

CalHFA Multifamily Programs

Draft Policy for Use of Multifamily Subsidy Funds

July 14, 2015

Subsidy Funds

- Total of \$105 million multifamily subsidy funds under the Agency's control
 - RHCP - \$15 million
 - Earned Surplus - \$77 million
 - FAF Savings - \$14 million

Guiding Principals

- Further State housing policy
- Utilize CalHFA's strengths
- Maximize use of funds
- Fill largest housing needs

Draft Policy

- In order to have clear uses and requirements for the use of these subsidy funds, a draft policy has been developed, including:
 - Designated Uses of Funds
 - Allocation of Funds
 - Restrictions on Use
 - Priority Considerations

Designated Uses

- Focus on providing gap lending
- Assistance to troubled portfolio loans
- Financing tools to achieve lower cost of funds
- Programs will not be marketed, but provided as needed

Allocation of Funds

- Current expectation of 3 to 5 years of use prior to recycling
- Most efficient uses and fund recycling emphasized to maximize life of the funds
- Projects limited to \$25,000 per unit of subsidy and \$2.5 million in total subsidy

General Restrictions

- Any subsidy must be tied to a CalHFA 1st lien loan
- Subsidy must be identified as needed in CalHFA underwriting process
- Non-portfolio projects must be new construction or substantial rehabilitation

Financial Restrictions

- Two rules restricting project finances are proposed to ensure equitable and efficient use of the subsidy funds:
 - Equity cannot be taken out of the project prior to receiving subsidy funds
 - Developer fees will be restricted more than on general tax credit deals

Priority Considerations

- A list of factors has been developed to determine the eligibility priority of each project
- The priorities combine State housing goals and CalHFA business objectives
- Priority considerations will become necessary if demand becomes too great

Next Steps

- Board comments will be incorporated into final policy
- Uses of the subsidy funds will be regularly reported to the Board
- If necessary, changes to the policy will be reported to the Board

Staff Contacts

Tony Sertich

Acting Director of
Multifamily Programs

(916) 326-8657

Tsertich@CalHFA.ca.gov

Carr Kunze

Housing Finance Officer

(916) 326-8803

CKunze@CalHFA.ca.gov