



Public Meeting Agenda

California Housing Finance Agency New Opportunities Committee  
Monday, September 16, 2024  
9:00 a.m.

500 Capitol Mall  
14<sup>th</sup> Floor Main Conference Room  
Sacramento, CA 95814  
916.326.8088

This meeting is also available to view via Zoom. Click on the link to register:

[https://events.zoom.us/ev/AtQUQksGrkm-Gz19P7wglTI7huy64g7P\\_HMw1TyipipWhhOxio\\_n~Ao23gGo0SvofF7IxihhfnTVAoVtygS5l8oHLpVk9Ccav6BZO7ZmcsbBHFA](https://events.zoom.us/j/9163268088)

- 1. Roll Call
- 2. Approval of the meeting minutes of the August 22, 2024 meeting ..... 1
- 3. Chairperson comments
- 4. Review and discuss local housing investment partnership program concept ..... 3
- 5. Other committee matters
- 6. Public comment: Opportunity for members of the public to address the Committee on matters within the Committee’s authority
- 7. Adjournment

NOTES

Public parking for 500 Capitol Mall is available at:1) Building parking structure with entrance on N street (\$2 per 20 minutes, \$6 per hour, \$24 daily maximum); 2) Limited metered street parking; and 3) Other nearby parking structures (costs vary)

## MINUTES

**California Housing Finance Agency (CalHFA)  
New Opportunities Committee Meeting  
August 22, 2024  
Meeting noticed on August 12, 2024**

### **1. Roll Call**

The California Housing Finance Agency New Opportunities Committee Meeting was called to order at 09:12 a.m. by Chairperson White. A quorum of members was present.

MEMBERS PRESENT: Cervantes, Cabildo, Johnson Hall, White

MEMBERS ARRIVING

AFTER ROLL CALL: Grant (for Moss)

MEMBERS ABSENT: None

STAFF PRESENT: Chris Shultz, Claire Tauriainen, Courtney Pond, Ellen Martin, Erwin Tam,

### **2. Approval of the meeting minutes of the July 25, 2024, Meeting**

On a motion by Cervantes, the minutes were approved by unanimous consent of members present.

### **3. Chairperson comments**

Chair White thanked staff for their diligent work and expressed his gratitude to Board Chair Cervantes and Executive Director Johnson Hall for his appointment as Chair of the Committee.

### **4. Review and discuss an enhanced MyHome program concept**

*Presented by Ellen Martin*

Director of Homeownership Ellen Martin presented to the Committee a proposal for a new program option that would allow borrowers an additional 2.5% in down payment and closing cost assistance. After a discussion, the Committee agreed that staff should move forward with pursuing this new business initiative.

### **5. Review and discuss Employer Based Shared Appreciation Program concept**

*Presented by Ellen Martin*

Martin presented to the Committee a proposal for an employer based shared appreciation loan program. After a discussion, the Committee agreed that staff should move forward with pursuing this new business initiative.

#### **6. Other Committee matters**

Chair White asked if there were any other Committee matters to be discussed and members agreed to hold another meeting prior to the September 19 Board meeting.

#### **7. Public comment**

Chair White asked if there were any comments from the public and there were none.

#### **8. Adjournment**

As there was no further business to be conducted, Chair White adjourned the meeting at 10:36 a.m.



September 16, 2024

## **Local Housing Investment Partnership Program Concept**

**Program concept:** A CalHFA program designed to partner with local public agencies to fast-track new construction of affordable multifamily rental housing serving households from 50% to 120% of AMI with an innovative development and financing model.

### **Problem statement and background**

California's current Regional Housing Needs Assessment calls for over 2.5 million new units in California, with 1 million being affordable, by January 31, 2032. The State's ability to directly support new multifamily rental housing projects for low- and moderate-income households is limited as the available bond volume cap, State Tax Credits and Federal Low Income Housing Tax Credits (LIHTC) can only support construction of approximately 17,000 affordable units per year.

Additionally, the majority of the State's allocated resources described above are focused on LIHTC projects, which overwhelmingly serve 80% of AMI and below, leaving out almost entirely the housing needs of middle-income AMI categories (80% to 120% of AMI) including Californians employed in education, healthcare, other local public services, and essential workers.

### **Preliminarily viable:**

Yes. The development and financing plan is financially and economically feasible based on preliminary analysis which included policy considerations, statutory and regulatory requirement analysis at a program level.

Staff has already conducted an initial analysis that reviewed financial and development risks and proposed mitigation measures. This analysis was led by the Director of Financing and was internally vetted by members from the Financing, Multifamily, Legal, and Enterprise Risk Management and Compliance divisions of the Agency.

The analysis reviewed project eligibility (affordability and income restrictions), initial capital outlay, projected cashflow, legal and financial structuring, and stakeholder identification.

### **Policy or business objective:**

The overall policy objective of this program is to position CalHFA as a key State Agency in addressing California's current affordable housing supply challenges. This will be achieved by unlocking the potential benefits of low-cost tax-exempt debt with CalHFA

as issuer; full property tax exemption due to public ownership of the projects; and win-win state-local partnerships with CalHFA's role as development partner and potential investment partner with land contribution by local agency, to create a financially viable project without reliance on the state's constrained resources.

The overall business objective of this program supports the financial sustainability of the Agency by supporting the diversification and growth of multifamily revenues. CalHFA's sole multifamily lending business line currently is its Mixed Income Program (MIP). On an annual basis, CalHFA finances approximately 2,000 units across 12 projects in California under MIP. These projects require volume cap as allocated by CDLAC, state and federal tax credits as allocated by CTCAC, and MIP subordinate loans funded by the State appropriation of a portion of the SB 2 revenues. CalHFA currently has an allocated MIP pool of ~11% of the QRRP volume cap and \$200 million of State Tax Credits which is not permanent.

Additionally, the SB 2 revenues have been declining due to the decrease in real estate activity in the State directly impacting the Agency's ability to maintain its MIP program. The Agency cannot rely on MIP loan repayments to sustain this program because these loans are structured as residual receipt loans.

Goal 2, Objective 1, Initiative 1 of the CalHFA Strategic Plan calls for the exploration of opportunities with Local Public Agencies (LPAs) to support the development and operation of affordable housing in California. While this initiative is in the financial sustainability goal for CalHFA, it is directly tied to the Multifamily production growth targets in Goal 1.

To address this initiative, CalHFA is working on a release of a Request for Information (RFI) to Local Public Agencies soliciting their interest, requirements, and input in partnering with the Agency and exploring avenues of participation in the proposed development model. The draft RFI prepared by the Agency currently contemplates two options as listed below pertaining to ownership structure:

	Option "A"	Option "B"
Land Ownership	Local public agency (LPA)	Local public agency (LPA)
Improvement Ownership	Local public agency (LPA)	CalHFA
Cash Equity Investment	100% LPA	100% CalHFA
Pre-Development Cost	100% LPA	100% CalHFA
Program Manager	CalHFA	CalHFA
Perm Lender	CalHFA	CalHFA

### Why CalHFA?

CalHFA possesses a unique set of statutory powers that make it well-suited in its role as a long-term partner for the construction of new housing in California. CalHFA can finance affordable housing in any jurisdiction across the State. A brief comparison of CalHFA value-add is provided below when compared to the traditional Joint-Power Authority (JPA) model and the Local Public Agency (LPA) ownership model, which currently are the only players in the middle-income housing space.

	<b>LPA</b>	<b>JPA</b>	<b>CalHFA</b>
<b>Essential Purpose Bond Exemption; property tax exemption</b>	Yes	Yes	Yes
<b>Public/Essential workforce Housing Expertise</b>	Limited	No	Yes
<b>On-Balance Sheet Lending</b>	Maybe	No	Yes
<b>Scalable</b>	No	Maybe	Yes

Based on various public reports and media articles, as well as CalHFA's discussion with prior JPA model projects sponsors, CalHFA has gained valuable insights into the challenges faced by these projects currently, from both the financial and operational perspectives.

#### **Eligibility/population served:**

As currently contemplated, a potential RFI would evaluate minimum affordability of 10% at 50% of AMI and 15% at 80% of AMI, with the remaining units held to the lower of a discount to market rents or 120% of AMI.

#### **Funding source:**

Option "A": CalHFA multifamily indenture or other new indenture.

Option "B": CalHFA multifamily indenture or other new indenture; possible new subordinate indenture; possible use of balance sheet

#### **Preliminary estimate of capital required:**

Option "A": None. Capital Markets borrowing for perm lending.

Option "B": Equity investment to the extent supported by RoE requirements. To be further evaluated depending on future qualified developments as approved by the Board of Directors. Debt financing for perm loans through Capital Market borrowing.

**Preliminary estimated 5-year revenue:**

Option "A": CalHFA would earn a spread on its permanent loan lending and a success fee contingent upon permanent loan conversion.

Option "B": CalHFA would earn a spread on its permanent loan lending and a success fee contingent upon permanent loan conversion and ongoing net operating income. Return on Equity, minimum threshold established by the Agency.

**Preliminary estimated 5-year costs:** Option "A": Incremental costs related to staffing and other internal resources for loan origination, loan closing, asset management and monitoring and compliance tasks.

Option "B": CalHFA will prepare a detailed estimate of the costs for internal resources and external services to be engaged for each stage – predevelopment, development and operations.

**Rate of return:**

Option "A": N/A

Option "B": Target of between 3% and 5% for potential equity investment.

**Other benefits:**

Alignment with the 2022 Statewide Housing Plan's Objectives 2 and 3.

Long-term financial sustainability for the Agency and the support of CalHFA balance sheet growth through new asset class addition through ownership.

**Challenges and other considerations:**

Depending on feedback and information received from potential local public agency partners, the various options would require an expansion in the types of services CalHFA currently offers. This may require new staffing across the Agency, particularly Multifamily Programs, which would be supported by the new revenue generated through the program.

**Enterprise/Financial Risk and Mitigants:**

In December 2022, CalHFA conducted a preliminary risk assessment for a potential middle income initiative that reviewed capacity, financial, reputational, market, and legal risks. The risks were divided into distinct phases of development – pre-development, construction, and project operations.

**Process/timeframe:**

A RFI is being developed to solicit feedback and information from local public agencies. The results from the RFI would be presented to the Board later in FY 24-25 for further consideration.