

Multifamily Programs Process Review

California Housing Finance Agency
Board of Directors

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Topics

- CalHFA Multifamily Goals
- Competition & Advantages
- External Process Review
- Equity Out / Refinance Issues
- Subsidy Funds Policy
- Case Study

CalHFA Multifamily Goals

- Increase the availability of quality affordable rental housing for Californians by:
 - Financing preservation projects
 - Providing highest quality asset management
 - Ensuring strong underwriting and efficient loan processing
 - Partnering with other housing entities to best utilize resources

Competition & Advantages

- Main competition are commercial banks
- Weak tax-exempt bond market
- CalHFA Advantages:
 - Mission driven and housing focused
 - Governmental partnerships
 - Statewide focus
 - Subsidy funds allocated to affordable housing

External Process Review

- Completed by Sean Spear of 1410 Partners
- Recommended Improvements:
 - Creation of Credit Officer position
 - Formal cross-divisional loan review teams
 - More formal communication with borrowers
 - Better internal documentation of exceptions and loan details
- Recommendations already being implemented and expected to be finalized by July 1, 2016
- Staff trained on recommended processes and industry best practices

Equity Out / Refinance Issues

- Working with State housing partners to mitigate equity take-out concerns
- Focus is to ensure assets remain invested in affordable housing
- Housing projects with project based Section 8

Subsidy Funds Policy

- Challenge is to encourage creation and preservation of affordable housing while efficiently using scarce resources
- Policy provides flexibility to provide exceptions if necessary

Case Study

- Recent CalHFA preservation project
- Complex structure created challenges
- CalHFA portfolio senior housing project had layers of local subsidy debt
- Buyer saw opportunity to add local project based Section 8 vouchers

CalHFA Steps Up

- 40 year fully amortizing loan
- Waived nearly half of the yield maintenance payment
- Provided nearly \$2 million 55 year residual receipts loan at 2% simple interest
- Worked with governmental partners:
 - HUD age waiver
 - CDLAC bond issuance extension
 - Local subordination and timing issues

Lessons Learned

- Clearly communicate and document loan-terms and program requirements up-front
- Address project related issues before committing to deadlines
- Agree upon timelines with all parties
- When asked to defer developer fees, cost savings were discovered