

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 3, 2008**  
**Staff Report**  
*2008 HOUSING ACT VOLUME CAP (HR 3221)*  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**MORTGAGE CREDIT CERTIFICATE PROGRAM**  
**(REAL ESTATE OWNED (REO) PROGRAM)**

*Prepared by Sarah Lester.*

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**Applicant:** City of San Diego

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**Contact Information:**

**Name:** Vicki Monce  
**Address:** 1122 Broadway, Suite 300  
San Diego, CA 92101  
  
**Phone:** (619) 578-7491

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<b>Allocation Amount Requested:</b>	\$16,116,966	<b>Converted MCC Authority:</b>	\$4,029,252
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<b>Applicant's Fair Share Amount:</b>	\$16,116,966	<b>Converted MCC Authority:</b>	\$4,029,252
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**Participating Jurisdictions:**

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's fair share amount of the 2008 Housing Act Volume Cap for single family housing programs is \$37,662,571, which is divided among the three issuers based on population. The City's fair share portion of the 2008 Housing Act Volume Cap is \$16,116,966.

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**Allocation Information:**

<b>Date MCCs will be advertised:</b>	October 7, 2008
<b>Expected date of issuance of first MCC:</b>	February 1, 2009
<b>Program Type:</b>	Real Estate Owned
<b>Program Status:</b>	New
<b>Certificate tax credit rate:</b>	20% (for targeted) and 15% (for non-targeted)

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

Existing resale units:	110 units (0%) with an average mortgage amount of \$210,000
Rehabilitation units:	0 units (0%) with an average mortgage amount of \$0
Totals units:	110 units with an average mortgage amount of \$210,000

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

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**Recommendation:**

Staff recommends that the Committee approve \$16,116,966 in tax-exempt bond allocation, on a carryforward basis, which is the Applicant's fair share amount of the 2008 Housing Act Volume Cap for single family housing programs.

**DESCRIPTION OF PROPOSED PROGRAM:**

- ***Rationale for selection of program:***  
According to the Applicant, the San Diego Housing Commission (“City of San Diego”) chose to administer an REO program because it compliments their existing first time homebuyer program. The Applicant further states that almost all of the first time homebuyer loans they have in process are to purchase REO property and that there is no shortage of REO homes for sale.
- ***Contacts made to ensure the success of program (i.e. banks, lenders, realtors, etc):***  
According to the Applicant, the City of San Diego has had a successful first time homebuyer program since 1992 and that they have a large pool of lending partners. The Applicant states that over the years they have attended conferences for the Board of Realtors to talk about their programs and have met with community groups.

According to the Applicant, they have an extensive website that describes all of their programs. They are also entitled to receive the Neighborhood Stabilization Program (NSP) funds for the City of San Diego. These NSP funds can only be used towards the purchase of REO properties. The Applicant states that in anticipation of the NSP funds, along with the MCC allocation, they intend to heavily market the availability of both programs to lenders and the Association of Realtors through TV, radio and the news media. According to the Applicant, the greater marketing effort will be undertaken due to the time constraints associated with both funding sources. The Applicant states that they have already informed their existing lending partners of their application for the special allocations of MCCs.

- ***Interest rate offered:***  
According to the Applicant, they have an existing 2<sup>nd</sup> trust deed deferred payment loan program with a maximum of 3% interest rate that will be available to eligible buyers. The buyers will get a 30-year fixed rate 1<sup>st</sup> trust deed loan from one of the participating lenders.
- ***Down payment assistance offered:***  
Yes. According to the Applicant, they have the 2<sup>nd</sup> trust deed deferred loan, plus down payment/closing cost assistance grants. The Applicant states that the funds will be from Federal HOME, State CalHome, Local funds and Federal NSP funds, if received.
- ***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.
- ***Definition of financial hardship (for refinance transactions only):***  
Not applicable.
- ***First-time homebuyer education requirement:***  
Yes. According to the Applicant, any buyer receiving one of their deferred 2<sup>nd</sup> trust deed loans must attend an 8-hour HUD approved homebuyer education class. The Applicant states that they have never required buyers only wanting an MCC to attend a class.
- ***Describe use of HR 3221 – CDBG funds:***  
According to the Applicant, they are still in the preliminary planning stages and have several proposals to the City Council including a first time homebuyer silent 2<sup>nd</sup> trust deed loan program that will be linked with MCCs.

**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>
Existing Units	\$611,455	\$543,112	\$663,804

\*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:**

Existing units                      \$248,578

**MAXIMUM INCOME LIMITATIONS:**

**Area median income on which maximum program limits are based: \$72,100**

**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	\$72,100	\$86,520
3+ persons	\$82,915	\$100,940