

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 24, 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:** County of Riverside

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**Contact Information:**

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**Allocation Amount Requested:** \$13,485,722      **Converted MCC Authority:** \$3,371,431

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**Applicant's Fair Share Amount:** \$13,485,722      **Converted MCC Authority:** \$3,371,431

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**Participating Jurisdictions:**

Cities of Banning, Beaumont, Blythe, Calimesa, Canyon Lake, Cathedral City, Corona, Desert Hot Springs, Hemet, Indio, Lake Elsinore, Moreno Valley, Murrieta, Norco, Palm Springs, Perris, Riverside, San Jacinto, Temecula and the County of Riverside Unincorporated Areas.

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**Allocation Information:**

**Date MCCs will be advertised:** August 22, 2008  
**Expected date of issuance of first MCC:** October 1, 2008  
**Program Status:** Existing program  
**Certificate tax credit rate:** 15%

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

New construction units: 26 units (30%) with an average mortgage amount of \$300,000  
Existing resale units: 61 units (70%) with an average mortgage amount of \$240,000  
Rehabilitation units: 0 units ( %) with an average mortgage amount of \$0  
Totals units: 87 units with an average mortgage amount of \$258,000

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**Past Performance:**

The last allocation the applicant received from the Committee was in 2006. Therefore, the past performance is reflective of the 2006 program year.

The application indicates the applicant met 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 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 the requested amount of \$13,485,722 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.):***  
The proposed Program expects to serve a diverse ethnic composition. The average family size is 3.6 persons and 70% of the homebuyers had household incomes at or below 80% of the area median income.
- ***Estimated number of first-time homebuyers to be assisted:*** 87
- ***Housing stock to be purchased (types, unit sizes, etc.):***  
According to the Applicant, the housing stock to be purchased will consist of detached single family dwellings and condominiums. The average unit size will be 2.5 bedrooms with purchase prices averaging \$239,281.
- ***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 will likely be available for 20 months and be issued at a rate of 5-7 MCCs per month. However, based on information provided in the application, at an issuance rate of 5-7 MCCs per month, MCCS are expected to be available for about 15 months.
- ***Other homebuyers assistance programs offered by participating jurisdiction(s):***  
Riverside County First Time Home Buyer Assistance Program – Provide down payment assistance and closing cost assistance to low and very low income first time homebuyers. The downpayment is in the form of a silent second of up to 20% of the purchase price of the home. The closing cost assistance is provided in the form of a grant for non-recurring closing cost of the buyer. The program is available throughout unincorporated Riverside County and in all MCC Cooperating Cities except for Riverside, Moreno Valley, Calimesa, Palm Springs, Corona and Hemet.  
  
City of Moreno Valley Homebuyer Assistance Preservation Program – Provides downpayment loan for homeowners whose income does not exceed 120% of the area median. The maximum amount of assistance is 20% of the purchase price. Home cannot be brand new. The program is in the form of a zero interest rate, 30-year deferred-payment loan with a “share of equity” arrangement with the City of Moreno Valley.  
  
City of Norco – First Time Homebuyer Program – Provides downpayment assistance for homeowners whose income does not exceed 120% of the area median. The loan is due in 30 years at a fixed interest rate.  
  
City of Desert Hot Springs – First Time Homebuyers Program – Offers downpayment assistance for homes under \$200,000. The Program provides \$20,000 for down payment and closing cost assistance.  
  
City of Temecula – Offers a downpayment assistance loan that provides 20% of the purchase price plus closing costs of up to \$24,000. It is a 30-year second mortgage that accrues interest at a 5% rate. No interest is accrued for the first 5 years. Interest accrues in the 6<sup>th</sup>-30<sup>th</sup> year if it is fully amortized. The Loan becomes due and payable if the borrower transfers title, ceases to occupy the property as the principal residence, or refinances with cash taken out. Buyer must provide 3% of purchase price as a down payment.

Riverside County Individual Development Account (RivCo.IDA) Demonstration Program – A five-year low income savings incentive program. Qualified participants will received a two dollar match for each one dollar deposited in as assent saving program that can be used toward purchase of a house as well as business or education uses. Each savings participant will be required to participate in workshops provided for money management and economic skills building during the period of the savings program which will last from two to three years.

- **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	\$525,090
Existing Units	\$477,355	\$429,620	\$525,090

\*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	\$300,000
Existing units	\$240,000
Rehabilitated units	\$

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based: \$67,800**

**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	\$67,800	\$81,360
3+ persons	\$77,970	\$94,920

**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	\$0	\$0	0	\$0
2006	\$12,747,771	\$5,945,108	44	\$1,700,655 *
2007	\$0	\$0	0	\$0

The Applicant did not apply for MCC allocation in 2005 and 2007.

\* According to the Applicant, they currently have 29 loans committed for a total of \$904,843, which will bring the total authority used to \$2,391,120 with an outstanding MCC authority balance of \$795,822. The Applicant states that the MCC Program has been non-existence for 2 years prior to issuing an MCC in March 2007 and that it has taken some time for their organization to market and push the MCC Program within the community and the local housing industry (lenders, realtors, and general public). The Applicant further states that there is an average of 5 to 7 MCC application submittals per week since the beginning of the calendar year and it is projected that the remaining balance of the MCC authority will be expended by December 2008 or earlier.

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.