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CalHFA's Innovative Bond Recycling Program ramps up

Recent recycling activities have the Agency poised to finance more affordable rental housing

SACRAMENTO, Nov. 23, 2021 — Following its launch last year, the California Housing Finance Agency's Bond Recycling Program has steadily gathered interest from local government partners as well as affordable housing developers, leading to today's announcement of two groundbreaking local partnerships that truly represent a milestone in the world of housing finance.

These partnerships, with the cities of San Diego and San Francisco, combined with the recent use of nearly \$50 million recycled bonds to finance a pair of affordable housing developments, constitute a large ramp-up of CalHFA's bond recycling activities. This first-of-its-kind-in-California program provides an option for additional financing to address the state's affordable housing crisis.

Partnering with those two cities will allow CalHFA to more easily collaborate with them to finance affordable housing developments in two of the state's most important markets.

"CalHFA's bond recycling program is an innovative approach to provide essential financing to support the creation and preservation of affordable housing in the City of San Diego and statewide," said Richard C. Gentry, President and CEO of the San Diego Housing Commission. "The San Diego Housing Commission is pleased to be among the first agencies in the state to collaborate with CalHFA on this important program."

The partnerships were approved last month at the San Francisco Board of Supervisors meeting and the San Diego City Council meeting.

"Access to low-cost capital is a critical piece of the Mayor's Office of Housing and Community Development's (MOHCD) strategy to build new and preserve existing affordable housing," said MOHCD Director Eric Shaw. "We're excited that the State is making additional resources available to invest in advancing housing opportunity in San Francisco."

Earlier this fall, CalHFA used recycled bonds to help finance two affordable housing developments that preserved a total of 206 unit of housing in Los Angeles and Chico, which saw its surrounding areas decimated in 2018 by the Camp Fire, the deadliest and most destructive in California history.

The Shermanaire Apartments in the Winnetka area of Los Angeles were naturally affordable – but not rent restricted – before a financing package that includes \$26.5 million in recycled bonds through CalHFA's program will allow for a rehabilitation. Shermanaire will also expand from 82 to 90 units and rents will now be restricted between 50% and 80% of the Area Median Income for the next 55 years.

The Cedar Village development in Chico is using \$20 million recycled bonds through the CalHFA program for rehabilitation and extend affordability for 55 years for senior residents in the hard-hit area of the state. The project features 116 units, which are made affordable through a combination of CalHFA's rent restrictions and project-based vouchers.

"These two projects are perfect examples of how recycled bonds can be used to finance projects that preserve vital California housing units without using the state's oversubscribed yearly volume cap, or any other state resources," said CalHFA Executive Director Tiena Johnson Hall.

Rather than using additional state resources, this affordable housing is made possible as part of Apple's \$2.5 billion affordable housing initiative to combat the housing crisis in California, announced in partnership with Governor Gavin Newsom and state and local partners. Apple has already deployed more than \$1 billion of its commitment, supporting housing opportunities across the state. As part of that commitment, Apple is supplying a credit facility that is key to making bond recycling work. This facility allows CalHFA to preserve and reuse tax-exempt bonds that would otherwise have been retired to provide low-cost financing to affordable housing projects.

CalHFA's Bond Recycling Program will be even more relevant if the bond-financing threshold is reduced from 50% to 25% in the Build Back Better legislation that the U.S. Senate will take up soon. If less volume cap is needed for affordable housing projects to access tax credits going forward, it will allow California to stretch its resources further to finance more affordable housing and recycling bonds is a key option to fill in gaps in tax-exempt debt financing.

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The California Housing Finance Agency was created in 1975 with the goal of helping more Californians find a place to call home. CalHFA has helped more than 201,000 low- and moderate-income homebuyers with \$32.6 billion in first mortgages and used \$6.1 billion in financing for the construction and preservation of more than 70,000 affordable rental housing units throughout the state. CalHFA is a self-supported state agency that doesn't rely on taxpayer dollars for its operational costs. For more information on CalHFA programs, and how we are creating progressive financing solutions for affordable housing in California, visit www.calhfa.ca.gov or call toll free at 877.9.CalHFA (877.922.5432).