



# Multifamily Loan Financing Strategy & 2023 Affordable Housing Revenue Bond Post-Sale Report

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## Overview

- To provide an overview of the Board approvals and the lending process that lead to the issuance of bonds to finance multifamily permanent loans
- To explain why CalHFA issues bonds to finance multifamily permanent loans
- To provide a post-sale report for the 2023 Affordable Housing Revenue Bonds

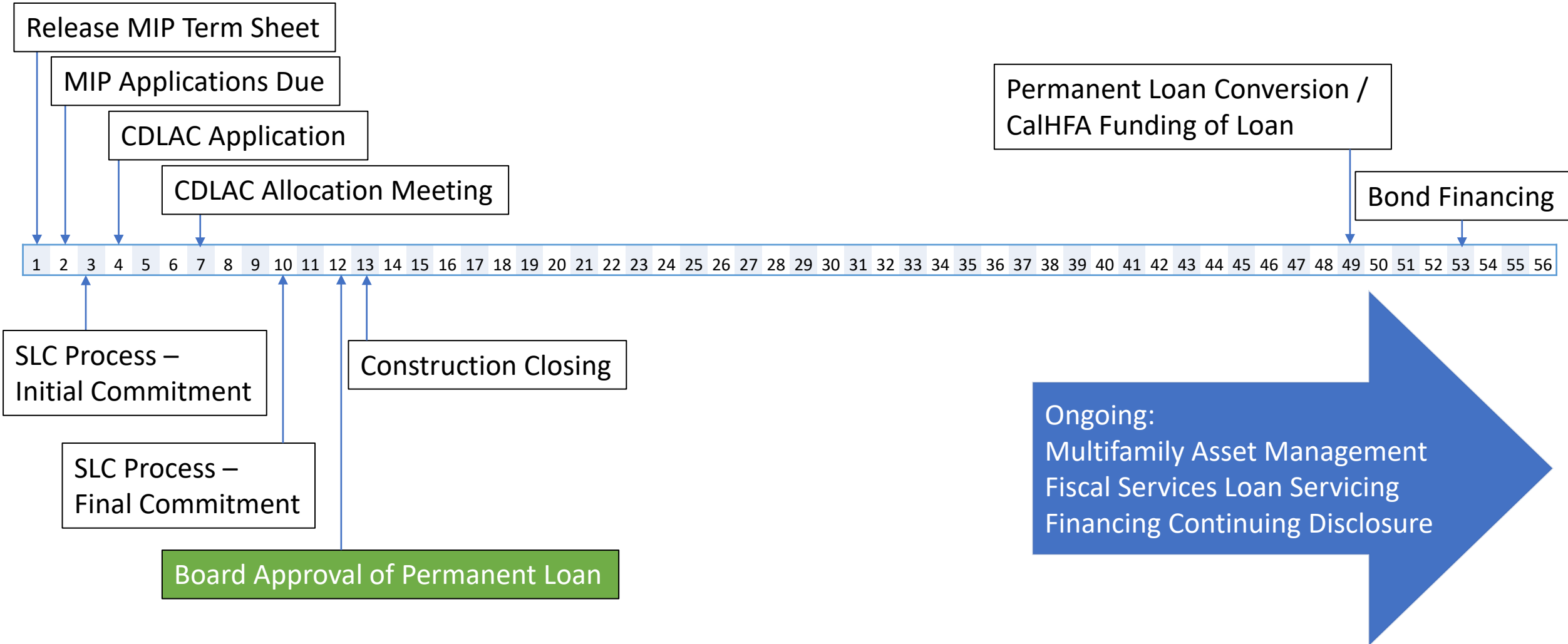


## Review of Board Actions

- CDLAC Resolution (*Annual Financing Resolutions*)
  - Allows CalHFA to apply for volume cap for projects
- Individual Development Permanent Loan Resolutions
  - Permanent Loans greater than \$15 million are approved by Board resolution
  - Since 2020, 85% of the volume of permanent loans have been approved by the Board vs. delegated authority
- Multifamily “Non-Bond” Resolution (*Annual Financing Resolutions*)
  - Allows CalHFA to warehouse permanent loans via Federal Home Loan Bank – San Francisco Loans until the issuance of bonds
  - Allows CalHFA to fund permanent and subordinate loans through Agency Funds
- Multifamily Bond Resolution (*Annual Financing Resolutions*)
  - Allows CalHFA to finance permanent loans through the issuance of bonds
  - 2023 Resolution included approval of the new Affordable Housing Revenue Bond Indenture
- Investment & Debt Management Policy
  - 2022 Resolution included a requirement for competitive RFQ process to select underwriters using the State Treasurer’s Underwriting Pool (1<sup>st</sup> competitive process since 2004)
  - Requires a post-sale report to the Board



# Illustrative Multifamily Financing Timeline (in months)

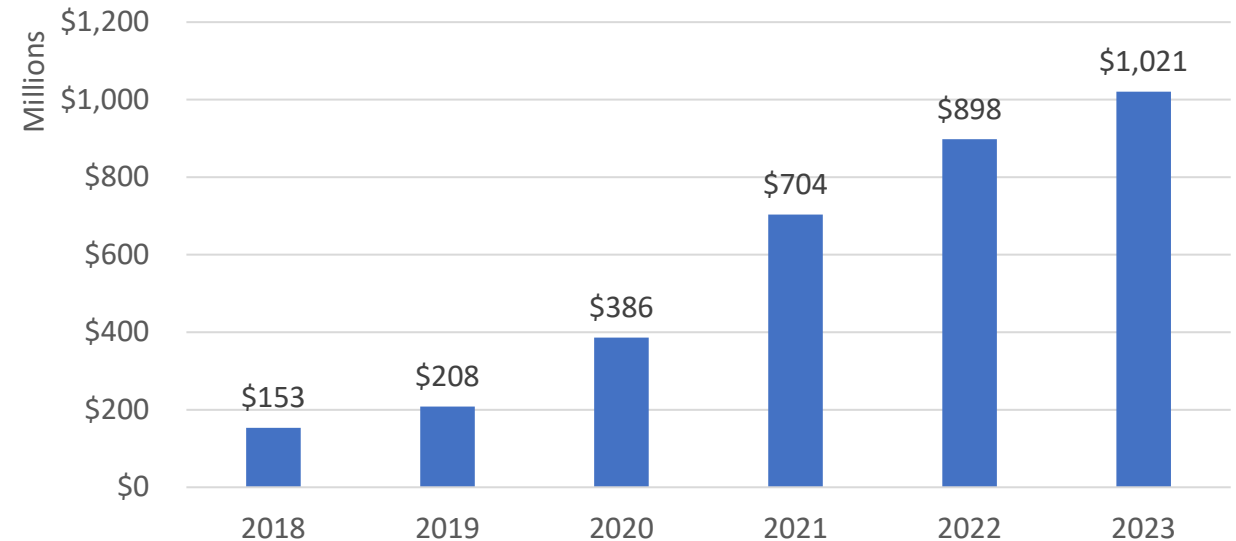




## Why Bonds?

- CalHFA's multifamily pipeline has expanded significantly over the past few years, with over \$1 billion in loans to fund in the next four years
- CalHFA can fund permanent loans through the issuance of bonds, the Federal Financing Bank and Risk-Sharing Program (FFB), or through balance sheet
- Since 2014, the Agency had generally used FFB to fund permanent loan commitments
- FFB ended under the Trump Administration in 2019 and restarted in 2021 under the Biden Administration – leaving certain loans unable to be financed with FFB
- Tax-Exempt bonds are the lowest cost of capital for CalHFA in the current market

**Outstanding Multifamily Permanent Loan Commitments by Fiscal Year**



Note: Commitments typically fund 36-42 months after construction close



## Objectives from the 2023 Affordable Housing Revenue Bonds

- Establish a flexible indenture to finance multifamily permanent loans that will be durable (MHRB III existed from 1997-2022)
- Remove CalHFA's general fund as a backstop for the bonds
- Include a second-party opinion to endorse CalHFA's "Sustainability" designation
- Align indenture with single family indenture as much as possible for administrative efficiency
- Encourage California individual investors to buy CalHFA bonds



# Questions