



# Mixed-Income Program Overview and Outcomes

February 20, 2025

**Stephanie McFadden**  
Director, Multifamily Programs

**Steve Gallagher**  
Housing Finance Chief, Multifamily Programs

## In the Beginning...



The Mixed Income Program (MIP) began taking applications on February 5, 2019



Goal of the program was to deliver more units for “missing middle”



MIP loans structured as 55-year residual receipts subsidy loans



AMI restrictions between 30% - 120%, with preferences for developments with 10% of units between 81% - 120% AMI



MIP loans could be paired with permanent loans from outside lenders



Priority given to developments with the lowest per unit subsidy request



## Key Program Changes Over the Years

### 2020

- AB101 funds increase availability
- MIP loan becomes coterminous with Perm

### 2021

- CalHFA Perm loan required
- \$8 million per project cap and sponsor cap (2 projects) implemented
- MIP received allocation of PAB's from CDLAC

### 2022

- Affordability requirements updated – 10% of units must be 30% AMI or less;
- 40% range between highest and lowest AMI's

### 2023

- \$4 million project cap
- MIP interest rate changed to 3% simple interest
- updated sponsor cap to 1 project
- removed requirement of 10% of units at 30% AMI
- project rankings updated to prioritize public benefit and incentivize emerging developers, geographic diversity, and leveraging of STC's

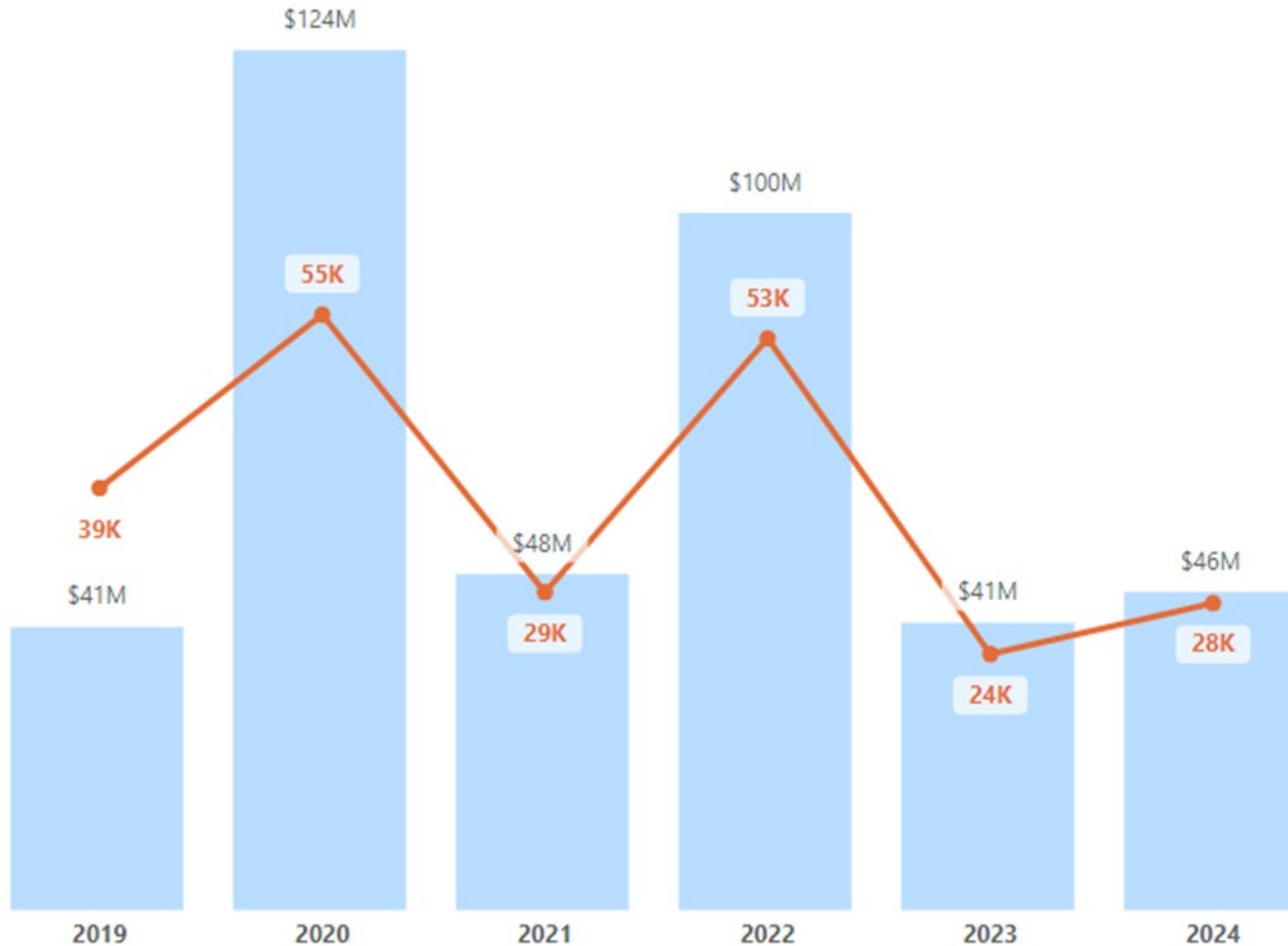
### 2024

- Re-introduced 10% of units at 30% AMI or less requirement



## MIP Results

● MIP Loan Amount ● Average of MIP Subsidy Per Unit



71

Number of Projects

11,624

Total Units

\$2,973,161,904

T/E Volume Cap

\$689,650,014

State Tax Credits (STC)

\$1,287,082,081

CalHFA Perm Loan Amount

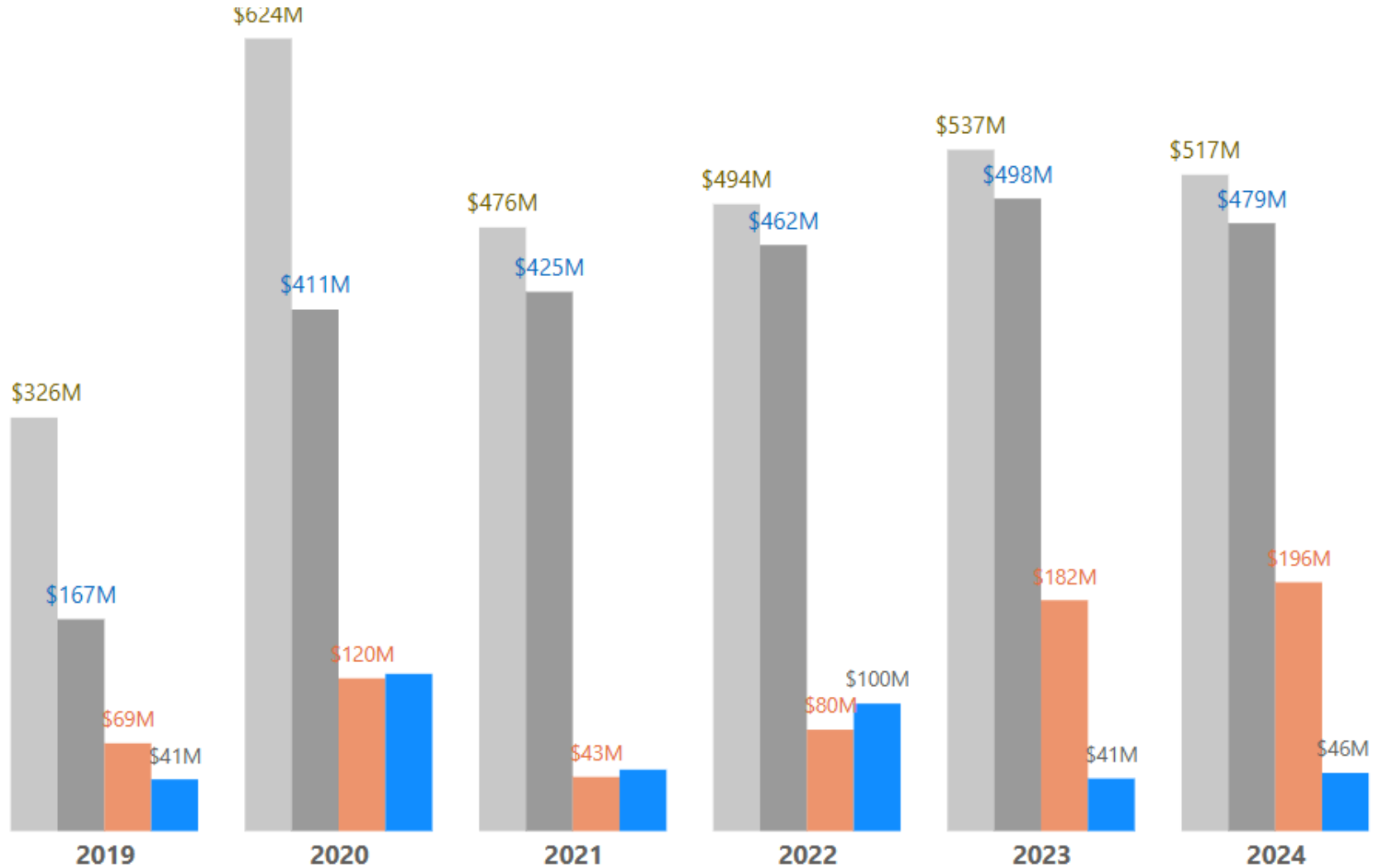
\$400,553,764

MIP Loan Amount



## Bond Volume Cap & Tax Credits

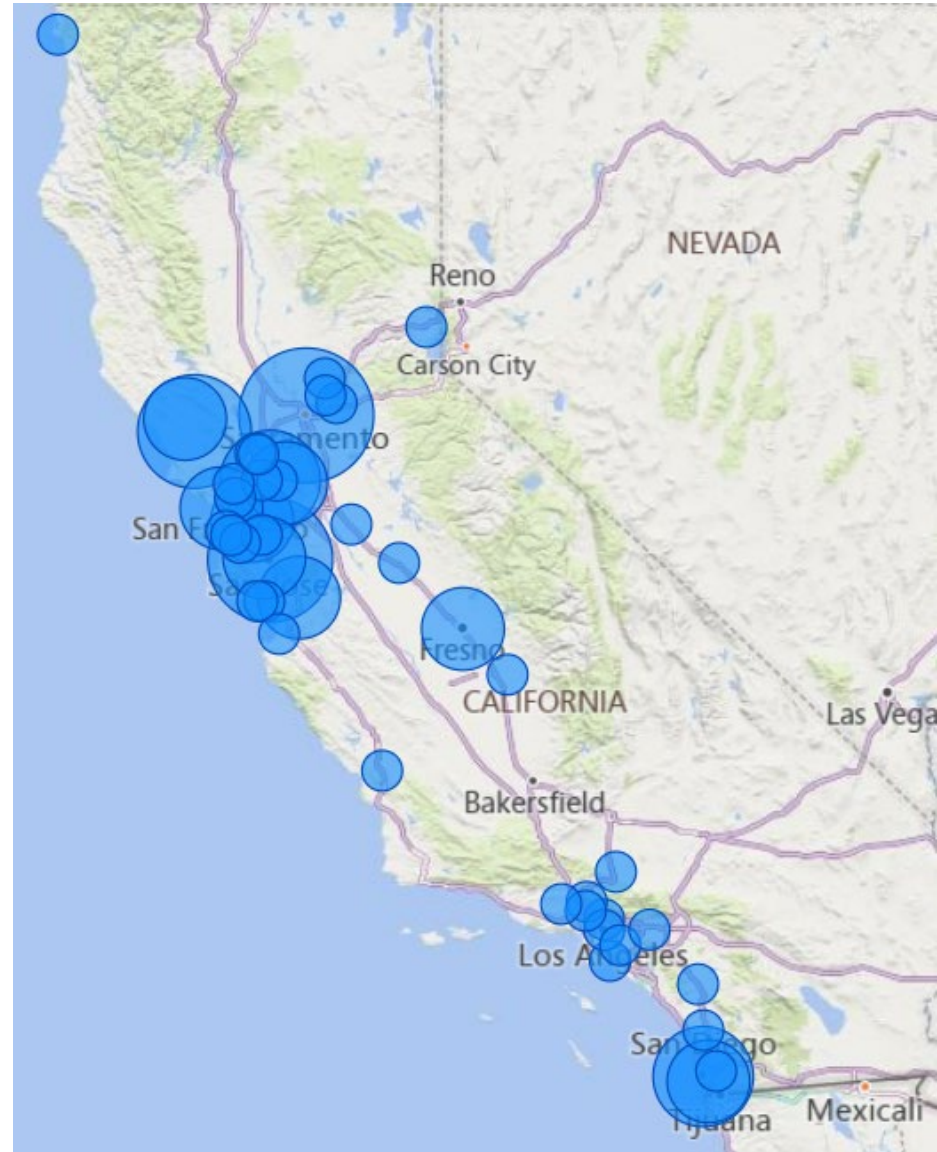
● T/E Vol Cap Allocated ● Federal LIHTC Allocated ● State Tax Credit (STC) ● MIP Loan Amount



**\$400,553,764**

Total MIP funds committed/disbursed

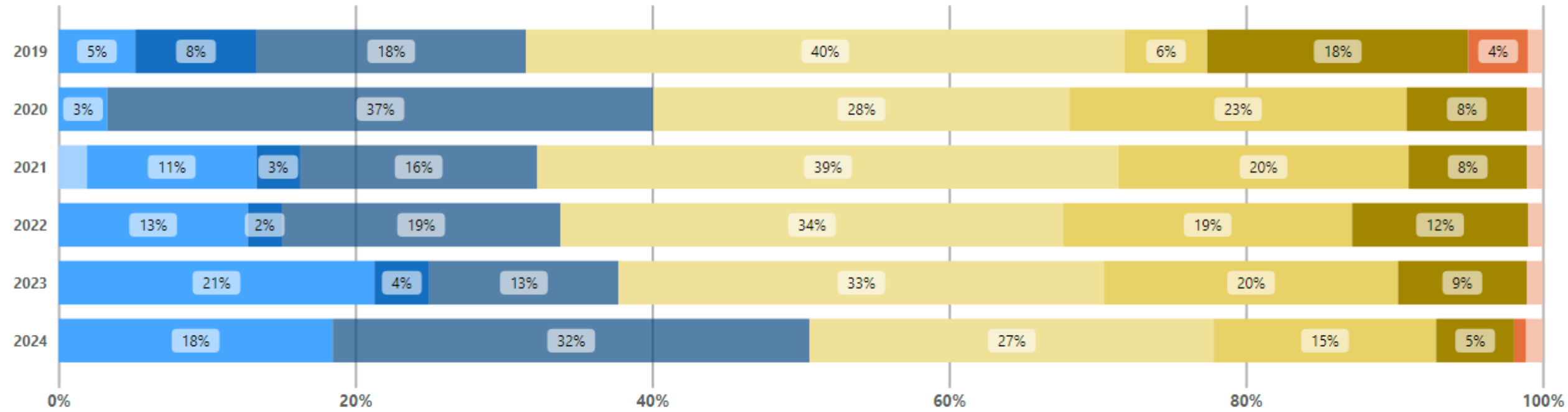
## Map of MIP Project Locations





## Area Median Income Distribution by Units

# Units at 20% AMI or less   # Units at 25% AMI or l...   # Units at 30% AMI ...   # Units at 40% A...   # Units at 50% AMI   # Units at 60% A...   # Units at 70% A...   # Units at 80% ...   # Units at 120% ...   # Manager's U...



**56.9%**  
 Average AMI



## Challenges & Pressures

### Balance desire to build units with being good stewards of funding

- CalHFA role as subsidy lender
- Recycle MIP funds

### Demand is greater than supply

- MIP has been oversubscribed each of the last 4 years
- SB2 funds coming into CalHFA have been decreasing each year

### MIP drives CalHFA permanent lending

- In the next 5 years, CalHFA portfolio will double in size to \$3.0B, primarily due to MIP projects
- Portfolio deals will be larger (avg. \$27MM) and primarily HUD Risk Share

### Affordable Housing Headwinds

- Lack of resources: Federal, state and local programs; tax credit equity pricing decreasing; State Tax Credits for MIP decreasing
- Market Issues: Delays; increased costs; material and labor shortages

### Underwriting guidelines

- Sound financial policies
- Common, acceptable exceptions to underwriting standards

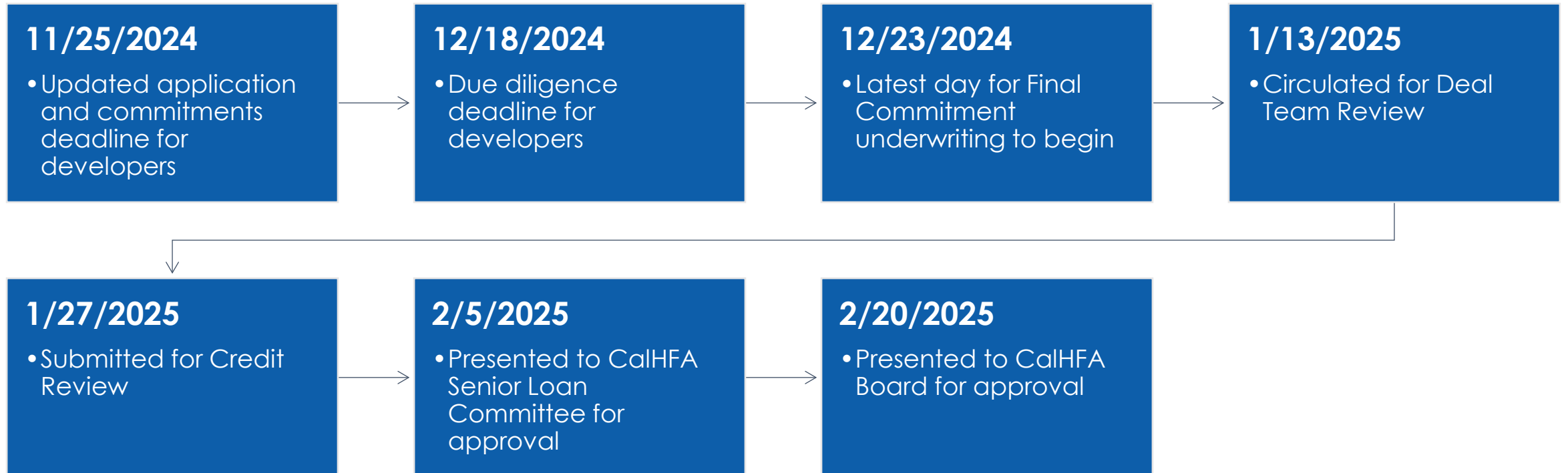


## 3 most common exceptions:

- ❑ **Locality regulatory agreement (often density bonus) in first position, ahead of CalHFA**
  - **Requirement:** CalHFA regulatory agreements are recorded in first position
  - **Mitigation:** No foreclosure rights and subject to a subordination or standstill agreement
  
- ❑ **50/50 residual receipts split deviation due to deferred developer fee repayment**
  - **Requirement:** Residual receipts split 50% to Borrower, 50% to Subsidy Lenders
  - **Mitigation:** Provide evidence that deviation is pursuant to investor LPA
  
- ❑ **Inability to repay the MIP loan balance at refinance per CalHFA exit analysis**
  - **Requirement:** CalHFA loans must be repaid at refinance of the project's first mortgage
  - **Mitigation:** Developer is required to repay remaining balance from GP contribution



## Processing Time of MIP Projects



## 2025 Mixed-Income Program Launched February 2025

### Deadlines and Key Dates:

- Applications due March 10, 2025
- Awards expected to be announced by early April 2025
- Will submit for CDLAC Round 2 (due May 20, 2025)

### Changes to 2025 Term Sheet

- Added criteria to help Los Angeles County rebuild from recent fires (cities affected qualify for the Geographic Distribution Bonus and Los Angeles is exempt from the County Cap)
- Removed State Tax Credit and Soft Funds leveraging bonus from Project Rankings
- Added an Aggregated Exposure Cap for sponsors that have MIP projects in the pipeline
- Added a minimum and maximum for the CTCAC aggregate basis percentage (52% - 55%)
- Removed restriction on residual receipts split other than 50/50, if conditions are met

### Expect to have similar amount of MIP projects for 2025

- Anticipate the program will be oversubscribed again
- Projects will likely be coming to Board for approval in late 2025 or early 2026



# Questions



# Exhibits



## Geographic Distribution

22

Number of Counties

### Number of Projects

Region	2019	2020	2021	2022	2023	2024	Total
Balance of Los Angeles County						3	<b>3</b>
Bay Area Region	5	3	5	4	3		<b>20</b>
Capital Region				3	1	1	<b>5</b>
Central Coast Region					1	1	<b>2</b>
Central Valley Region				1	3		<b>4</b>
Coastal Region	1	2	3				<b>6</b>
East Bay Region						1	<b>1</b>
Inland Empire Region		1				1	<b>2</b>
Los Angeles Region		2		1	3		<b>6</b>
Northern Region	1	7	3				<b>11</b>
Rural Counties		1		2	1		<b>4</b>
San Diego County				1		2	<b>3</b>
San Francisco						1	<b>1</b>
South and West Bay Region: San Mateo and Santa Clara						3	<b>3</b>
<b>Total</b>	<b>7</b>	<b>16</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>71</b>

### Number of Units

Region	2019	2020	2021	2022	2023	2024	Total
Balance of Los Angeles County						407	<b>407</b>
Bay Area Region	954	459	754	606	582		<b>3,355</b>
Capital Region				640	189	239	<b>1,068</b>
Central Coast Region					36	140	<b>176</b>
Central Valley Region				120	522		<b>642</b>
Coastal Region	102	209	558				<b>869</b>
East Bay Region						110	<b>110</b>
Inland Empire Region		180				96	<b>276</b>
Los Angeles Region		595		340	539		<b>1,474</b>
Northern Region	240	942	458				<b>1,640</b>
Rural Counties		68		249	162		<b>479</b>
San Diego County				147		302	<b>449</b>
San Francisco						102	<b>102</b>
South and West Bay Region: San Mateo and Santa Clara						577	<b>577</b>
<b>Total</b>	<b>1,296</b>	<b>2,453</b>	<b>1,770</b>	<b>2,102</b>	<b>2,030</b>	<b>1,973</b>	<b>11,624</b>

### Current MIP Portfolio Impact

- 17 of 71 MIP projects converted to permanent financing and transferred to the CalHFA portfolio
- 2,482 total units
- \$230.8 million in UPB (16% of total portfolio UPB)
- Average of \$13.6 million per project

### Future MIP Portfolio Impact

- Remaining 54 MIP projects scheduled to transfer to the CalHFA portfolio in the next 5 years
- 8,782 total units
- \$1.46 billion in UPB (102% of current total portfolio UPB)
- Average of \$27 million per project
- 40 projects with \$48.9 million in UPB, currently in the portfolio, will mature in the next 5 years
- **Even with these projects paying off, the portfolio's UPB will more than double and there will be a net increase in projects in the next 5 years, just attributed to MIP**



## Case Study – MIP vs. Deferred Developer Fee

### Holt & Main (approved at January Board Meeting)

	As Approved	Increase MIP by \$2MM	Increase MIP by \$4MM
<b>MIP Loan</b>	\$4.0MM	\$6.0MM	\$8.0MM
<b>Deferred Developer Fee</b>	\$5.15MM 100% residual receipts to year 13	\$3.2MM 100% residual receipts to year 10	\$1.2MM 100% residual receipts to year 5
<b>Unpaid MIP at Refinance</b>	\$5.0MM	\$7.2MM	\$9.2MM