

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
MORTGAGE CREDIT CERTIFICATE PROGRAM

Prepared by: Sarah Lester

Applicant: Los Angeles County Development Authority

Contact Information:

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Allocation Amount Requested: \$70,000,000 **Converted MCC Authority:** \$17,500,000

Applicant's Fair Share Amount: \$41,202,285 **Converted MCC Authority:** \$10,300,571

Participating Jurisdictions:

Cities of Alhambra, Artesia, Avalon, Azusa, Baldwin Park, Bellflower, Bell Gardens, Burbank, Carson, Claremont, Commerce, Compton, Covina, Cudahy, Culver City, Diamond Bar, Downey, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Irwindale, Lakewood, Lancaster, La Mirada, La Verne, Lawndale, Lomita, Long Beach, Lynwood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Paramount, Pasadena, Pico Rivera, Pomona, Rancho Palos Verdes, Santa Clarita, San Dimas, San Fernando, Signal Hill, South El Monte, South Gate, West Covina, West Hollywood, Whittier and the unincorporated areas of Los Angeles County.

Allocation Information:

Date MCCs were advertised: May 23, 2019
Expected issue date of first MCC: September 3, 2019
Program Status: Existing
Certificate tax credit rate: 20%

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

New construction units: 4 units (2%) with an average mortgage amount of \$343,000
Existing resale units: 146 units (98%) with an average mortgage amount of \$343,000
Rehabilitated units: 0 units (0%) with an average mortgage amount of \$000,000
Total units: 150 units with an average mortgage amount of \$343,000

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

Past Performance:

The application indicates the applicant met the 2018 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 2019 minimum performance requirement that at least 40% of program participants will be lower-income households.

Recommendation:

Staff recommends that the Committee approve a reduced amount of \$41,202,285 in tax-exempt bond allocation to the Los Angeles County Development Authority for the Mortgage Credit Certificate Program. This is the Applicant's 2019 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:** 150
- **Housing stock to be purchased (types, unit sizes, etc.):**
According to the Applicant, the housing stock to be purchased will consist of single family homes and detached condominiums/townhomes with approximately 3 bedrooms and 1 bathroom with an average purchase price of \$480,000.
- **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 24 months and the anticipated monthly rate of issuance is 8 MCCs per month. However, based on the information provided in the application, MCCs are expected to be available for about 12 months.
- **Other homebuyers assistance programs offered by participating jurisdiction(s):**
Home Ownership Program (HOP)
This program is designed for homebuyers with incomes that do not exceed 80% of HUD median income and can be utilized in the unincorporated area of Los Angeles County or a participating city. This is a silent second trust deed loan program. The maximum loan amount is \$75,000.

Southern California Home Financing Authority (SCHFA)
SCHFA provides down payment and/or closing costs assistance in the form of a gift equal to 4% of the first loan. This program is designed for homebuyers whose income does not exceed 140% of HUD area median income and can be utilized in the county of Los Angeles, excluding the City of Los Angeles areas.

Other Programs
The homebuyer may use downpayment and closing cost assistance programs offered by local jurisdictions where the property is located.

- **Additional features unique to the proposed Program:**
None indicated.

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	\$726,537	\$653,883	\$799,191
Existing Units	\$726,537	\$653,883	\$799,191

*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:

New Units	\$530,000
Existing Units	\$480,000
Rehabilitated Units	N/A

MAXIMUM INCOME LIMITATIONS:

Area median income on which maximum program limits are based: \$125,280

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	\$125,280	\$125,280
3+ persons	\$146,160	\$146,160

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>
2016	\$40,000,000	\$40,000,000	163	\$0
2017	Did Not Apply	N/A	N/A	N/A
2018	\$50,000,000	\$36,903,284	107	\$3,274,179

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.