

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 27, 2010

**Consideration and Adoption of the Proposed Revisions to the Procedures of the California Debt
Limit Allocation Committee**
(SECTION 18- SINGLE FAMILY HOUSING PROGRAM)

Prepared by John Weir

I. ACTION

Approve proposed revisions to the Single Family Housing Program in the Procedures of the California Debt Limit Allocation Committee (CDLAC) as presented to the Committee at the November 18, 2009 meeting.

II. BACKGROUND

Staff recommends technical changes and clean-up language to the established Evaluation and Distribution criteria in the existing CDLAC Single Family Housing procedures. Under the Single Family Housing Pool, the proposed procedures clarify that any city has the ability to apply independent of its county for a Fair Share portion. In addition, under the Single Family Housing Program Bonus Pool, a final Bonus Pool round is established whereby unallocated Single Family Housing funds may be made available again to counties regardless of their initial Fair Share amount.

III. SUMMARY OF SINGLE FAMILY HOUSING PROGRAM POOL DISTRIBUTION REQUIREMENTS

The proposed Procedures would clarify that a city may apply independent of its county by adding the following language:

- “Cities may apply independent of the county level issuer for a proportionate share of the amount reserved for that county based on the city’s total population relative to the county’s population. Any allocation awarded specifically to cities shall reduce the amount available for the county level issuer accordingly.”

IV. SUMMARY OF SINGLE FAMILY HOUSING PROGRAM BONUS POOL DISTRIBUTION REQUIREMENTS

The proposed Procedures would establish a final Bonus Pool round by adding the following paragraph:

- “If the Committee has established that any portion of the Single Family Housing Program Pool and Single Family Housing Bonus Pool is remaining by the final meeting of the program year, this amount may be made available for additional Bonus Pool Allocation to county level local issuers regardless of their initial Fair Share limit. Awards in this final round will first be based on each Applicant’s pro-rata population relative to the total population of the winning Applicants using the same Fair Share method described above in Subsection II.A.1. Awards will be limited to the amount requested in the application. If the total amount requested by all Applicants is less than the amount available, and there are Applicants whose Fair Share portion is less than their request, the Committee will consider distributing the excess up to the full amount requested.”

COMMENTS:

In developing the proposed Single Family Housing Program, staff held two public hearings on December 4th, 2009 and December 9th, 2009. No comments from the public were submitted during these proceedings.

In addition to eligible localities, Joint Power Authorities continue to be eligible to apply when valid assignments of fair share allocation have been granted pursuant to Section 12.II of the Procedures.

IV. RECOMMENDATION:

Staff recommends approval of the proposed revisions to the Single Family Housing Program Procedures as outlined in the following attachment.

ATTACHMENT A

Section 18. Allocation System for Single-Family Housing Programs

I. Minimum Requirements

An Applicant requesting an Allocation for a Single-Family Housing Program must meet the following requirements:

A. A minimum of forty percent (40%) of the participants in the Single-Family Housing Program must be households: (1) earning eighty percent (80%) or less of the Applicable Median Family Income of the area in which the program is located; or (2) located in a Qualified Census Tract. Applicants may use the high-cost area adjustment specifically set forth in 26 U.S.C. Section 143 (f)(5) to meet this minimum requirement.

B. An Applicant that is unable to meet the requirement outlined in section 18.I.A, may request an exemption. However, in no case may less than thirty-five percent (35%) of the participants in the Single-Family Housing Program be households: (1) earning eighty percent (80%) or less of the Applicable Median Family Income of the area in which the program is located; or (2) located in a Qualified Census Tract. Applicants may use the high-cost area adjustment specifically set forth in 26 U.S.C. Section 143 (f)(5) to meet this minimum requirement.

To be considered for an exemption an Applicant shall submit evidence of the programmatic or economic reasons why the requirement outlined in subsection 18.I.A cannot be met.

C. The proposed Single-Family Housing Program must be consistent with the adopted housing element(s) for the jurisdiction(s) in which the program is to be operated.

D. For Mortgage Revenue Bond programs, in order to be eligible for a new Single Family Housing Program Allocation, the Applicant must:

1. Demonstrate that all proceeds from any bond issuance in the calendar year three years prior to the current year (other than minor amounts not to exceed \$1 million) either:

a. Have been used to finance loans, or;

b. Have been refunded on either a short or long term basis so as to be available to finance loans; and

2. Certify that any remaining bond proceeds or authority from an Allocation up to two years prior to the current year will be used either:

a. Before the use of new Allocation and/or;

b. In conjunction with new Allocation in satisfying federal requirements (32-year rule) for such prior funds.

E. For Mortgage Credit Certificate programs, in order to be eligible for a new Single Family Housing Program Allocation, the Applicant must:

1. Demonstrate 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. Certify 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.

F. The Committee may consider exceptions to the minimum requirements based upon detailed information submitted by the Applicant that meeting these requirements presents an undue financial burden or economic hardship for the Applicant. The Committee may delegate the discretion to approve or deny an Applicant's request for such exception to the Chair of the Committee or to the Executive Director. With respect to section 18.I.D, and section 18.I.E., to be granted an exception an Applicant must demonstrate its need to use new Allocation even if unused Mortgage Revenue Bond authority or Mortgage Credit Certificate authority totaling over \$1 million remains from prior years. to use new Allocation even if unused Mortgage Revenue Bond authority or Mortgage Credit Certificate authority totaling over \$1 million remains from prior years.

G. Veteran's Home Loan Program

1. After all Allocations in Section 18.I.A-F have been made, and bond authority remains unallocated in the Single Family Housing Program Pool, or after all Allocations in Section 18.I.A-F have been made and the Committee elects to transfer additional bond authority into the Single Family Housing Program Pool, the Committee may consider an Application from the California Department of Veteran's Affairs for the purpose of a Veteran's Home Loan Program.

2. The Veteran's Home Loan Program will utilize mortgage revenue bonds to assist eligible California veterans with advantageous first mortgages that are at minimum commensurate with similar state administered Single Family Housing programs with respect to interest rates and homeownership assistance.

3. Allocation will be made on the condition that the entire Allocation will be used to provide below market interest rate mortgages to California veterans.

4. The Applicant for an Allocation under the Veteran's Home Loan Program will be required to submit information including, but not limited to:

- a. An outline of the proposed bond structure, bond term, fixed or variable interest rate, and credit rating.

- b. The estimated sources and uses of bond proceeds, including cost of issuance and other fees associated with the proposed program.

- c. The anticipated number of veterans to be assisted and the time frame for the use of Allocation.

5. The Applicant receiving an Allocation for a Veteran's Home Loan Program shall be responsible for submitting an annual report of program activity to the Committee. The Committee will provide the format for the annual reports.

II. Evaluation and Distribution Criteria

Upon a determination that an Application meets the minimum requirements listed above, the following criteria will be used to evaluate the Applications and distribute as follows. ~~the Single-Family Housing Program Pool.~~

A. Single Family Housing Pool ~~Fair Share Allocation.~~

1. Distribution Criteria

After the Committee determines under Section 4 of these Procedures the portion of the Single-Family Housing Program Pool reservation that will be allocated to Statewide Issuers ~~CalHFA~~, the remainder of the Single-Family Housing Program Pool will be reserved, by county, for Local Issuers on a Fair Share basis. Each county shall receive a proportionate share of the amount reserved for Local Issuers based on the population of the county relative to the State's total population. Cities may apply independent of the county level issuer for a proportionate share of the amount reserved for that county based on the city's total population relative to the county's population. Any allocation awarded specifically to cities shall reduce the amount available for the county level issuer accordingly.

Populations will be based on data published by the California State Department of Finance Demographics Unit. Where there is more than one Local Issuer in a county, each Local Issuer shall receive a proportionate share of the county's reservation based on the population of the jurisdictions served by an issuer relative to the county's total population, or as agreed upon by the participating Local Issuers.

B. Single Family Housing Program Bonus Pool ~~Bonus Pool Reserve Allocation~~

1. Evaluation

If the Committee has established a Single-Family Housing Program Bonus Pool in accordance with Section 4 of these Procedures, the Committee will consider the following factors in awarding an Allocation from the Single-Family Housing Program Bonus Pool. The Committee will also designate which Single-Family Housing Bond issuer(s) will be eligible for consideration by the Committee for an Allocation from the Single-Family Housing Program Bonus Pool.

- a. For Mortgage Revenue bond programs, the Applicant must:
 - i. demonstrate that the bonds have been issued for the current year fair share Allocation.
 - ii. certify that the proceeds are being utilized to finance loans.
 - iii. justify the need for additional Allocation.
- b. For Mortgage Credit Certificate programs, the Applicant must:
 - i. demonstrate that the conversion election has taken place.
 - ii. certify that any Mortgage Credit Certificate authority remaining from the current year fair share Allocation is being used.
 - iii. Justify the need for additional Allocation.

2. Point Threshold Requirement

All Applicants applying for Bonus Pool Allocation are required to meet a minimum score of fifteen (15) points. Points will be awarded as follows:

- a. Five (5) points will be awarded where a minimum of twenty-five percent (25%) of program participants are households earning sixty percent (60%) or less of the Applicable Median Family Income of the area in which the program is located.
- b. Five (5) points will be awarded where the program has exceeded its prior year's program performance (based on the most recent yearly data that is available) by ten percent (10%) or more in assisting households earning sixty percent (60%) or less of the Applicable Median Family Income of the area in which the program is located.
- c. Five (5) points will be awarded where the program will address a demonstrable imbalance between jobs and housing in the community or neighborhood based on sufficient evidence provided to the Committee.
- d. Five (5) points will be awarded where at least twenty-five percent (25%) of the program activity will occur in a Community Revitalization Area.
- e. Five (5) points will be awarded where at least twenty-five percent (25%) of the program activity will occur in rural locations to assist units that will be developed under a low-income self-help ownership program or be restricted for sale to low income households engaged in agricultural employment as described in Section 7202 of the California Health and Safety Code.
- f. Five (5) points will be awarded where the program is augmented with a down payment assistance program provided by the Applicant or by the other participating jurisdictions.

3. Distribution Criteria

Applicants will be awarded an Allocation of the Single Family Housing Program Bonus Pool in the same proportion as their current year ~~f~~Fair ~~s~~Share Allocation as described in Subsection II.A.1.

4. Final Round Criteria

If the Committee has established that any portion of the Single Family Housing Program Pool and Single Family Housing Bonus Pool is remaining by the final meeting of the year, this amount may be made available for additional Bonus Pool Allocation to county level local issuers regardless of their initial Fair Share limit. Awards in this final round will first be based on each Applicant's pro-rata population relative to the total population of the winning Applicants using the same Fair Share method described above in Subsection II.A.1. Awards will be limited to the amount requested in the application. If the total amount requested by all Applicants is less than the amount available, and there are Applicants whose Fair Share portion is less than their request, the Committee will consider distributing the excess up to the full amount requested.

III. Performance Monitoring of Single-Family Housing Programs

- A. An Applicant receiving an Allocation for a Single-Family Housing Program will be held accountable for achieving the minimum requirements that were considered by the Committee in awarding the Allocation. The Committee will monitor, on an annual basis, the programs awarded an Allocation. A Single-Family Housing Program that

has not achieved the participation requirements set forth in Section 18.I.A., above, will have its next year's Allocation, if any, reduced in accordance with the following schedule:

Performance Achievement Allocation Amount (Percentage of Target Achieved)	Fair Share
91% - 100%	100%
81% - 90%	90%
71% - 80%	80%
61% - 70%	70%
0% - 60%	60%

B. The Committee may consider exceptions to the above schedule of reduced Allocation where the Applicant provides full written documentation of the reasons for the underachievement and how the circumstances surrounding the are beyond the control of the Applicant. The Committee may delegate the discretion to approve or deny an Applicant's request for such exception to the Chair or to the Executive Director.