

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: John Weir

Applicant: Sacramento Housing & Redevelopment Agency

Contact Information:

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

Applicant's Fair Share Amount: \$17,101,115 **Converted MCC Authority:** \$4,275,279

Participating Jurisdictions: County of Sacramento, Cities of Sacramento, Citrus Heights, Elk Grove, Folsom, Galt, Isleton, and Rancho Cordova.

Allocation Information:

Date MCCs will be advertised: November 3, 2008
Expected issue date of first MCC: February 3, 2009
Program Type: Real Estate Owned
Program Status: New
Certificate tax credit rate: 20%

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

New construction units: 0 units (0%) with an average mortgage amount of \$000,000
Existing resale units: 113 units (100%) with an average mortgage amount of \$190,000
Rehabilitation units: 0 units () with an average mortgage amount of \$000,000
Total units: 113 units with and average mortgage amount of \$190,000

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

Recommendation:

Staff recommends that the Committee approve a reduced amount of \$17,101,115 in tax-exempt bond allocation, which is the Applicant's fair share amount of the 2008 Housing Act Volume Cap for single family housing programs on a carry-forward basis.

DESCRIPTION OF PROPOSED PROGRAM:

● ***Rationale for selection of program:***

The decision to direct proceeds toward the purchase of REOs was due in part to the lack of established procedures to implement a refinance program and in part that the agency already operates a successful down payment assistance program for low-income first-time homebuyers. In addition, the agency's past performance with the MCC program favored REO properties which reinforced their decision.

● ***Contacts made to ensure the success of program (i.e. banks, lenders, realtors, etc.):***

Prior to applying for this MCC allocation, SHRA surveyed several of their approved lenders for their input. All the lenders surveyed indicated they felt an REO program would be successful in the Sacramento area.

● ***Interest rate offered:***

The interest rate offered will be determined by the lender.

● ***Down payment assistance offered:***

Down payment assistance will be layered with various programs currently being offered. This includes the First-Time Homebuyer Program, the CalHome Program, the BEGIN program, the American Dream Down payment Initiative Program, and the Target Area Homebuyer Program.

● ***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:***

There is no requirement for specific education, however, if the program is layered with any other down payment assistance programs, the buyer must take an 8 hour HUD approved homebuyer education class.

● ***Describe use of HR 3221 - CDBG funds:***

The agency will develop three programs to implement CDBG funds locally. The primary focus is to acquire and rehabilitate foreclosed properties in targeted areas. One will focus specifically of single-family properties. The second will focus on rental properties, and the third will create an affiliate to serve neighborhoods and activities without development partners.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are:

| <u>Unit Type</u> | <u>Average Area Purchase</u> | <u>Non-Target Area Max Purchase Price</u> | <u>Target Area Max Purchase Price</u> |
|------------------|------------------------------|---|---------------------------------------|
| Existing Units | \$ 477,355 | \$ 429,620 | \$ 525,091 |

*This is established by (check one): IRS Safe Harbor limitations
 As determined by special survey

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

Existing Units \$ 206,000

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: \$71,000

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 jurisdictions: 20%

Proposed maximum income limits:

| <u>Household Size</u> | <u>Non-Target Area</u> | <u>Target Area</u> |
|-----------------------|------------------------|--------------------|
| 1-2 persons | \$ 71,000 | \$ 85,200 |
| 3+ persons | \$ 81,650 | \$ 99,400 |