Multifamily Programs
Process Review

California Housing Finance Agency
Board of Directors

November 10, 2015
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