

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 21, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by: Sarah Lester

Applicant: CHF Homebuyers Fund

Contact Information:

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Allocation Amount Requested: \$63,833,263 **Converted MCC Authority:** \$15,958,316

Applicant's Fair Share Amount: \$63,833,263 **Converted MCC Authority:** \$15,958,316

Participating Jurisdictions:

Counties of Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, San Benito, San Bernardino, San Joaquin, San Luis Obispo, Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo, Yuba and the Cities of Redding and Vacaville

Allocation Information:

Date MCCs will be advertised: September 24 - 26, 2014
Expected issue date of first MCC: February 1, 2015
Program Status: Existing
Certificate tax credit rate: 20%

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

New construction units: 54 units (13%) with an average mortgage amount of \$223,155
Existing resale units: 346 units (87%) with an average mortgage amount of \$195,779
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$000,000
Total units: 400 units with and average mortgage amount of \$199,454

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

Past Performance:

The Applicant did not apply for its 2013 fairshare. Therefore, the 2013 minimum performance requirement that at least 40% of the program participants are lower-income households or located in a Qualified Census Tract does not apply.

The application indicates the applicant expects to meet the 2015 minimum performance requirement that at least 40% of program participants will be lower-income households.

Background:

At the December 10th CDLAC meeting, the Governor's Office requested that the Committee delay a portion of the award of CRHMFA's 2014 fairshare allocation in the amount of \$68,833,263 for its MCC program. The request was made out of concern that CalHFA's pending lawsuit against CRHMFA may negatively impact CRHMFA's ability to actively administer its existing MCC program. At the same, the Governor's Office was concerned that totally denying CRHMFA's award request would prevent potential first-time homebuyers already in the closing process from being able to receive their needed MCC and close on their home purchase on-time. Further, it was hoped that CRHMFA and CalHFA could restart their discussions and hopefully reach an agreement between both parties before the next CDLAC meeting in January. Therefore, the Committee adopted a motion approving a portion of CRHMFA's award request in the amount of \$5 million. This would ensure that the program would not experience any program delays between December 2014 and January 2015 due to a lack of available MCC authority. It was also agreed upon that CRHMFA could return for the balance of its requested allocation on January 21, 2015 if an agreement was reached and the lawsuit avoided. Staff has since been informed by both parties that a tentative agreement has been made and consideration of the balance of allocation should be recommended for approval.

Recommendation:

Staff recommends that the Committee approve an amount of \$63,833,263 in 2015 tax-exempt bond allocation to the CHF Homebuyers Fund for the Mortgage Credit Certificate Program. This amount is the balance of the Applicant's unwarded 2014 fair share amount.

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:** 400
- **Housing stock to be purchased (types, unit sizes, etc.):**
According to the Applicant, the housing stock to be purchased under the program will consist of single family detached homes and condominiums. Home size is expected to range from 2-4 bedrooms and 1-2.5 baths with square footage ranging from 1,000-2,200 square feet.
- **Specific reservations of MCCs for purposes such as low-income targeting, new construction, etc.:**
According to the Applicant, the program will reserve at least 20% 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 12-18 months and the anticipated monthly rate of issuance is 25-30 MCCs per month.
- **Other homebuyers assistance programs offered by participating jurisdiction(s):**
According to the Applicant, CHF MCC Program may be used in connection with other local grant and/or subordinate loan programs. The Applicant states that homebuyers may be offered a second mortgage up to 3% of the purchase price bearing interest at a rate not to exceed 9% per annum (subject to change). The second mortgage may have a 15-year term. Other CHF homebuyers assistance programs are also under discussion. However, plans for these programs have not been finalized at this time according to the Applicant.
- **Additional features unique to the proposed Program:**
None indicated.

PURCHASE PRICE INFORMATION:

The proposed maximum limits are: Maximum purchase prices will vary from county to county and are based on the IRS safe-harbor limitations for single-family residences. Please see the attached table of Maximum Purchase Prices for the participating counties.

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

New Units	\$231,087
Existing Units	\$203,638
Rehabilitated Units	\$0

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: Various

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): 20%

Proposed maximum income limits:

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	Various	Various
3+ persons	Various	Various

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>
2011	Did Not Apply	N/A	N/A	N/A
2012	\$150,008,330	\$72,922,722	453	\$19,271,402 *
2013	Did Not Apply	N/A	N/A	N/A
2014	\$5,000,000	\$0	0	\$1,250,000

* **NOTE:** In 2009, the Committee awarded \$203,676,295 in carryforward single family housing mortgage revenue bond (MRB) allocation to the Applicant. In 2010, the Committee approved the Applicant's request for authorization to utilize \$53,667,965 of the 2009 MRB carryforward for a mortgage credit certificate (MCC) program, which they were able to utilize to provide 368 MCCs to first time homebuyers. In 2012, the Committee also approved the Applicant's request for authorization to utilize the remaining \$150,008,330 for an MCC program, of which the Applicant was able to utilize half to provide 453 MCCs to program participants. Unfortunately, due to the expiring federal deadline, the Applicant will lose the remaining unused amount of 2009 carryforward allocation awarded in 2012.

The Applicant also received a modified award of \$5,000,000 in December 2014.

Pursuant to Section 5269 of the CDLAC Regulations, the Applicant has:

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.