

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by: Crystal Alvarez

Applicant: City and County of San Francisco

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|-------------------------------------|-------------|---------------------------------|-------------|
| Allocation Amount Requested: | \$5,537,757 | Converted MCC Authority: | \$1,384,439 |
|-------------------------------------|-------------|---------------------------------|-------------|

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|---------------------------------------|-------------|---------------------------------|-------------|
| Applicant's Fair Share Amount: | \$5,537,757 | Converted MCC Authority: | \$1,384,439 |
|---------------------------------------|-------------|---------------------------------|-------------|

Participating Jurisdictions:

City and County of San Francisco

Allocation Information:

Date MCCs will be advertised: January 15, 2012
Expected issue date of first MCC: April 15, 2012
Program Status: Existing
Certificate tax credit rate: 15%

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

New construction units: 2 units (45%) with an average mortgage amount of \$250,000
Existing resale units: 3 units (55%) with an average mortgage amount of \$3,000,000
Total units: 5 units with an average mortgage amount of \$1,750,000

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

Past Performance:

The application indicates the applicant met the 2010 minimum performance requirement that at least **40%** of the program participants are lower-income households or located in a Qualified Census Tract.

The application indicates the applicant expects to meet the 2011 minimum performance requirement that at least **40%** of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve an amount of \$5,537,757 in tax-exempt bond allocation to the City and County of San Francisco for the Mortgage Credit Certificate Program on a carry forward basis. This is the Applicant's 2010 fair share amount on a carryforward basis.

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 all ethnic groups and family sizes with a minimum of 40% of the households at or below 80% of the median income adjusted by household size.
- **Estimated number of first-time homebuyers to be assisted:** 5
- **Housing stock to be purchased (types, unit sizes, etc.):**
According to the Applicant, the housing stock to be purchased will consist of existing and new single family detached units, condominiums and townhouses. When using city Homeownership assisted funds, buyers will be required to purchase units comparable to the household size.
- **Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:**
According to the Applicant, the program will reserve at least 40% of the certificates for federally designated target areas and at least 40% of the MCCs for families with incomes 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 available for 9 to 12 months and the anticipated monthly rate of issuance is 5 to 10 MCCs per month.
- **Other homebuyers assistance programs offered by participating jurisdiction(s):**
According to the Applicant, the City of San Francisco offers homeownership opportunities through its Downpayment Assistance Loan Program (DALP) and a silent second program that offers a loan up to \$100,000 as down payment assistance.
- **Additional features unique to the proposed Program:**
The City has adopted a policy of preserving the affordability of both ownership and rental housing to the maximum extent feasible for a period of fifty years. The policy will be applied to those development units and homeownership units that receive both MCCs and down payment assistance loans. The downpayment assistance loans associated with these units will be a second lien with a formula sharing the appreciation between the homeowner and the City. Repayment of shared assistance liens will be used to qualify new low and moderate-income households to purchase the units as they become available for sale.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are:

| Unit Type | Average Area Purchase Price* | Non-Target Area Max Purchase Price | Target Area Max Purchase Price |
|----------------|---------------------------------|---------------------------------------|-----------------------------------|
| New Units | \$ 729,750 | \$ 656,775 | \$ 802,725 |
| Existing Units | \$ 729,750 | \$ 656,775 | \$ 802,725 |

*This is established by (check one):
 IRS Safe Harbor limitations
 As determined by special survey
 Cal HFA Sales Price limits (High Cost Area only)

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

| | | |
|----------------|----|---------|
| New Units | \$ | 300,000 |
| Existing Units | \$ | 450,000 |

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: \$129,000

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 jurisdiction(s): 40%

Proposed maximum income limits:

| <u>Household Size</u> | <u>Non-Target Area</u> | <u>Target Area</u> |
|-----------------------|------------------------|--------------------|
| 1-2 persons | \$ 129,000 | \$ 154,800 |
| 3+ persons | \$ 148,350 | \$ 180,600 |

DESCRIPTION OF PUBLIC BENEFITS:

Past Program Performance:

| <u>Year</u> | <u>Amount of Allocation</u> | <u>Amount of Allocation Used</u> | <u>Number of MCCs Issued</u> | <u>Outstanding MCC Authority</u> |
|-------------|-----------------------------|----------------------------------|------------------------------|----------------------------------|
| 2008 | \$ 5,369,025 | \$ 5,368,361 | 37 | \$ 166 |
| 2009 | \$ 20,834,910 | \$ 20,799,811 | 113 | \$ 8,775 |
| 2010 | \$ 17,520,369 | \$ 10,712,451 | 85 | \$ 1,701,980 |

NOTE: The outstanding MCC authority is from \$12,000,000 of the bonus pool allocation which was awarded in December 2010. The 2010 allocation will be used prior to the 2011 allocation with the exception of the first issuance. We are having about 50 new and resale BMR units in the pipeline schedule to close in the next 12 months. We expect even more BMR units to be produced in the following year. We are in need for additional allocation to help lower income homebuyers to purchase their first home with the MCC assistance.

Pursuant to Section 5269 of the CDLAC Regulations, 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.