



REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: February 21, 2018

REPORT NO: HAR18-012

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of March 13, 2018

SUBJECT: Application for Mortgage Credit Certificate Allocation

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

That the Housing Authority of the City of San Diego grant approval for the San Diego Housing Commission to submit an application on behalf of the City of San Diego for a Mortgage Credit Certificate Program allocation of up to \$25 million to assist first-time homebuyers in the City of San Diego.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Authorize the President and Chief Executive Officer (President & CEO) of the San Diego Housing Commission (Housing Commission), or designee, on behalf of the Housing Authority, to submit one or more applications to the California Debt Limit Allocation Committee (CDLAC) during calendar year 2018 for Mortgage Credit Certificate (MCC) Program allocations in an aggregate total up to \$25 million for use in the City of San Diego;
- 2) Authorize the Housing Commission to increase its MCC application fee to \$620 for each prospective homebuyer;
- 3) Authorize the Housing Commission's President & CEO, or designee, to:
 - a. Execute any and all documents necessary to effectuate the transaction and implement the project in a form approved by General Counsel, and to take such actions as are necessary, convenient and/or appropriate to implement the approvals upon advice of General Counsel; and
 - b. Further authorize the President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel.

SUMMARY

The MCC Program, authorized by Congress under the Federal Tax Reform Act of 1984, provides financial assistance for the purchase of owner-occupied housing. In 1985, the State of California (State) adopted legislation authorizing local bond issuing agencies to make MCCs available in California. The program is designed primarily to benefit first-time homebuyers of new or existing housing units throughout the State. Applications for MCC allocations are made by local agencies, such as the Housing Commission, to CDLAC.

The Internal Revenue Code sets the guidelines for income and purchase price limitations. MCCs can be issued in designated high cost areas and in targeted census tracts to buyers earning up to 140 percent of Area Median Income (AMI). Sales price limits are based on the average area purchase price safe harbors as published annually by the IRS. The limits are set at 90 percent and 110 percent of the average area purchase price in non-targeted and targeted areas respectively.

The Local Program

An MCC reduces the federal income tax liability of the homebuyer, resulting in an increase in the homebuyer's net earnings and an increase in the homebuyer's capacity to qualify for a home loan. The homebuyer may apply for an MCC as a stand-alone application or in conjunction with the Housing Commission's first time homebuyer deferred loan and closing cost grant programs. Homebuyers work with one of the Housing Commission's participating lenders to submit the application while in escrow to purchase their home. Housing Commission staff reviews the application for program compliance and issues the MCC commitment. The MCC is issued to the homebuyer after the close of escrow and is registered with the IRS. It is good for the life of the loan; it is non-transferable; and it is revoked if the certificate holder moves out of the qualifying home.

Since the inception of the City of San Diego's MCC Program in August 1990 (approved in report HCR 89-140), the Housing Commission has issued 3,574 MCCs to assist households with their home purchase.

The current MCC program parameters are as follows:

Eligible Area:	City of San Diego
MCC Credit Amount:	20%
Income Limit:	
1 - 2 persons	120% AMI (currently \$109,080)
3 + persons	140% AMI (currently \$127,260)
Sales Price Limit:	
Targeted	110% of Average Area Purchase Price (currently \$689,765)
Non-Targeted	90% of Average Area Purchase Price (currently \$564,353)
Application Fee:	
Standalone	\$500
With SDHC Loan & Grant	\$300

Recommended Changes

To help cover the costs of the California Debt Limit Allocation Committee application fee, MCC program administration and participant application processing, staff is recommending the application fee be increased to \$620 for all MCC applications.

The Allocation Request

The requested \$25 million allocation would help approximately 110 families purchase a home. The IRS requires 20 percent of the allocation be set aside for targeted census tracts for a period of one year, and CDLAC requires 40 percent of the allocation be reserved for low-income households. During Fiscal Year 2018 (July 1, 2017 – Present), the May 2017 MCC allocation of \$8.8 million was committed to households in the following categories:

Category	Percentage
Low Income (80% AMI, currently \$72,750 for a family of 4)	44%
Targeted Census Tracts	31%
Non-Targeted Census Tracts	24%

It is unlikely that a \$25 million MCC allocation will be received in the first application round for 2018. Therefore, if additional funding is needed, staff is requesting authorization to submit additional MCC application(s) to CDLAC in 2018 up to the approved \$25 million in total allocation.

The following table shows the MCC allocations received over the past 5 years.

Year	Allocation	Percentage Allocated as of March 2018	No. Assisted
2013	\$8.8 million	100%	57
2014	\$25 million (2 awards received)	100%	125
2015	\$0 (no application submitted)	n/a	0
2016	\$0 (no application submitted)	n/a	0
2017	\$8.8 million	100%	39

AFFORDABLE HOUSING IMPACT

With an award of \$25 million, approximately 110 MCCs will be issued to first-time homebuyers in a two-year period.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action will be in the Fiscal Year 2019 (July 1, 2018 – June 30, 2019) Housing Authority approved budget. It is anticipated staff will issue approximately 55 MCCs from this award during Fiscal Year 2019 and 55 MCCs during Fiscal Year 2020.

February 21, 2018
Application for Mortgage Credit Certificate Allocation

Fiscal Year	Sources		Uses	
2019	MCC Fees (55 @ \$620)	\$34,100	CDLAC Application Fee	\$ 8,750
2020	MCC Fees (55 @ \$620)	\$34,100	Program Administration	\$59,450
	TOTAL	\$68,200	TOTAL	\$68,200

ENVIRONMENTAL REVIEW

The submission of an application for the MCC Program is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Carrie Tapia

Carrie Tapia
Housing Programs Manager
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO APPROVING THE SUBMISSION OF AN APPLICATION AND PAYMENT OF THE REQUIRED DEPOSITS BY THE SAN DIEGO HOUSING COMMISSION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR A MORTGAGE CREDIT CERTIFICATE ALLOCATION OF UP TO \$25 MILLION DURING CALENDAR YEAR 2018.

WHEREAS, Section 146 of the Internal Revenue Code of 1936 limits the amount of Mortgage Credit Certificates (MCC) that may be issued in any calendar year by entities within a state and authorizes the legislature of such state to provide the method of allocation within the state; and

WHEREAS, applicable law requires a local agency to file an application with the California Debt Limit Allocation Committee (Committee) prior to the issuance of MCCs; and

WHEREAS, supporting homeownership is adopted City policy and MCCs are an effective and efficient means to facilitate homeownership; NOW, THEREFORE,

BE IT RESOLVED, by the Housing Authority of The City of San Diego, that the President and Chief Executive Officer (President & CEO) of the San Diego Housing Commission (Housing Commission), or designee, is hereby authorized, on behalf of the Housing Authority of the City of San Diego, to submit applications between March 13, 2018, and December 31, 2018, , to the Committee for allocations totaling \$25,000,000 with respect to MCCs to be issued by the Housing Authority in an aggregate principal amount not to exceed the maximum allowed by the state.

BE IT FURTHER RESOLVED, that the increase to the MCC application fee, as detailed in Housing Authority Report No. HAR18-012, is approved.

BE IT FURTHER RESOLVED, that the President & CEO, or designee, is authorized to:

a. Execute any and all documents necessary to effectuate the transaction and implement the project in a form approved by the Housing Commission's General Counsel, and to take such actions as are necessary, convenient, and appropriate to implement the approvals, upon advice of General Counsel; and

b. Take such actions as are necessary, convenient, and appropriate to implement this approval and delegation of authority by the Housing Commission, upon advice of General Counsel.

APPROVED: MARA W. ELLIOTT, General Counsel

By _____
Keely M. Halsey
Deputy General Counsel



The City of San Diego
Item Approvals

Item Subject: Mortgage Credit Certificate Allocation

Contributing Department	Approval Date
DOCKET OFFICE	02/28/2018

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	DAVIS, JEFF	02/21/2018
DEPUTY CHIEF OPERATING OFFICER	GRAHAM, DAVID	02/28/2018
CITY ATTORNEY	REISCH, KEVIN	03/01/2018