

NCSHA 2021 Annual Conference
A Multifamily Financing Conversation Panel
*A Twist on the Traditional Multifamily Bond
Executions*

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September 28, 2021

Multifamily Execution: Fannie Mae Direct Pay Credit Enhancement

- On July 21, 2020 Wells Fargo Securities¹ (“WFS”) served as Senior Manager for New York State HFA’s (“NYSHFA”) \$78,500,000 15 Hudson Yards Housing Revenue Bonds
 - The bonds were issued to finance a mortgage loan for **107 affordable apartment units** as part of a larger 73-story for-sale condominium development, 15 Hudson Yards in New York City
 - The property maintains LEED Gold Certification and was also issued under NYSHFA’s Green Building Standards
- Wells Fargo worked across multiple business lines to develop the new structure, with **Multifamily Capital² serving as Fannie lender**
- New bond structure incorporated **Fannie Mae direct-pay credit-enhancement** and **monthly principal and interest payments** in order to attract crossover CMBS investors
 - Fannie Mae will advance funds for monthly payment of principal and interest on the Bonds
 - 19-year final maturity, fully amortizing bonds with a 10.4 year average life
- Wells worked closely with various parties to target the CMBS buyer base, including reworking the offering documents, and including mortgage cashflows for Bloomberg modeling
- The order book attracted a broad range investors including **ESG, CRA, CMBS, and muni investor participation**
 - **12 unique investors** placed orders for **over \$218 million**
- **2.8x subscription** at the end of the order period allowed for a 10 bps tightening, for a **final rate of 1.65%**
- This unique structure achieved a final rate **21 bps lower** than the yield on the traditional serial and term structure employed by NYSHFA on its multifamily bond offering the day prior³

(1) Wells Fargo Bank, N.A. Municipal Finance Group

(2) Member of Wells Fargo Bank, N.A.

(3) IPREO for final pricing wires; MMD sourced from Thompson Reuters TM3 as of close of business 7/20/2020

\$78,500,000

**New York State Housing
Finance Agency**

Senior Manager

15 Hudson Yards
Housing Revenue Bonds
2020 Series A (**Green Bonds**)

(Fannie Mae Direct Pay Credit
Enhancement)

Aaa/NR/NR



Multifamily Execution: Fannie Mae Direct Standby Credit Enhancement

- On November 18 and 19, 2020 Wells Fargo¹ **senior managed** the \$289,065,000 NYCHDC Housing Impact Bonds, 2020 Series C&D transaction
 - Mortgage enhanced with Supplemental Security in the form of a **Fannie Mae Standby Credit Enhancement**
 - NYHDC took a first loss position for 10% of the mortgage loan through a separate risk-share arrangement between HDC and Fannie Mae, which was a general obligation of the Corporation and included a collateral posting requirement if the Corporation were to be downgraded to certain levels
 - Wells Fargo worked closely with NYCHDC and Fannie Mae to negotiate this component of the transaction
 - The **Sustainable Development Bond** designation is consistent with the Social Bond Principles of the International Capital Markets Association and “Goal 1: No Poverty” and “Goal 11: Sustainable Cities and Communities” of the United Nation’s Sustainable Development Goals ²
- The Housing Impact Bonds Resolution is newly created in support of New York City’s Permanent Affordability Commitment Together (“PACT”) strategic plan to convert at least 62,000 public housing units to Section 8 rental housing developments by the end of 2028
 - Bond proceeds are expected to finance the preservation and rehabilitation of **1,718 units in 41 tenant-occupied public housing buildings** in Manhattan, New York
 - All units funded by the 2020 Series C&D Bonds will be set aside for households with incomes at or below 50% of AMI
- The full order book had participation from **103 investors**, leading to **2.0x aggregate subscription³** across both series with over \$577 million in total orders
 - Wells Fargo brought in **one first-time, new investor** to the deal
 - 2020 Series C had 1.8x aggregate subscription³, while 2020 Series D had 4.0x aggregate subscription³

\$289,065,000

New York City HDC

 **Securities**

Senior Manager

\$257,535,000 2020 Series C
(Sustainable Development Bonds)

\$31,530,000 2020 Series D
(Federally Taxable)
(Sustainable Development Bonds)

Aa2 (Moody’s)

November 2020

(1) Wells Fargo Securities, trade name for Wells Fargo Bank, N.A. Municipal Finance Group (2) Sourced from the NYCHDC HIB 2020 Series C&D Official Statement (3) Represents total orders for bonds across both series divided by total par amount of the issue. Subscription levels vary across each series

Multifamily Execution: Freddie Mac Securitization

- On October 7, 2020 Wells Fargo Securities¹ served as senior manager on a \$359.435 million Freddie Mac Multifamily M-Series securitization for Arc70 Capital (the “Sponsor”)
 - This deal marked the inaugural issuance under **Freddie Mac’s Multifamily Social Bonds Program**, which was assessed by Sustainalytics to be credible, impactful and in alignment with the four core components of the Social Bonds Principles 2020²
 - The securitization consisted of 31 underlying bond mortgage projects, which were pooled into the following tranches: National (M-062 and M-064), California (M-063 and M-065), and Taxable (M-066)
- The premium achieved on the four tax-exempt series was the highest of any M-series to date, with previous premiums being at or below 103%
- The full order book had participation from 9 unique investors, leading to **1.4x aggregate subscription**³ across the five series with over \$517 million in total orders
 - 3 investors placed orders on three of the five series
- The bonds were structured as a monthly-pay, with the following features:

Series	M-062	M-063	M-064	M-065	M-066
Par (\$MM)	101.915	30.490	148.260	73.110	5.660
Tranche	National	California	National	California	Taxable
Maturity	6/15/2037	2/15/2036	1/15/2037	6/15/2036	2/15/2035
WAL to Maturity	12.5	12.9	13.4	7.7	10.3
Yield (%)	1.581	1.546	1.666	1.279	1.664
Spread (bps) ⁴	+65	+60	+70	+65	+85
Price (%)	104.693	104.594	104.494	104.703	100.000

\$359,435,000

Freddie Mac



Senior Manager

Multifamily M Certificates
 Social Bonds
 Series M-062
 Series M-063
 Series M-064
 Series M-065
 Series M-066

AA+ (S&P)

(1) Wells Fargo Securities, LLC (2) Freddie Mac Multifamily “Impact Bonds” <https://mf.freddiemac.com/investors/impact-bonds.html#social-bonds>; (3) Represents total orders for bonds across all five series divided by total par amount of the issue. Subscription levels vary across each series; (4) Spread calculated to LIBOR swap rate at the tenor of WAL to Maturity for each respective series, swap rates sourced from Bloomberg as of 10/8/2020

Multifamily Execution: FHA Risk Sharing Insured Pass Through

- On January 20, 2021 Wells Fargo Securities¹ (“WFS”) served as senior manager for the Housing Opportunities Commission of Montgomery County’s (the “Commission”) \$99.250 million Multifamily Housing Development Bonds (FHA Risk Sharing Insured Pass Through) 2021 Series A (**Green Bonds**) transaction
 - Bond proceeds are expected to finance the 268-unit Westside Shady Grove development in Rockville, Maryland with 30% of the units being affordable and 70% marketrate
- Structured as a monthly pass through of mortgage loan principal and interest with a final maturity date of July 1, 2052 (expected WAL to maturity of 23.7 years)
 - First FHA risk share pass through sold since November 2017²**
 - Largest FHA risk share pass through transaction ever²**
 - First FHA risk share pass through sold with a **Green Bonds Designation²** and the Commission’s inaugural **Green Bonds** issue (National Green Building Standards, silver certification is expected)**
- The order period resulted in over **\$216 million in total orders** from 15 investors, leading to **2.2x aggregate subscription³** which allowed WFS to tighten pricing by 5 bps to 2.10% at par
 - Priced at +100 bps to 10-year UST and +52 bps to 3-month LIBOR swaps⁴, which were the **tightest spreads⁴** to both benchmarks relative to all previous FHA risk share pass through transactions since 2013 with comparable average lives
 - Spreads for previous FHA risk share insured pass through transactions since 2013 ranged from +144 bps to +159bps relative to 10-year UST and +120 bps to +142 bps relative to 3-month LIBOR swaps⁴
 - One investor placed a \$1.5 million order for its ESG fund
 - Estimated pricing efficiency of 15 bps vis-à-vis traditional par serial and term bond structure with a comparable final maturity date
- The structure leveraged recycled volume cap allocated by the State of Maryland

\$99,250,000

**Housing Opportunities Commission
of Montgomery County**



Senior Manager

**Multifamily Housing Development Bonds
(FHA Risk Sharing Insured Pass Through)**

2021 Series A (**Green Bonds**)

Aaa (Moody's)

January 2021

(1) Wells Fargo Securities is the trade name for the underwriter, Wells Fargo Bank, N.A. acting through its Municipal Finance Group

(2) Source: Bloomberg and relevant Official Statements

(3) Represents total orders divided by total par amount of the 2021 Series A Bonds

(4) Spread to 3-month LIBOR swaps at the tenor comparable to the WAL of the pass through; Sources: Thomson Reuters TM3, Bloomberg, EMMA, and relevant Official Statements

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Multifamily Housing Sustainability Bond Update

Gloria Boyd
Vice President
September 2021

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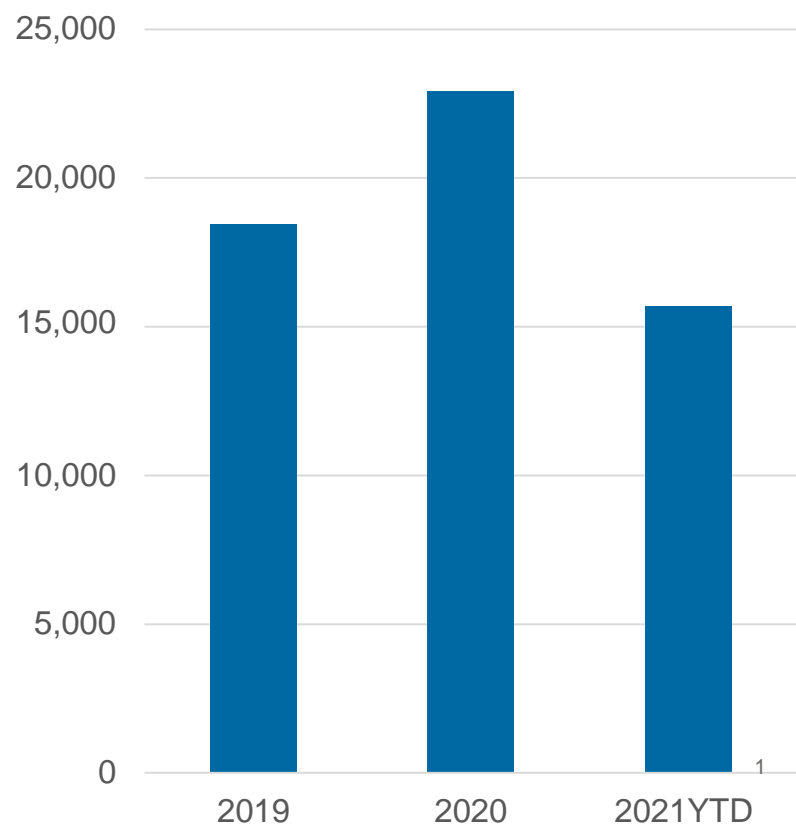
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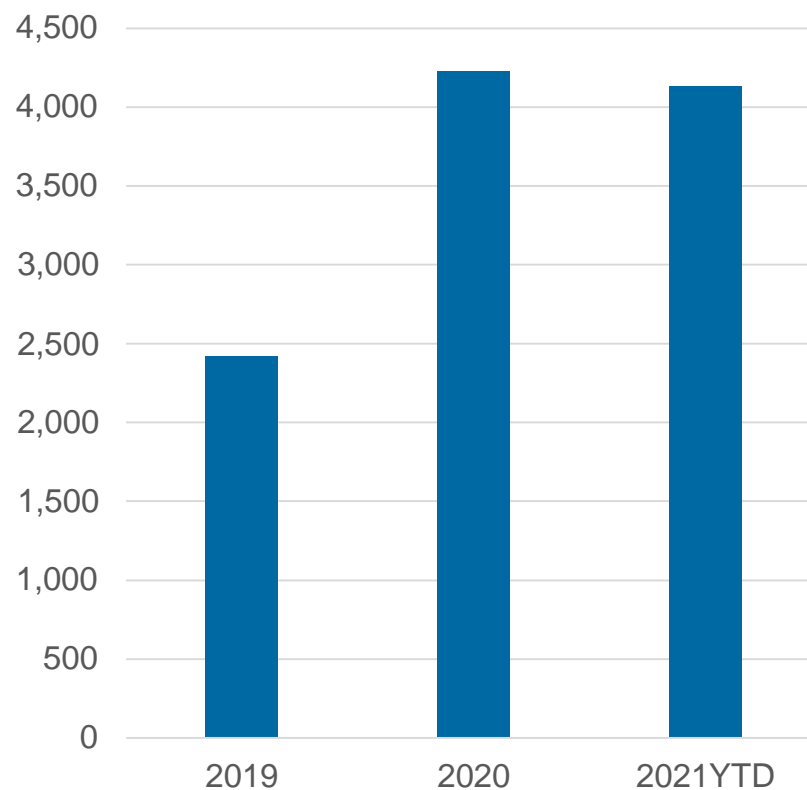
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Growth of the ESG Bond Market

Municipal ESG Issuance 2019-2021YTD
(in \$ millions)



HFA ESG Issuance 2019-2021YTD
(in \$ millions)



Source: Bloomberg, Climate Bonds Initiative and J.P. Morgan. Includes Green, Social, and Sustainability Bonds.

ESG Assets Under Management Have Grown Quickly

As of December 2020, there were 4,000 ESG Funds with total assets of \$1.8 trillion

Year	ESG Fund Growth	All Fund AUM	Difference
2015	15%	3%	12%
2016	20%	6%	14%
2017	36%	22%	14%
2018	0%	-5%	5%
2019	30%	8%	21%
2020	107%	3%	104%

Investors' Focus on Climate Issues has been Increasing but Investment Practices Vary



- Investors with green investment mandates
- Proceeds tracking, ongoing reporting and second party opinion typically required

Investors

- State Street Global Advisors – High Quality Green Bond Fund
- Calvert Investments – The Calvert Green Bond Fund (CGAFX)
- Nikko Asset Management – World Bank Green Bond Funds
- California State Treasurer's Office
- AXA WF Planet Bonds Fund

- Investors with established socially responsible mandates, but who are not necessarily required to buy bonds designated as green

Investors

- CalSTRS
- TIAA-CREF (Nuveen)
- Trillium Asset Management
- Parnassus Investments
- Swedish Pension Funds (AP1-AP4)
- ACTIAM

- Asset Managers that report a positive impact on franchise value for green investments

Investors

- BlackRock
- Praxis Intermediate Income Fund
- Pictet Asset Management
- Deutsche Bank Asset and Wealth Management
- Standish Mellon
- ING Asset Management
- MEAG

Banks / Corporates / Insurance

- Bank and corporates with treasuries that move towards socially responsible investing

Investors

- Allianz
- Ford Motor Company
- Microsoft
- Barclays Treasury
- IKEA
- RIMAC
- Dai-ichi Life (Social Bonds)
- HSBC

So ... what's next?

- ✧ Increased Focus on Resiliency
- ✧ Continued Growth in Investor ESG Mandates
- ✧ How Does the HFA Community Convey its Sustainability Story?



Housing our Workforce

Workforce Housing Innovation Challenge

Anne Berman

Director of Real Estate Development

Workforce Housing Innovation Challenge (WHIC)

Need

workforce of 3.7 million people live within a 50-mile commute of Providence
state's housing stock and building activity aren't adequately addressing 80% - 120%
AMI housing market
subsidies almost always reserved for units that serve families w/ incomes below 60%
of AMI

Goal

Expand the range of housing options available through creation of rental homes for
households earning up to 120% AMI
Design pilot program for success so the program can be adopted and funded at a
larger scale by the state

Workforce Housing Innovation Challenge (WHIC)

Successful Applications

Market rents were at least equal to or greater than 80% AMI

Developments that buy down the most market rent

Proposals that are buying down rents based on current rents, not projects that may buy down rents in a future market

Lessons Learned

Adding in a requirement for minimum square footage for a WFH unit (no micro-lofts)

Modify amount of WFH based on bedroom size rather than \$80,000 per WFH unit regardless of size

Add financial feasibility as a Threshold Criteria

Workforce Housing Innovation Challenge (WHIC)



Parcel 6 – Providence: mixed-use and mixed-income; land freed up from relocation of I-195. 62 apartments, 31 workforce units

Workforce Housing Innovation Challenge (WHIC)

13,000 sq ft grocery store; 9,500 sq ft commercial or retail use.
TDC: \$28.6M or \$345,900 per unit.
\$2,480,000 in WHIC funds



Workforce Housing Innovation Challenge (WHIC)



Nest Fountain: re-
development of site formerly
used for auto repairs.
New 4-story building with 31
one-bedroom units, 7
workforce units at 100% AMI.
Total DC: \$5.1M or \$165,323 per
unit.
\$560,000 in WHIC funds

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