CalHFA Broadens Its Reach With The Efficient Mixed-Income Program

California Housing Finance Agency

Rental Housing: Encouraging New Construction

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CalHFA Broadens Its Reach With The Efficient Mixed-Income Program

SUMMARY

The California Housing Finance Agency's Mixed-Income Program (MIP) is a multifamily subordinate loan program that made commitments to 20 new construction projects from May 1, 2019 through May 1, 2020. The first 20 projects that will receive loan funds through this innovative program, when constructed, are expected to create 3,229 new units in California, which is facing a crisis of housing supply that ranks among the biggest in the nation.

What is innovative about MIP is that the program is designed for greater speed and more cost efficiency than other public affordable housing finance models in California, while taking advantage of Income Averaging to serve a broader range of incomes from 30 to 120% of Area Median Income.

The program's streamlined financing guidelines – no additional public subsidy besides bonds, tax credits and the CalHFA subordinate loan – result in MIP projects that cost an estimated $119,000 per unit less in total development cost than other projects that received bonds and tax credits in the same funding rounds, per a CalHFA analysis (Figure 1).

As for speed, the first four MIP projects (which span from Northern California to the Bay Area to San Diego) all moved from application approval to construction start in less than 12 months. For most California projects, this process takes closer to two years, and sometimes much longer.

It is not just speed and cost efficiency that makes MIP a unique program. It is also the only state rental housing program that provides subsidy for people making above 60% of AMI, a group that is often referred to as the "Missing Middle."

BACKGROUND

Several state and federal government actions over the past few years set the stage for the design and implementation of CalHFA's Mixed-Income Program.

First in September 2017, California Governor Jerry Brown signed a historic 15-bill housing package that included SB 2: The Building Homes and Jobs Act, which created a long-awaited, permanent source of funds for affordable housing.

Beginning in 2019, 15% of the funds come to CalHFA on an annual basis for the specified purpose of "creating mixed income multifamily residential housing." This was around $40 million for 2019 and 2020.

A few months after that bill was signed, the federal Consolidated Appropriations Act of 2018 established Income Averaging as an additional option for minimum set-aside for developments to use Low-Income Housing Tax Credits. This new option allows Credit-qualified units to serve households earning as much as 80% of AMI, so long as the average income/rent limit in the property is 60% or less of AMI.

Following those two actions, CalHFA began a yearlong process of research and outreach in an attempt to design a program aligned with the priorities of the legislature and the Governor's Office (especially after Gavin Newsom came into office) and worked efficiently for affordable housing developers.

Distilled down, those priorities were to jumpstart the production of as many new housing units as possible across a broad range of incomes to address the dire supply issues that exist across that spectrum.

These priorities are because California is underproducing by around 100,000 units per year to keep up with demand, which has led to a situation where 50% of all California households are rent-burdened. Around 2.5 million of those rent-burdened households are in the low-income range, while another 1 million households that earn at or above $70,000 annually are also rent-burdened.

Just as CalHFA's 2019 Notice of Funding Availability resulted in preliminary awards to 8 projects in July of 2019, word of the program's early success influenced Governor Newsom and the California Legislature as they crafted the 2019-20 State Budget. Included in that budget was an additional $500 million in one-time funds appropriated to CalHFA to bolster MIP for several more years and, more importantly, a $200 million yearly reservation of new State Tax Credits to pair with the program. This action was unprecedented and allowed CalHFA to expand MIP for 2020 and make it an over-the-counter program, which assisted with streamlining and cost efficiency.

PROGRAM DESIGN

CalHFA's outreach included dozens of meetings and calls with members of the legislature, local governments and nonprofit and for-profit housing developers. That outreach, combined with CalHFA's internal research and analysis, informed the design of MIP.

The basic tenants of the program have remained the same through a 2019 version of the term sheet (Figure 2) and the 2020 update (Figure 3). Projects applying for MIP subsidy must be new construction; serve a mix of incomes between 30 and 120% of AMI; use bonds or bonds and tax credits; and to avoid redundant use of state funds cannot be paired with other state subordinate debt (except state tax credits) unless approved by CalHFA.

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One key update for the 2020 version of the program, which was rolled out at the beginning of the year, allowed for more flexible income targeting, to better address the varying needs of different areas of the state, from the Bay Area to the Los Angeles area to California's more rural Central Valley.

Even more crucially, a year of intense collaboration between CalHFA and the State Treasurer's Office, which awards California's bonds and tax credits, resulted in a one-stop shop for MIP applicants, highlighted by a joint application. This one-stop shop is perhaps the most important feature of MIP, and is unique in a state which often sees 5-7 different layers of financing, many of them public and many of them on totally different timelines.

OUTCOMES

Figure 3 is a robust analysis of the first 20 projects to receive commitments from MIP over the past 12 months. The report is highlighted by the speed and cost efficiency when compared to projects in the same bond/tax credit funding round.

These first 20 MIP projects:

- create 3,229 new units;
- cost $119,000 less per unit;
- use $127,000 less in public/soft debt per unit;
- reach construction start much quicker; and
- provide more units in areas of opportunity.

Additionally, projects are spread geographically throughout the state.

FIGURE 1
MIP Analysis

CalHFA California Housing Finance Agency

MIXED-INCOME PROGRAM
California Housing Finance Agency

JUNE 2020

Mixed-Income Program Summary

Since 2019, CalHFA's new Mixed-Income Program (MIP) has made commitments to 20 projects which would create 3,229 new units.

- All of them received CDLAC and CTCAC allocation, many of them in the February 2020/April 2020 rounds.

Four of these projects are already under construction; each of them took less than 12 months from application to construction start.

- Two of those four (Courtyards at Kimball and Arena Senior) took seven or less months from application to construction start.

In April, CalHFA compared these MIP projects to other new construction projects (Non-MIP) on CDLAC's award list for those rounds that also received state low-income housing tax credits and found:

- MIP projects are expected to have an average total development cost per unit (TDC) that is $119,000 less than the Non-MIP projects.
- The average Area Median Income (AMI) for the CTCAC/MIP regulated units in the MIP projects is expected to be 60% while the Non-MIP projects would average 48% of AMI.
- The public and soft debt layers in MIP projects are expected to be $127,000 less per unit than the Non-MIP projects.
- CalHFA MIP projects proportionally have 84% fewer units in areas of concentrated poverty.

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MIXED-INCOME PROGRAM

Mixed-Income Program At A Glance

FUNDING:

The Mixed-Income Program (MIP) is funded by approximately $40 million in SB 2 funds on an annual basis and in 2020, a $200 million state tax reservation and additional funds from the one-time state budget allocation as part of AB 101.

PROGRAM DETAILS:

- Must serve a mix of incomes
- New construction only
- Used with bonds and tax credits
- Cannot be used with other state subordinate debt and/or subsidy unless approved by CalHFA. (State tax credits is an exception.)

APPLICATION PERIODS:

- Feb. 5, 2019 - May 1, 2019
- Over-the-counter applications were accepted for 2020

PROJECTS UNDER CONSTRUCTION AS OF 5/1/2020:

- Arena Senior (240 units in Sacramento)
- Glen Loma Ranch (158 units for families/seniors in Gilroy-Santa Clara County)
- Village at Burlingame (132 units for families/seniors in Burlingame-San Mateo County)
- Courtyards at Kimball (131 units for families in National City-San Diego County)

Total units: 661

MIXED-INCOME PROGRAM

Mixed-Income Program Report

INTRODUCTION

CalHFA's Mixed-Income Program (MIP) has been successful in following the intention of the legislation that established funding for the program and breaking through many of the barriers to production that have hindered California's ability to address its housing supply issues.

Senate Bill 2 (2017) provides an ongoing annual source of funds to CalHFA for the specified purpose of "creating mixed income multifamily residential housing." Senate President pro Tempore Toni Atkins, the author of SB 2, intended for the funds to address housing for the Missing Middle, telling The Associated Press: "This will make a difference for middle income families."

Assembly Bill 101 (2019) then provided a $200 million state tax credit reservation for CalHFA's Mixed-Income Program and funds specified to be used to "finance low- and moderate-income housing."

These specific intentions are addressed in the MIP guidelines and represented in the higher average AMIs expected to be served by the MIP projects (60%) as opposed to the Non-MIP projects (48%).

MIP also breaks down barriers to production by achieving construction starts that are timelier and more cost-efficient.

COST EFFICIENCY

CalHFA studied data for the first 20 MIP project applications to receive initial commitments in late 2019 and early 2020 and compared that to data from new construction projects that were on CDLAC's award lists in February and April 2020 and received state tax credits (Non-MIP projects).

The main takeaway from CalHFA's analysis is that the MIP projects have an average total development cost per unit (TDC) that is $119,000 less than the Non-MIP projects. MIP projects cost an estimated average of $428,000 per unit while the Non-MIP projects cost an estimated average of $547,000.

It should be noted that the study factored out the small number of units in the MIP projects that are true market-rate units so that units being compared are only those units restricted by CTCAC and MIP.

Furthermore, the amount of public and soft debt used in MIP projects is expected to be approximately $127,000 less than the amount used in the Non-MIP projects.

FIGURE 1: MIP Analysis (Continue)

MIXED-INCOME PROGRAM

The public and soft debt layers in MIP projects are expected to be approximately $51,500 per unit. This figure includes:

- CalHFA MIP subsidy of $47,000 per unit
- Locality/HOME/CDBG funding of $4,500 per unit

The public and soft debt layers in Non-MIP projects are expected to be approximately $178,000 per unit. This figure includes:

- HCD funding of $52,000 per unit on average
- Locality funding of $105,000 per unit
- HOME/CDBG + AHP funding of $10,000
- Other soft debt of $11,000

In addition, the Non-MIP projects will receive approximately $265 million of rental subsidy over a period of 15-20 years.

TIMELINESS

Since they do not rely on other types of subordinate debt or rental subsidy, which add time to the process with the additional funding application submissions and requirements, MIP has also been effective in getting projects under construction quickly.

Despite the health and economic challenges presented by COVID-19, the first four MIP projects started construction less than 12 months after their application date.

Arena Senior, a 240-unit senior project in Sacramento, applied for MIP allocation on May 1, 2019 and began construction seven months later in December 2019.

Glen Loma, a 158-unit senior/family project in Gilroy, applied for MIP allocation on May 1, 2019 and began construction 11 months later in April 2020.

Village at Burlingame, a 132-unit senior/family project in Burlingame, applied for MIP allocation on May 1, 2019 and began construction 11 months later in April 2020.

Courtyards at Kimball, a 131-unit family project in National City, applied for MIP allocation on December 5, 2019 and began construction five months later in May 2020.

FIGURE 1: MIP Analysis (Continue)

MIXED-INCOME PROGRAM

This quick turnaround between application and construction start is remarkable when compared to the average timeline of comparable projects, which can spend more than 12 months securing multiple subordinate debts and rental subsidy commitments prior to submitting the joint CTCAC and CDLAC application and up to 180 more days from the preliminary CTCAC and CDLAC allocations to close construction loan financing. Actions during these 180 days include finalizing loan underwriting, document negotiation, and permit issuance with the lenders, investors, and localities.

AREAS OF OPPORTUNITY

MIP projects are sprinkled throughout the state and a deeper analysis shows that they are more often located in areas of opportunity compared to Non-MIP projects. Just 6% of MIP projects are being built in high poverty areas, while 26% of Non-MIP projects are in high poverty areas.

When taking the number of units into account, MIP projects proportionally have 84% fewer units in areas of concentrated poverty.

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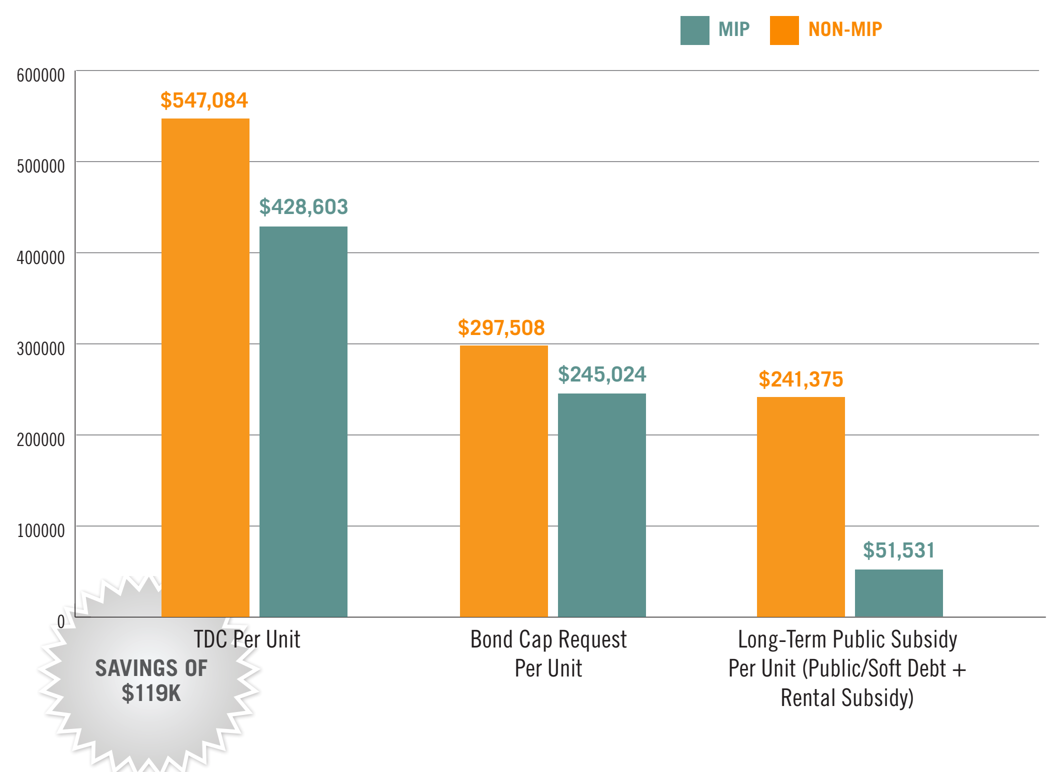
MIXED-INCOME PROGRAM

Mixed-Income Program Efficiency Comparison

Projected averages for MIP Projects vs. Non-MIP Projects in a CDLAC Sub Pool

DEVELOPMENT COSTS



DEVELOPMENT TIME

14.8 MONTHS MIP

23.6 MONTHS NON-MIP

The figures represent the estimated time from the initial soft debt committment to the TCAC/CDLAC deadline for construction close.

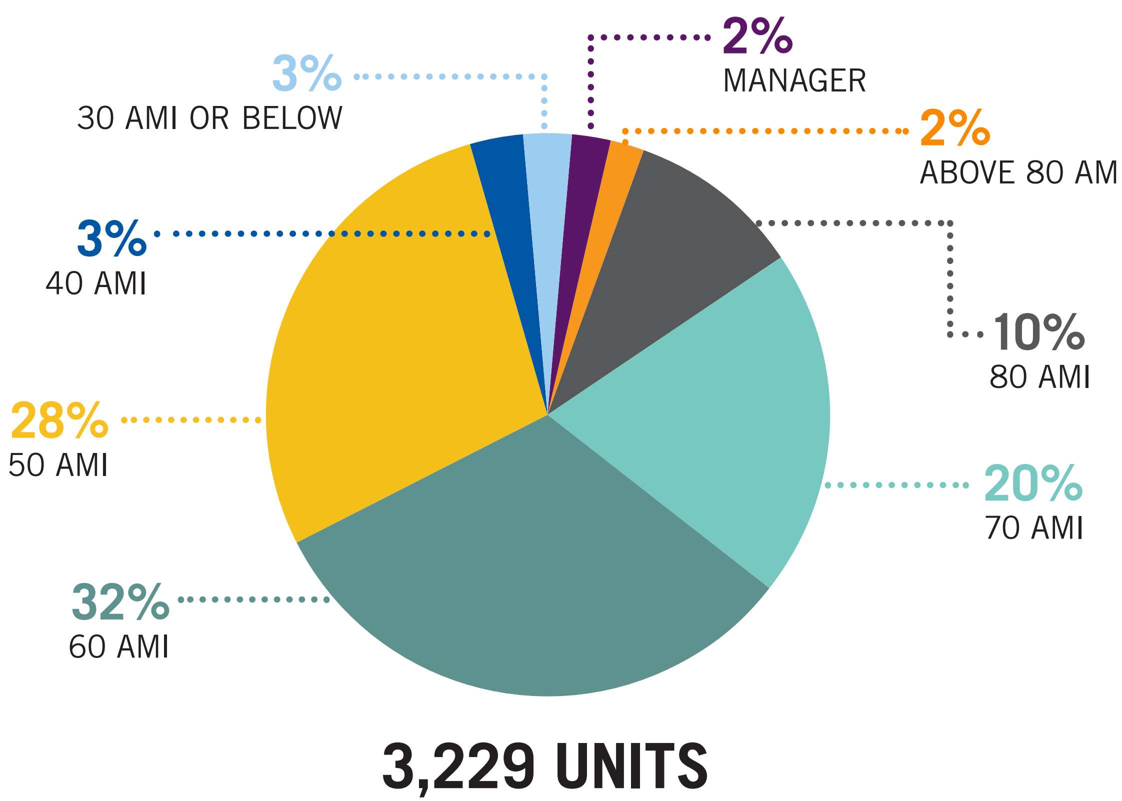
The first 4 MIP projects actually went from application to construction start in 12 months or less.

MIXED-INCOME PROGRAM

Mixed-Income Program Income Levels

CALHFA MIP UNITS BY AREA MEDIAN INCOME (AMI)

CalHFA MIP projects are estimated to create 3,229 units across a range of income levels, but the bulk of the units (80%) will serve Californians making from 50-70% of their area median income.



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MIXED-INCOME LOAN PROGRAM

The CalHFA Mixed-Income Program ("MIP") provides competitive long-term financing for newly constructed 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 Preferred Construction Lender. Additionally, the program must be paired with CalHFA's Permanent Loan product or a sponsor must work with a CalHFA Mixed-Income Preferred Permanent Lender. 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 California renters. Eligible projects must create newly constructed regulated units that meet the income and occupancy requirements reflected below.

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. Development teams must meet CalHFA experience requirements. • Subsidy resources must be used in conjunction with CalHFA's Conduit Bond Issuance Program and a construction loan from a CalHFA Mixed-Income Preferred Construction Lender. • Subsidy resources must also be used in conjunction with CalHFA's permanent first-lien mortgage financing or financing from a CalHFA Mixed-Income Preferred Permanent Lender. • Financing Structure: 1) Tax-exempt Bond and 4% tax credit projects where at least 51% of the units in each project must be tax credit financed or 2) Qualify as a 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) and use an allocation of private activity bonds to finance the project. • Projects must have site control and be prepared to submit to CDLAC and TCAC by no later than the December 2019 CDLAC Allocation meeting and will only receive funds if bonds are issued within the issuance timeframes outlined in the CDLAC resolution.
CalHFA Mixed-Income Preferred Construction Lender Qualifications	Selected annually through a CalHFA Request for Qualification process.
CalHFA Mixed-Income Preferred Permanent Lender Qualifications	Selected annually through a CalHFA Request for Qualification process.
Permanent First Lien Loan	• Provided by CalHFA or a CalHFA Mixed-Income Preferred Permanent Lender. • Minimum loan amount of $5 million. • Minimum 1.15x for debt service coverage ratio.

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FIGURE 2: 2019 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

Construction First Lien Loan	Provided by a CalHFA Mixed-Income Preferred Construction Lender.
Limitations	• Use cannot be combined with the Tax Credit Allocation Committee's (TCAC) 9% program. • Use cannot be combined with the Department of Housing and Community Development's (HCD) State programs except for those programs that are administered by HCD on behalf of local jurisdictions including HOME and CDBG. • 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.) • At the time of application to CalHFA, a project must not have already received an allocation of 4% tax credits from TCAC or bonds from CDLAC. • Projects will not be eligible for subsidy resources from CalHFA in addition to this program.
Preferences/ Limitations (if competitive)	• Projects restricting at least 10% of the units to moderate income households, 81% to 120% AMI (CalHFA restricted), will be prioritized over other projects. • Of the projects that restrict 10% of the units for moderate income households, preference will be given to projects with the lowest CalHFA subsidy request per unit. • No one sponsor may receive more than 33% of the total subsidy awarded per year. • No one county may receive more than 33% of the total subsidy awarded per year. • No more than 25% of the total subsidy awarded per year may go to age-restricted projects.
Mixed-Income Project Occupancy Requirements	• 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"). • Tax credit transactions that are income-averaged must meet the above minimum criteria. • For tax credit transactions not considered mixed-income by CDLAC, at least 20% of the tax credit restricted units must be restricted at 80% AMI subject to a market study demonstrating the 80% is 10% below market. • These restrictions will remain in effect for up to 55 years.
Mixed-Income Subordinate Loan	• Maximum loan amount of $5 million, with exceptions considered for larger projects. • Maximum loan amount of $40,000 per restricted (tax credit or CalHFA) units (30%-120% AMI). • Loan size based on project need but cannot be more than 50% of the permanent loan amount.
Mixed-Income Subordinate Loan Rates & Terms	• Interest Rate: 3.00% simple interest. • Loan Payment: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Of the 50% residual lender split, CalHFA's payment equals to proportionate share of total subordinate debt. Potential deferment possible for up to 15 years. • Loan and Affordability Term: Up to 55 years. • Assignability: Consent will be considered. • Prepayment: May be prepaid at any time. • Subordination: A subordination request in conjunction with a resyndication, refinance, or ownership transfer will be considered. If a longer loan term is requested, subordination will be negotiated. • Funded: Only at permanent loan conversion.

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FIGURE 2: 2019 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

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)	**MIP Fees** • Program Application Fee: $10,000 non-refundable, due at time of CalHFA application submittal. • Loan Fee: 1.00% of the loan amount (50% due at final commitment and 50% due at loan close). • Legal Fee: $15,000, due at loan closing (applicable if CalHFA is not providing permanent financing). • MIP Fee Paid to CalHFA: 0.35% ongoing annual fee, commencing at permanent loan conversion, calculated based on the principal balance of an amortization schedule with the following assumptions: i) 55-year level-amortization; ii) start date, interest rate and the loan amount consistent with Permanent First-Lien Loan (applicable if CalHFA is not providing permanent financing). For projects where units are not all restricted by the MIP program (excluding Managers Units), the fee as described above will be multiplied by the proportion of MIP units to total units. **Conduit Bond Program Fees** • Program Application Fee: Paid via MIP Application Fee. • Issuance Fee: 1) The greater of $15,000 or 0.2% of the Bond amount if less than $20 million or 2) If more than $20 million: $40,000 + 0.10% of the amount above $20 million. • Public Sale: $5,000-$10,000 when bonds are sold to the public. • Annual Administrative Fee: $7,500 per year. • Required CDLAC Fees. If CalHFA is selected as the permanent lender, please see CalHFA terms sheet 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: 04/2019

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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/. 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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FIGURE 3: 2020 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

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.

FIGURE 3: 2020 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

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.

FIGURE 3: 2020 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

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,

FIGURE 3: 2020 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

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.

FIGURE 3: 2020 MIP Term Sheet (Continue)

MIXED-INCOME LOAN PROGRAM

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

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CalHFA Mixed-Income Program Projects

Report to CalHFA Board of Directors - February 6, 2020

MIP 2019

	Project Name	Project Type	County	MIP Amount	MIP/Unit Amount	Total Units	CalHFA Approval	Anticipate TCAC/CDLAC Awards	Estimated Closing
1	Arena Senior	Senior	Sacramento	$ 6,000,000	$ 25,210	240	Final Commitment	2019	Construction Closed
2	Glen Loma Ranch	Family & Senior	Santa Clara	$ 7,850,000	$ 50,321	158	Final Commitment	Febuary	March 2020
3	Village at Burlingame	Family & Senior	San Mateo	$ 9,700,000	$ 74,046	132	Final Commitment	Febuary	March 2020
4	Hayward Mission	Family	Alameda	$ 5,000,000	$ 35,971	140	Initial Commitment	March	June 2020
5	Antioch Seniors	Family & Senior	Contra Costa	$ 6,000,000	$ 15,385	394	Initial Commitment	March	July 2020
6	Valencia Point	Family	San Diego	$ 4,040,000	$ 40,000	102	Initial Commitment	March	June 2020
7	Twin Oaks Senior (Formerly: Oakley Senior)	Senior	Contra Costa	$ 5,160,000	$ 40,000	130	Initial Commitment	March	September 2020
	TOTAL/Average			**$43,750,000**	**$ 33,758**	**1,296**			

MIP 2020

	Project Name	Project Type	County	MIP Amount	MIP/Unit Amount	Total Units	CalHFA Approval	Anticipate TCAC/CDLAC Awards	Estimated Closing
1	The Atchison - Pittsburg	Family	Contra Costa	$10,700,000	$ 53,500	202	Initial Commitment	March	June 2020
2	Beacon Villa	Family	Contra Costa	$ 6,350,000	$ 117,593	54	Initial Commitment	March	June 2020
3	Frishman Hollos II - Truckee	Family	Nevada	$ 4,388,000	$ 65,493	68	Initial Commitment	March	June 2020
4	The Parkway Apts - Folson	Family	Sacramento	$ 3,350,000	$ 47,183	72	Initial Commitment	March	September 2020
5	Arden Way Apts- Sacramento	Family	Sacramento	$ 7,606,522	$ 63,920	120	Initial Commitment	March	August 2020
6	1717 S Street	Family	Sacramento	$10,250,000	$ 92,342	112	Initial Commitment	March	July 2020
7	The Courtyard @ Kimball - Nat'l City	Family	San Diego	$ 6,500,000	$ 50,000	131	Initial Commitment	March	September 2020
8	Santa Rosa Apartments	Family	Sonoma	$ 9,850,000	$ 64,803	154	Initial Commitment	March	June 2020
9	Kawana Springs - Santa Rosa	af	Sonoma	$ 9,500,000	$ 63,758	151	Initial Commitment	March	June 2020
10	The Redwood Apartments - Santa Rosa	Family	Sonoma	$ 4,750,000	$ 50,000	96	Initial Commitment	March	September 2020
11	One Lake Family Apts	Family		$14,255,771	$ 75,829	190	Initial Commitment	March	September 2020
12	Fancher Creek Senior Apts	Senior	Fresno	$ 4,500,000	$ 25,281	180	Initial Commitment	March	July 2020
	TOTAL/Average			**$92,000,293**	**$ 62,037**	**1,530**			