The California Housing Finance Agency ("CalHFA" or "Agency") 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. The MIP resources will take the form of a subordinate loan to incentivize newly developed multifamily housing projects that serve a range of extremely low to moderate income renters. Eligible projects must create newly constructed regulated units that meet the income and occupancy requirements reflected below.

**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/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 If the sponsor/developer is not able to meet the readiness timeline referenced below, MIP funds may be rescinded and reallocated.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, nonprofit, 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. CalHFA Mixed-Income Qualified Construction Lender is defined in that 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 the project must be tax-credit-financed
   OR
2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

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**Qualifications**

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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 the California Debt Limit Allocation Committee's (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. Pursuant to HUD-Risk Sharing requirements, sponsor is expected to start the NEPA process shortly after CalHFA verifies application completeness and determines that the project is ready to move forward with an initial commitment (“notification date”). The NEPA clearance and HUD’s firm approval letter will be required prior to construction loan closing.

2. **General Contractor and/or Third Party Construction Services Engagement:** At the time of application, applicant must provide evidence that the applicant or developer has engaged a general contractor or third-party construction services company to provide construction services including, but not limited to, value engineering, bid/budget services, and constructability review of plans and designs. In addition, the proposed construction budget is based on the general contractor’s or third-party construction services company’s preliminary bid estimates pursuant to the current plans and designs.

3. **Disposition and Development Agreement:** Applicant must provide a copy of the disposition and development agreement, if applicable.

4. **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, unless an extension has been approved by California Tax Credit Allocation Committee (CTCAC), CDLAC, and CalHFA, as applicable. Within the 180-day period, the following items must be submitted to CalHFA in their final form:
   a. A complete, updated application 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 if the city or county as a rule does not issue building permits prior to the completion of grading, then 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 required by CalHFA to close construction financing.
MIXED-INCOME LOAN PROGRAM (2022)

Qualifications (continued)

MIP ALLOCATION LIMITS:
(Exceptions may be considered by Agency in its sole discretion)

1. **Project Cap:** No project may receive more than the lesser of $8 million, or the aggregate MIP loan amount calculated based on up to $50,000 per MIP regulated units or up to $60,000 per MIP regulated units for a Project located within the Highest or High Resource areas pursuant to CTCAC regulations designated on the CTCAC/HCD (California Department of Housing and Community Department) Opportunity Area Map.

2. **Sponsor Cap:** No sponsor (any individual, entity, affiliate and related entity) may receive more than 20% of total MIP allocation or funding of two projects, whichever is less, for the respective year.

3. **County Cap:** No one county may receive more than 25% of total MIP allocations for the respective year.

4. **Age-Restricted Cap:** No more than 25% of total MIP funds for the respective year may be received by age-restricted projects (units that are restricted to residents who are 62 years of age or older under the applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act), unless a waiver of the minimum age requirement has been granted by U.S. Department of Housing and Urban Development (“HUD”).

EVIDENCE OF COST CONTAINMENT:

A Cost Containment Certification must be provided at the time of Construction Loan Closing in a form acceptable to CalHFA in its sole discretion. The certification acceptable to CalHFA may be found at www.calhfa.ca.gov/multifamily/mixedincome/forms/closing-cost-containment-certification.pdf.

The developer/sponsor must certify that cost containment measures have been implemented to minimize construction costs. These measures should include, but may not be limited to, 1) competitively bidding out all major subcontractor and self-performing trades and 2) engaging a value engineer/consultant during the design process.

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 construction loan closing and closing of the MIP subordinate loan. The MIP loan amount may be reduced 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”) at year 1 (“Initial DSCR”). CalHFA may allow an initial DSCR higher than 1.20 on a case-by-case basis, if deemed necessary. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained through the term of the CalHFA permanent first lien loan,
- 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 a mixed-use project,
- A cash flow after debt service shall be 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 three years of project operation,
- Inflation factors and vacancy rates consistent with the Agency’s Underwriting Standards,
- Developer Fee requirements matching those required under the 4% federal and/or state tax credit reservation,
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency’s Underwriting Standards and the Investor Limited Partnership Agreement (ILPA),
**Mixed-Income Loan Program (2022)**

### Qualifications (continued)

- 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,
- State tax credit request is expected to be within a range of $50,000 to $75,000 per unit. The projects that evidence the most efficient use of bond cap, state tax credits, and MIP per adjusted unit shall be prioritized for MIP funding considerations. The bond cap, state tax credits, and MIP per adjusted unit calculation shall be consistent with CDLAC Regulation Section 5231(g)(1) and 5231(g)(2). MIP final commitment shall be subject to evidence of project’s receipt of CDLAC’s preliminary tax-exempt bond allocations and CTCAC’s tax credits reservations within the respective year,
- Acquisition cost shall be the lesser of 1) the purchase price pursuant to a current purchase and sales agreement between unrelated parties, 2) the purchase price of an arm’s length transaction executed within the past 10 years plus reasonable carrying costs, or 3) the appraised “as-is” value based on an Appraisal acceptable to CalHFA in its sole discretion. The appraised value of the real estate may be considered if the arm’s length transaction exceeds 10 years.

### CalHFA Mixed-Income Qualified Construction Lender

A CalHFA Qualified Construction Lender is defined as a Construction Lender that has closed at least five construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years and satisfies the requirement set forth within the application.

### CalHFA Mixed-Income Development Team Qualifications

The Developer/Co-Developer/General Partner must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer/General Partner must have developed at least three comparable projects within the past five years or meet the requirements to receive a minimum of 7 points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f).

The proposed Project Manager must have personally managed the development of at least two comparable projects within the past five years.

Financial Consultants hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three comparably financed projects over the last five years.

Architects new to CalHFA must provide information for three comparable projects they designed that were built and occupied within the past five years in California.

General Contractor (GC) must be licensed by the State of California. GCs new to CalHFA must provide information related to three comparable (in design) projects built in the past five years. Similar information will be required for the proposed on-site construction supervisor. The on-site construction supervisor must have overseen three comparable projects built in the past five years, and they must have overseen the projects from construction start to final completion.

Tax Credit Investors must have closed/executed at least five investor limited partnership agreements for a comparable deal structure using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years.
**Mixed-Income Loan Program (2022)**

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<tr>
<th>CalHFA Mixed-Income Development Team Qualifications (Continued)</th>
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<td><strong>Management Company</strong> 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 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 years managing onsite project operations and compliance with rent-restricted units or meet the requirements to receive a minimum of 3 points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).</td>
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<tr>
<th>Permanent First Lien Loan</th>
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<td>Must be provided by CalHFA. The permanent loan must meet an initial minimum DSCR of at least 1.15 and must maintain the year 1 DSCR underwritten at the time of final loan approval and final commitment through the term of the CalHFA permanent first lien loan. The Initial DSCR must not exceed 1.20.</td>
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<th>Construction First Lien Loan</th>
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<td>Must be provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to, in its sole and absolute discretion, recycle all or a portion of any bond volume cap related to a paydown of the bond-financed loans, at the conversion of the construction financing to permanent financing and payoff of the construction loan, pursuant to the authority provided in Section 146(i)(6) of the Internal Revenue Code of 1986 and CDLAC Regulation Section 5060 (the “Bond Recycling”). The bond documents, loan documents and any other documents related to the financing of the Development shall contain any necessary approvals and permit all actions necessary to accomplish a Bond Recycling.</td>
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<th>Limitations</th>
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<td>1. MIP cannot be combined with the CTCAC 9% program.</td>
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<td>2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) with the exception of the Infill Infrastructure Grant (IIG), Affordable Housing and Sustainable Communities (AHSC) and Transit Oriented Development (TOD) housing programs. Inclusion of these programs is contingent upon restrictions that are compatible with the MIP program requirements outlined herein. Inclusion of other subordinate debt and subsidy will be allowed at CalHFA’s sole discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein.</td>
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<td>3. Projects that have a below market rate component resulting from 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 subsidy resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.)</td>
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<td>4. At the time of MIP application, a project must not have already received an allocation of 4% federal and/or state tax credits from CTCAC or a tax-exempt bond allocation from CDLAC.</td>
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<td>5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.</td>
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<th>Mixed-Income Project Occupancy Requirements</th>
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<td><strong>BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):</strong></td>
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<td>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, CDLAC requires a minimum of 10% of the unit types must be at 50% or less of AMI (“10% @ 50% AMI”).</td>
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### Mixed-Income Loan Program (2022)

#### MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):

**Affordability Requirements:**

1. To qualify, a project must meet the following affordability restrictions, which are based on the HUD and locality (as applicable) income and rent limits which are current at the time of MIP application, for a term of 55 years:
   a. 30% of total units at or below 50% of AMI. Of these, a minimum of 10% of total units must be at or below 30% of AMI,
   b. 10% of total units between 60% and 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below, and
   c. Remaining 60% of total units at or below 120% of AMI (with the exception of any non-restricted manager’s unit(s)) OR at the affordability restrictions consistent with CTCAC requirements.
   d. The minimum range between the lowest and highest occupancy target levels must be at least 40%.

   (Deviations from the above requirements will only be considered if Market Study supports such deviations.)

2. If applicable, tax credit transactions that are income-averaged must have a maximum average affordability up to 60% of AMI across all CTCAC restricted units.

#### MAXIMUM ALLOWABLE RENTS:

Rents for all restricted units must be at least 10% below market rents for the MIP affordability term as evidenced by a current market study or appraisal. This threshold will be analyzed at time of application and again at CalHFA’s final commitment approval and may be monitored on an ongoing basis for the MIP affordability term. The report shall be current within 180 days of Agency’s final commitment and may be subject to required updating if the report expires prior to construction loan closing. For underwriting purposes, CTCAC and locality maximum rents for the respective target income limits must be used. Any proposed rent adjustments above 5% of the approved rents subsequent to construction loan closing may be considered if supported by a recent or updated market study or appraisal that is dated within 180 days of MIP loan closing, at CalHFA’s sole discretion.

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents not to exceed 30% of the applicable income restriction required in the Agency’s Regulatory Agreement.

#### Mixed-Income Subordinate Loan

1. Maximum loan amount for each project shall not exceed the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $60,000 per MIP regulated units, unless an exception is approved by Agency in its sole discretion.
   a. Maximum loan per restricted (tax credit or CalHFA) units between 30%-120% AMI shall be up to $50,000.
   b. Projects located within the Highest or High Resource areas pursuant to CTCAC regulations designated on the CTCAC/HCD Opportunity Area Map shall be eligible for an additional amount up to $10,000 per MIP regulated unit. Opportunity Map Home Page: [www.treasurer.ca.gov/ctcac/opportunity.asp](http://www.treasurer.ca.gov/ctcac/opportunity.asp)

2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.
## Mixed-Income Loan Program (2022)

### Mixed-Income Subordinate Loan Rates & Terms

1. **Interest Rate:** Greater of 1% simple interest or the applicable federal rate (AFR) at time of MIP closing.
2. **Loan Term:** The MIP loan term shall be coterminous with the CalHFA permanent first lien loan.
3. **Lien Position:** Second lien position, after CalHFA permanent first lien loan.
4. **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. Deviation from the net cash flow split may be granted 1) to meet equity investor’s deferred developer’s fee requirement as evidence by the limited partnership agreement, and 2) is subject to approval(s) by other residual receipt lender(s), as applicable.
5. **Affordability Term:** 55 years.
6. **Prepayment:** May be prepaid at any time without penalty.
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) and requires subordination 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](http://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](http://www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf)

### Fees (subject to change)

| **Loan Fee:** 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing). |
| **Conduit Bond Program Fees:** Refer to CalHFA Conduit Bond Program [www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf](http://www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf) |
| **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees. |
| **Other Fees:** 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](http://www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf) |

Last revised: 01/25/2022

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