an average mortgage amount of \$ N/A  
**Total units:** 53 units with an average mortgage amount of \$221,115

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**Past Performance:**

The Applicant indicates that 89 MCCs were issued in 2007, of which 36 (40%) were issued to households with income at or below 80% of the area median income. This satisfies the 2007 minimum performance requirement that at least **40%** of the program participants are lower-income households. The Applicant did not request 2006 tax-exempt allocation for the MCC Program.

The application indicates the applicant expects to meet the 2008 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 \$9,338,223 in tax-exempt bond allocation, which is the Applicant's 2008 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 a diverse ethnic composition. The Applicant states that last year's program performance indicated that 41% of the MCCs issued were to ethnic minority households. The average family size was 2 persons and 52% of the homebuyers were female. The expected average median income level to be served is 96%.
- ***Estimated number of first-time homebuyers to be assisted:*** 113  
However, based on the information contained in the application, the County's fair share amount will provide approximately 53 MCCs.
- ***Housing stock to be purchased (types, unit sizes, etc.):***  
According to the Applicant, the housing stock to be purchased will consist of detached family dwellings, half-plex units and condominiums, with resale purchase prices averaging \$238,200 and new construction averaging \$259,600. In addition, new affordable homes continue to be built under the City of Sacramento's Mixed Income Housing Ordinance as well as the County of Sacramento's Affordable Housing Ordinance. These homes may be single family, halfplexes, cluster homes and condominiums. Prices for these homes range from approximately \$105,100 to \$211,000.
- ***Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:***  
The program will reserve 20% 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.
- ***Expected duration MCCS will be available and anticipated monthly rate of issuance:***  
According to the Applicant, MCCs are expected to be issued over a 24-month period at a rate of 8-10 MCCs issued per month. However, based on the City's fair share amount and the information contained in the application, it is anticipated that MCCs will be issued at a rate of 8-10 per month during a 5 to 7-month period.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***  
SHRA continues to offer the FTHB program (this program was revised in 2006) which provides up to \$40,000 for down payment and closing costs to low-income first-time homebuyers. SHRA also offers the Target Area Homebuyer Program which provides \$5,000 for down payment and closing costs for properties purchased in eligible Redevelopment Areas. In 2004, SHRA adopted a new American Dream Downpayment Initiative Program (ADDI) which provides up to \$10,000 to low-income first-time homebuyers to be used for down payment and closing costs. In 2006, SHRA updated their Homebuyer Assistance Program Layering Policy to allow homebuyers to combine up to three programs, or four programs if the property is located in an eligible Agency Redevelopment area. For example, a homebuyer could receive the FTHB, ADDI and MCC. This layering program helps low-income homebuyers bridge the affordability gap.
- ***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	\$477,355	\$429,620	\$525,091
Existing Units	\$477,355	\$429,620	\$525,091

\*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	\$259,600
Existing units	\$239,200
Rehabilitated units	\$0

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based:** \$67,200

**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):** 20%

**Proposed maximum income limits:**

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	\$67,200	\$80,640
3+ persons	\$77,280	\$94,080

**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>
2005	\$15,587,885	\$15,556,320	91	\$7,891
2006	N/A	N/A	N/A	N/A
2007	\$5,220,794	\$1,279,048	7	\$985,436

According to the Applicant:

2005 -MCC Allocation will expire as of 12/31/07. The remaining MCC Authority was not enough to fund an additional loan.

2006 – Did not apply for an MCC allocation

2007 – 18 loans are pending against the outstanding MCC Authority with 8 loans remaining. Funds will be expended prior to the federal expiration date.

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.