

AGENDA #6

BOND RECYCLING PROGRAM UPDATE

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BOND RECYCLING PROGRAM UPDATE

OVERVIEW



- CalHFA established a bond recycling program in 2020 to expand access to lower cost financing for affordable housing developments through tax-exemption
- CalHFA's bond recycling program is currently one of a few recycling programs offered by HFAs
- Recent developments have impacted the program, including the conclusion of CalHFA's 5-year partnership with Apple and changes in law relating to affordable housing

BOND RECYCLING PRIMER



- “Bond Recycling” for private activity bonds was established by a change in Federal tax law in 2008
- Allows municipal issuers to redistribute the benefits of tax-exemption for private activity bonds for housing that would otherwise be extinguished through the paydown of tax-exempt bonds
 - CalHFA’s MIP transactions typically have at least 50% of Total Development Costs from equity and a permanent loan of about 25%
 - With the 50% test, there exists about 25% of the TDC that can possibly be preserved from every development, subject to additional restrictions
- Recycled volume cap does not carry any additional federal tax credits – its sole benefit is tax-exemption
- CalHFA preserves volume cap from financings through its Conduit Lending Program, Mixed-Income Program, and through its MOUs with local public entities (San Francisco and San Diego)
- Mechanics of bond recycling require a line of credit to maintain
- CalHFA does not act as an on-balance sheet lender for recycled bonds
- Developments that have construction periods greater than 48 months cannot have volume cap preserved under the program

BOND RECYCLING PROJECTS AND RESULTS WITH APPLE PARTNERSHIP



Since 2020, CalHFA issued \$602.4 million in recycled volume cap, serving to finance all or a portion of 6,999 units in California through tax-exempt bonds.

Purpose	Tax Credits	Recycled Volume Issued	Units
Mixed Income Program (MIP)	Yes	\$124.0 million	2,424
Other 4% New Construction	Yes	\$125.3 million	2,638
Acquisition/Rehab	Yes	\$27.2 million	774
Acquisition/Rehab	No	\$76.2 million	376
HCD Housing Accelerator	No	\$21.1 million	90
Affordable New Construction	No	\$228.6 million	697
Total		\$602.4 million	6,999

THE FUTURE OF BOND RECYCLING



- Over the past month, CalHFA has closed on \$300 million in lines of credit with the Royal Bank of Canada and US Bank replacing the prior line of credit
- The new 25% test will likely sunset the program over the short-term, with only current developments in construction that may be preserved
- Currently \$572 million in demand pipeline, including \$316.7 million in future allocations for 5035 Coliseum Street