

CalHFA Multifamily Programs

Delegated Authority Discussion

July 9, 2020

Delegated Authority Discussion

- Report back from May 10, 2018 Board meeting regarding Executive Director's loan limit authority for financing multifamily housing: for discussion and Board direction
 - Then Director of Multifamily Programs presented the concept of increasing the loan lending authority for the Executive Director
 - “Members of the Board requested staff consider threshold options, risk factor exceptions, management reporting and annual Board review of the delegation authority while developing a recommendation. Also, staff will return to the Board with a report on the existing portfolio and pipeline, and Senior Loan Committee process.”

Delegated Authority Discussion

- Original authority granted November 8, 2001 via Resolution 01-37
 - Authority for multifamily projects with aggregate loan amounts totaling less than \$4 million defined as “Small Projects”.
 - No Changes made to the delegated approval authority in 19 years while major changes to the affordable housing market and development environment:
 - Increased Need
 - Increased Complexity
 - Increased Cost
 - CalHFA responded to market and development environment changes by improving the quality and depth of project feasibility analysis:
 - Addition of the Multi-Family Credit Officer position in December 2016
 - Creation (2016) and ongoing improvements to the USRMs
 - Improvements to the Senior Loan Committee Process
 - Ongoing Improvements to Asset Management standards reflected in the following portfolio metrics as of 3/31/20
 - 734 Loans totaling \$1.2 billion in outstanding balances under management
 - .36% delinquency rate
 - 5 projects on Watch List due to compliance issues (not related to payment issues)
 - No COVID 19 related forbearance requests granted to date

Delegated Authority Discussion

- The amount of projects seeking board approval is on an upward trend...
 - Same amount of projects have come before the Board at the midway point of 2020 as there were in all of 2015 and 2016
 - The amount of projects that went to Board in 2018 alone equaled the combined total of the previous three years combined

Total Projects Seeking Board Approval By Year

Year	Number of Projects
2015	5
2016	5
2017	7
2018	17
2019	10
2020	5

Delegated Authority Discussion

- The average loan amount of projects coming before the board is also steadily increasing...
 - Nearly \$1 million increase in average amount between 2018 and 2020

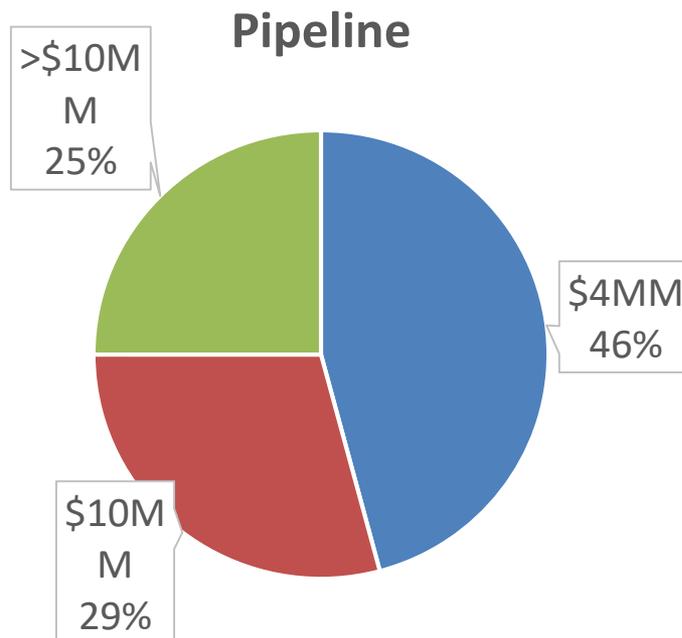
Average Loan Amount By Year

Year	Average Loan (\$)
2018	\$7,765,109
2019	\$8,107,875
2020	\$8,553,323

Delegated Authority Discussion

- Projects with large loan amounts account for a greater percentage of the pipeline...
 - 25% of loans in the CalHFA pipeline are \$10 Million or more; the largest percentage of \$10M+ loans in the past 3 fiscal years (FY 18: 17%; FY 19: 19%; FY 20: 15%)

Pipeline Percentages By Loan Size



Delegated Authority Discussion

- CalHFA is no longer targeting small loans (loans of \$4 Million or less) and has discontinued the Small Loan Program
 - The 25% figure noted on the previous slide is driven down by the legacy small loans that are still in the pipeline
 - Once the legacy small loans work their way through the pipeline, all CalHFA loans will be presented to the Board for approval
- Current delegated authority amount (\$4 million) is no longer relevant
 - With the discontinuation of the Small Loan Program, there will no longer be any loans that can be approved at the staff level
 - The current delegated authority amount was set by the Board in 2001 – CalHFA operations, the market, and loan amounts have changed dramatically since then
- Multifamily staff intends to bring an item forward at the next board meeting for discussion of potential increase in Executive Director Delegated Authority.