



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: March 9, 2018 HCR18-032
SUBJECT: Application for Mortgage Credit Certificate Allocation
COUNCIL DISTRICT(S): Citywide
ORIGINATING DEPARTMENT: Real Estate
CONTACT/PHONE NUMBER: Ann Kern (619) 578-7582

REQUESTED ACTION:

The San Diego Housing Commission recommends that the Housing Authority of the City of San Diego approve the submission of an application on behalf of the City of San Diego for a Mortgage Credit Certificate (MCC) Program allocation of up to \$25 million to assist first-time homebuyers in the City of San Diego.

EXECUTIVE SUMMARY OF KEY FACTORS:

- If the Housing Commission receives less than a \$25 million allocation, staff requests authorization to submit additional MCC applications to CDLAC in 2018 up to the approved \$25 million in total allocation;
- The MCC program offers a 20% federal income tax credit to households earning up to 140% of area median income (currently \$127,260);
- Approximately 110 families would be assisted with a \$25 million allocation;
- Staff recommends approval to increase the MCC application fee paid by buyers to \$620 in order to cover program administration costs.



REPORT

DATE ISSUED: March 1, 2018

REPORT NO: HCR18-032

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 9, 2018

SUBJECT: Application for Mortgage Credit Certificate Allocation

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

The San Diego Housing Commission recommends that the Housing Authority of the City of San Diego approve the submission of 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 San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Approve the submission of an application and payment of required application fee to the California Debt Limit Allocation Committee (CDLAC) for a Mortgage Credit Certificate (MCC) Program allocation of up to \$25 million;
- 2) If the Housing Commission receives less than a \$25 million allocation, authorize staff to submit additional MCC applications to CDLAC in 2018 up to the approved \$25 million in total allocation;
- 3) Approve recommended increase to the MCC application fee, as detailed in the summary of this report;
- 4) Authorize the President and Chief Executive Officer (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.

March 1, 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.