MIXED-INCOME LOAN PROGRAM

The CalHFA Mixed-Income Program ("MIP") provides competitive long-term subordinate financing for new construction multifamily housing projects restricting units (tax credit or CalHFA) between 30% and 120% of county Area Median Income ("AMI").

The MIP must be paired with CalHFA's Conduit Bond Issuance Program and a CalHFA Mixed-Income Qualified Construction Lender (defined below). Additionally, the program must be paired with CalHFA's Permanent Loan product or a sponsor must work with a CalHFA Mixed-Income Qualified Permanent Lender (defined below). The Mixed-Income resources will take the form of a subordinate loan to incentivize newly developed multifamily housing projects that serve a range of very low to moderate income renters. Eligible projects must create newly constructed regulated units that meet the income and occupancy requirements reflected below.

Qualifications

APPLICATION:

Sponsors/developers must submit a complete application package which includes all items listed on the application, the application addendum and the checklist. Incomplete application packages will not be considered. The application and checklist can be found at www.calhfa.ca.gov/multifamily/mixedincome/forms/index.htm. If the sponsor/developer is not able to meet the readiness timeline referenced below, MIP funds may be rescinded and reallocated.

AVAILABILITY:

Available to for-profit, non-profit, and public agency sponsors. Development teams must meet CalHFA experience requirements, as defined in the CalHFA Development Team Qualifications section below.

USES:

MIP Subsidy loans must be used in conjunction with CalHFA's Conduit Bond Issuance Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender. MIP Subsidy loans must also be used in conjunction with CalHFA's permanent first-lien mortgage financing or financing from a CalHFA Mixed-Income Qualified Permanent Lender. CalHFA Mixed-Income Qualified Construction and Qualified Permanent Lenders are defined in the CalHFA Lender Qualifications section below.

FINANCING STRUCTURE:

Projects accessing the MIP Subsidy Loan funds must be structured as one of the following:

1. Tax-exempt Bond and 4% tax credit project where at least 51% of the units in each project must be tax credit financed, OR
2. Qualified mixed-income project under the California Debt Limit Allocation Committee's (CDLAC) regulations (50% or fewer units designated as tax credit or tax-exempt bond restricted) utilizing an allocation of private activity bonds to finance the project, OR
3. Qualified mixed-income project through income averaging.

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Qualifications (continued)

READINESS:

Projects must have site control and be prepared to submit for a bond and tax credit allocation and will only receive funds if bonds are issued within the issuance timeframes specified in CDLAC Regulations Section 5100.

1. **Site:** The site must be ready for construction (all potential environmental issues have been identified, mitigation plan is in place, and costs associated with the mitigation plan have been incorporated in the development budget). Environmental issues may include but not be limited to receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews.
2. **Construction Start:** All projects must commit to begin construction 180 days from the earlier of the date of the tax-exempt bond allocation or 4% federal/state tax credit reservation. Within the 180-day period the following items must be submitted to CalHFA in their final form:
   a. A complete updated application (inclusive of all CalHFA Addendum Items) form along with a detailed explanation of any changes from the initial application,
   b. An executed construction contract,
   c. Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this),
   d. Binding commitments for any other financing required to complete project construction,
   e. Copy of a limited partnership agreement executed by the general partner/sponsor and the investor limited partner/equity provider,
   f. Payment of all construction lender fees,
   g. Copies of buildings permits (a grading permit does not suffice to meet this requirement except that in the event that the city or county as a rule does not issue building permits prior to the completion of grading, a grading permit shall suffice; if the project is a design build project in which the city or county does not issue building permits until designs are fully complete, the city or county shall have approved construction to begin) or the applicable tribal documents,
   h. Copy of the notice to proceed delivered to the contractor,
   i. If no construction lender is involved, evidence must be submitted within 180 days, as applicable, that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred.
   j. Other documentation and information necessary to close construction financing required by CalHFA.

MIP ALLOCATION LIMITS:

1. **10% Project Cap:** No project may receive more than 10% of the total MIP allocation for the respective year.
2. **33% Sponsor Cap:** No sponsor (any individual, entity, affiliate and related entity) may receive more than 33% of MIP funds for the respective year.
3. **33% County Cap:** No one county may receive more than 33% of MIP funds for the respective year.
4. **25% Age-Restricted Cap:** No more than 25% of MIP funds for the respective year may be received by age-restricted projects.

EVIDENCE OF COST CONTAINMENT:

A Cost Containment Analysis will be completed by CalHFA at the time of the Construction Loan Closing. The developer/sponsor must certify that cost containment measures have been implemented to minimize construction costs. These measures may include but are not limited to 1) competitively bidding out all major subcontractor and self-performing trades 2) obtain 3 bids for all major trades and 3) engage value engineer/consultant during the design process.

Qualifications (continued)	EVIDENCE OF SUBSIDY EFFICIENCY:
	
	A Subsidy Efficiency Analysis will be completed as part of the Application review. The analysis will be completed again prior to closing the MIP Subordinate Loan and the MIP Loan amount may be adjusted based on the final analysis. Parameters of the analysis may include but are not limited to the following:
	
	• A maximum of 1.20 Debt Service Coverage Ratio ("DSCR"). CalHFA may allow an initial DSCR higher than 1.20 on a case by case basis, if deemed necessary;
	• A project cash flow that supports the residential component of the project based on the required CalHFA permanent first lien annual debt service coverage ratio;
	• A separate project cash flow that supports any commercial component of the project;
	• A cashflow after debt service that is limited to the higher of 25% of the anticipated annual must pay debt service payment or 8% of gross income, during each of the first 3 years of project operation;
	• Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards and Reference Manual ("USRM");
	• Developer Fee requirements will match those required under the 4% federal and/or state tax credit reservation.
	• Capitalized reserves shall be subject to approval by Agency for reasonableness consistent with the USRM and the Investor Limited Partnership Agreement (ILPA);
	• Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following:
	  · An increase in tax credit equity;
	  · An increase in permanent loan debt due to a combination of permanent loan rate reduction and/or reduction to operating expense assumptions;
	• Construction Cost Savings as evidenced by final cost certification, funds shall be used to reduce the MIP loan prior to CalHFA MIP loan closing or if required by other subordinate lenders, funds may be split on a pro rata basis between CalHFA and other subordinate lenders.

CalHFA Mixed-Income Qualified Lender Qualifications	A CalHFA Qualified Construction Lender is defined as a Construction Lender that has closed at least 5 construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last 3 years and satisfies the requirement set forth within the application. A CalHFA Qualified Permanent Lender is defined as a Permanent Lender that has closed at least 5 Permanent loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last 3 years and satisfies the requirement set forth within the application.
CalHFA Mixed-Income Development Team Qualifications	The **Developer/Co-Developer** must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer must have developed at least three (3) comparable projects within the past five (5) years. The proposed **Project Manager** must have personally managed the development of at least two (2) comparable projects within the past 5 years. **Financial Consultants** hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three (3) comparably financed projects over the last five (5) years.

CalHFA Mixed-Income Development Team Qualifications (Continued)	**Architects** new to CalHFA must provide information for three (3) comparable projects they designed that were built and occupied within the past five (5) years. **General Contractor (GC)** must be licensed by the State of California. GCs new to CalHFA must provide information related to three (3) comparable (in design) projects built in the past five (5) years. Similar information will be required for the proposed on-site construction supervisor. The on-site construction supervisor must have overseen three (3) comparable projects built in the past five (5) years, and they must have overseen the projects from construction start to final completion. **Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least ten (10) low to moderate income rent restricted Comparable (size and tenant types) Projects. Also required is a resume for the proposed on-site Property Manager, reflecting prior experience during the past five (5) years managing onsite project operations and compliance with rent restricted units.
Permanent First Lien Loan	Provided by CalHFA or a CalHFA Mixed-Income Qualified Permanent Lender. The permanent loan must meet an initial DSCR of at least 1.15 and must maintain a DSCR of 1.0 or higher for the term of the permanent first lien loan. CalHFA may require an initial DSCR higher than 1.15 on a case by case basis, if deemed necessary.
Construction First Lien Loan	Provided by a CalHFA Mixed-Income Qualified Construction Lender.
Limitations	1. MIP cannot be combined with the Tax Credit Allocation Committee's (TCAC) 9% program. 2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits). Inclusion of other subordinate debt and subsidy will be allowed at CalHFA's discretion. 3. Projects that have a below market rate component as a result of an inclusionary obligation or are 100% below market as a result of an inclusionary obligation must demonstrate master developer commitment through a dollar-for-dollar match of CalHFA's resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.) 4. At the time of MIP application to CalHFA, a project must not have already received an allocation of 4% federal and/or state tax credits from TCAC or a tax-exempt bond allocation from CDLAC. 5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.
Mixed-Income Project Occupancy Requirements	FEDERAL BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS): Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI"). MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS): Affordability Requirements: 1. To qualify, a project must have at least 10% of the total units restricted as follows*: a. 81% to 120% of AMI with an average of 100% of AMI or greater OR if the market study does not support restrictions at these levels,

Mixed-Income Project Occupancy Requirements (Continued)	b. 60% to 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below. *(Deviations from the average unit affordability levels of 70% AMI or 100% AMI outlined above will only be considered if market study supports such deviations.) 2. **AND** either a. Tax credit transactions that are income-averaged must not exceed an average affordability of 60% AMI across all restricted units, **OR** b. Mixed income per CDLAC definitions, a Qualified Residential Rental Project having 50% or fewer of its total units designated as Restricted Rental Units (as restricted by a Bond or TCAC Regulatory Agreement at 60% AMI or lower-CDLAC Regulations Article 1, Section 5000). Note: These restrictions will remain in effect for 55 years. MIP regulatory agreement will restrict 10% of the total units at or below 80% of AMI, another 10% of the total units at or below 50% of AMI (or 80% AMI if there is an exception pursuant to Health and Safety Code Section 51335), and in addition to these restrictions, a minimum of 10% of the total units between 81% up to 120% of AMI OR (subject to the requirements identified above) 10%-29% of the total units between 60% up to 80% AMI, and the remaining units restricted at or below 120% of AMI, except for the designated manager's unit(s). MAXIMUM ALLOWABLE RENTS: Rents for units restricted at 80% AMI and below must be at least 10% below market rents as evidenced by a current Market Study. Rents for units restricted between 81%-120% AMI must be at least 10% below market as evidenced by a current Market Study.
Mixed-Income Subordinate Loan	1. Maximum loan amount for each project shall not exceed 10% of total MIP allocation for the respective year. a. Maximum loan per restricted (tax credit or CalHFA) units between 50%-80% AMI shall be $50,000. b. Maximum loan per MIP restricted units between 81%-120% AMI shall be $100,000. c. Projects located within the Highest or High Resource areas designated on the TCAC/HCD Opportunity Area Map shall be eligible for an additional 5% of the project eligible basis per 4% federal and state tax credit program. Opportunity Map Home Page 2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.
Mixed-Income Subordinate Loan Rates & Terms	1. Interest Rate: 2.75% simple interest. 2. Loan Term: The MIP loan term shall be coterminous with the permanent first lien loan. 3. Loan Payment: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Residual receipt is defined as 50% of surplus cash which is determined as net operating income minus total debt service and other Agency approved payments. Payments shall be applied to the current and/or accrued interest and then principal of the MIP loan. 4. Affordability Term: Up to 55 years. 5. Assignability: Consent will be considered. 6. Prepayment: May be prepaid at any time without penalty.

Mixed-Income Subordinate Loan Rates & Terms (Continued)	7. Subordination: A subordination and/or extension of MIP maturity request in conjunction with a re-syndication, refinance, or ownership transfer ("capitalization event(s)") will be considered. If MIP loan is outstanding at time of the capitalization event(s), the original MIP annual fee schedule will remain in place until the earlier of MIP regulatory restriction expiration, including any extensions, or repayment of the MIP loan. If the outstanding MIP loan is subordinated at the time of such event, the surplus cash split between borrower and CalHFA and other residual receipt lenders may be altered to reflect an increased percentage of residual receipts to CalHFA out of Borrower's share until such time as the MIP loan is paid in full. The remaining residual receipts may be split between other residual receipt lenders. 8. Funded: Only at permanent loan conversion.
CalHFA Conduit Bond Program	For more information on CalHFA's Conduit Issuer Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf
CalHFA First Lien Permanent Rates & Terms (subject to change)	For more information on CalHFA's Permanent Loan Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf
Fees (subject to change)	1. Program Application Fee: $10,000 non-refundable, due at time of CalHFA MIP application submittal. The application fee shall be credited towards Loan Fee at time of MIP permanent loan closing. 2. Loan Fee: 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing). 3. Legal Fee: $15,000, due at loan closing (applicable if CalHFA is not providing permanent financing). 4. Ongoing Annual MIP Fee Payable in the event that CalHFA is not the Permanent Lender: 0.35% of the Permanent Loan Amount commencing at CalHFA MIP loan closing, calculated based on the principal balance of an amortization schedule with the following assumptions: i) 55 year amortization; ii) start date, interest rate and the loan amount consistent with permanent first lien loan (this fee is applicable if CalHFA is not providing permanent financing and will remain in place until the repayment of the MIP loan). 5. Annual Administrative Fee: $7,500 per year (subject to change). Conduit Bond Program Fees: Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf CDLAC Fees: Refer to CDLAC regulations for all applicable fees. If CalHFA is selected as the permanent lender, please refer to CalHFA First Lien Permanent Rates & Terms for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf

Last revised: 11/2019