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San Diego Housing Commission (SDHC) Mortgage Credit Certificate Allocation Presentation to the Board of Commissioners June 14, 2019

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SDHC – Mortgage Credit Certificate Program

Staff Recommendations

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 for a Mortgage Credit Certificate Program allocation of up to \$25 million in Fiscal Year 2020.
- 2) Authorize the San Diego Housing Commission (Housing Commission) to submit additional MCC applications, if necessary, in Fiscal Year 2020, up to the approved \$25 million total allocation.
- 3) Authorize the Housing Commission's President & CEO, or designee, to execute any documents and take such actions as are necessary to implement these approvals, upon advice of General Counsel.





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SDHC – Mortgage Credit Certificate Program Funding

- Allocation of Private Activity Bonds transferred by the California Debt Limit Allocation Committee to the Housing Authority of the City of San Diego.
- The Internal Revenue Service (IRS) Tax Code sets the guidelines for income and purchase price limitations.
- The Bonds are converted to Mortgage Credit Certificates (MCC) and issued to individual households to assist with their home purchase.
- Since the program's inception in 1990, SDHC has issued certificates to 3,671 families in the City of San Diego.





SDHC – Mortgage Credit Certificate Program Definition

- 20 percent federal income tax credit based on the annual interest paid on the mortgage.
- Dollar-for-dollar savings on the participant's annual federal tax liability.
- Lenders utilize the credit as additional income for the buyer to qualify for a mortgage.
- Good for the life of the loan as long as the property is owner-occupied.



SDHC – Mortgage Credit Certificate Program Parameters

Eligible Area:	Entire City of San Diego
Credit Amount:	20%
Income Limit (2018 / 2019):	
1 - 2 persons - 120% AMI	\$116,760
3 + persons - 140% AMI	\$136,220
Sales price limit (2017 / 2018) :	
Targeted Census Tract	\$731,177
Non-Targeted Census Tract	\$598,235



SDHC – Mortgage Credit Certificate Program Example

First Trust Deed \$486,000
Interest Rate 5%
MCC Tax Credit 20%

	<u>With</u> MCC	<u>Without</u> MCC
Annual Income (Household Size – 1)	\$ 100,000	\$ 100,000
Exemptions	-\$ 10,300	-\$ 10,300
Real Estate Taxes	-\$ 6,750	-\$ 6,750
Interest Deduction	<u>-\$ 19,440</u>	<u>-\$ 24,300</u>
Taxable Earnings	\$ 63,510	\$ 58,650
Tax from Tax Table	\$ 11,640	\$ 10,440
First Year's MCC Credit	<u>-\$ 4,860</u>	<u>\$ 0</u>
Total Income Tax Liability	<u>\$ 6,780</u>	<u>\$ 10,440</u>





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Questions & Comments

