Cal HFA California Housing Finance Agency

Public Meeting Agenda

California Housing Finance Agency Board of Directors
Thursday, February 20, 2025
10:00 a.m.

Meeting Location:
California Department of Food and Agriculture
1220 N Street, Auditorium
Sacramento, CA 95814

This meeting is also available to view on livestream. Please note, public comments cannot be made when viewing on livestream.
https://www.calhfa.ca.gov/about/events/board-meetings/books/2025/20250220/2025-02-20-board.htm

9. Informational written reports:

10. Other Board matters

11. Public comment: Opportunity for members of the public to address the Board on matters within the Board's authority

12. Adjournment

NOTES**

PARKING: 1) 1517 13th Street parking garage ($1.25 per 20 minutes, $20 daily max); Minimal street parking available via meter.

REFRESHMENTS: Available on the premises at Kindred Seoul and The State Grind. No food or coffee is allowed in the Boardroom.

MINUTES

California Housing Finance Agency (CalHFA)
Board of Directors Meeting
January 28, 2025
Meeting noticed on January 17, 2025

1. Roll Call

The California Housing Finance Agency Board of Directors Meeting was called to order at 10:09 a.m. by Chair Cervantes. A quorum of members was present.

MEMBERS PRESENT:	Cabildo, Cervantes, Franklin, Moss, Limon, Henning (for Ma), Johnson (for Assefa), Prince, Russell, Olmstead (for Velasquez)
MEMBERS ARRIVING AFTER ROLL CALL:	Feigles (for Sin)
MEMBERS ABSENT:	Sotelo, Perrault (for Stephenshaw), White, Williams
STAFF PRESENT:	Claire Tauriainen, Melissa Flores, Stephanie McFadden, Erwin Tam, Mehgie Tabar
Early departures:	None

2. Approval of the Minutes – November 21, 2024

On a motion by Russell, the minutes were approved by unanimous consent of all members in attendance.

3. Chairperson/Executive Director comments

Chairperson comments:

- Chair Cervantes acknowledged Director of Multifamily Programs, Stephanie McFadden, as well as Chief Deputy Director Rebecca Franklin, who both appeared before the Board for the first time since their recent appointments.

Executive Director comments:

- Chief Deputy Director Franklin shared that CalHFA stands ready to provide support to those impacted by the Los Angeles fires and stated that victims are eligible for CalHFA programs with the first-time homebuyer requirement waived.

- She updated the Board that CalHFA's new program, MyAccess, is preparing for a soft launch on March 3.

- CalHFA has received 23 responses from the Request for Information regarding a potential new construction multifamily affordable housing program in partnership with localities and other public entities throughout the state. The final response date is February 28.

- CalHFA has received the Government Finance Officers Association Certificate of Excellence in Financial Reporting for the seventh year in a row.

4. <u>Discussion, recommendation, and possible action to amend Resolution 24-14 to allow CalHFA to apply to the California Debt Limit Allocation Committee for private activity bonds – Resolution 25-01</u>

Presented by Erwin Tam, Director of Financing

On a motion by Henning, the Board approved **<u>Resolution No. 25-01</u>**. The votes were as follows:

AYES:	Cabildo, Cervantes, Moss, Limon, Henning (for Ma), Prince, Russell, Feigles (for Sin), Olmstead (for Velasquez)
NOES:	None
ABSTENTIONS:	None
ABSENT:	Sotelo, White, Williams

5. <u>Discussion, recommendation, and possible action to approve a final loan commitment for Holt & Main, Project No. 24-007, for 160 units in Pomona, Los Angeles County – Resolution 25-02</u>

Presented by Stephanie McFadden

On a motion by Limon, the Board approved **<u>Resolution No. 25-02</u>**. The votes were as follows:

AYES:	Cabildo, Cervantes, Moss, Limon, Henning (for Ma), Prince, Russell, Feigles (for Sin), Olmstead (for Velasquez)
NOES:	None

ABSTENTIONS: None

ABSENT: Sotelo, White, Williams

6. Discussion, recommendation, and possible action regarding the expansion of the National Mortgage Settlement fund usage

This item was pulled from the agenda

7. Update on legislative session and post-2024 election results

Presented by Mehgie Tabar, Director of Legislation

Tabar provided the Board with an overview of the state budget and legislative process. She outlined several introduced bills with a focus on rebuilding fire damaged areas in Los Angeles, but stressed it was still early in the session. She touched briefly on federal legislation and shared that she will be joining several of her colleagues in Washington, D.C., in March for the National Council of State Housing Agencies' annual Legislative Conference.

8. Informational written reports

Chair Cervantes asked if there were any questions about the written reports included in the meeting package and several members responded with questions regarding fire damaged single family homes in CalHFA's portfolio, as well as the housing and insurance market in California.

9. Other Board matters

Chair Cervantes asked if there were any other Board matters to discuss and there were none.

10. Public comment

Chair Cervantes asked if there were any members of the public who wanted to provide public comment and there were none.

A written public comment was received regarding an Accessory Dwelling Unit developer from Steven Sonza.

11. Adjournment

As there was no further business to be conducted, Chair Cervantes adjourned the meeting at 11:17 a.m.

MEMORANDUM

To: Board of Directors **Date:** February 20, 2025

From: Stephanie McFadden, Director of Multifamily Programs
California Housing Finance Agency

Subject: Agenda Item 4 – Update on CalHFA Mixed Income Program

Discussion: The CalHFA Mixed-Income Program (MIP) provides long-term subordinate financing for new construction affordable multifamily developments throughout California that provide housing with units restricted at all income levels between 30% and 120% of the Area Median Income of the county in which the development will be located. The program was created with an annual appropriation of funds to CalHFA under 2017's Senate Bill 2 (SB2), the Building Homes and Jobs Act. CalHFA receives 15% of the Building Homes and Jobs Act Fund for MIP.

This presentation will focus on an overview of MIP, including revisiting results since the program was launched in 2019, the current status of the program and the developments going through final commitment underwriting, and a look ahead at the program's future with the recent release of the 2025 MIP term sheet.

MEMORANDUM

To: Board of Directors **Date:** February 20, 2025

From: Stephanie McFadden, Director of Multifamily Programs
California Housing Finance Agency

Subject: Agenda Item 5 – Final Loan Commitment for Maison's Village Phase II, Project No. 24-004

Action: CalHFA Senior Loan Committee has recommended that Chief Deputy Director, Rebecca Franklin, seek Board approval and final loan commitment for the Maison's Village Phase II Development by approving Resolution Number 25-03.

Development Information:

- The Executive Director has Board delegated authority to approve loans up to $15,000,000, therefore, the Maison's Village Phase II Development is seeking Board approval for a $30,000,000 tax-exempt permanent loan and a $1,600,000 Mixed-Income Program subsidy loan, to construct a 191-unit new construction development at a total development cost per unit of $369,483.
- Both the permanent loan (40-year amortization) and MIP subsidy loan (residual receipts) will have terms of 17 years.
- The Maison's Village Phase II Development is proposed to be constructed in Palmdale, Los Angeles County and developed by Ravello Holdings, Inc.
- Energy efficient and green design features include: A photovoltaic solar system, low flow toilets and plumbing fixtures, water efficient landscape design, LED lighting, Energy Star exhaust fans/ventilation, and electric heat pumps.
- The only recommended underwriting exception is the CalHFA regulatory agreements will not be recorded in senior position to all foreclosable debt. The City of Palmdale is requiring a Density Bonus Agreement, which will be subject to a CalHFA subordination or standstill agreement at permanent loan closing, to be recorded in senior position to the CalHFA Deeds of Trust.

Executive Summary	
CalHFA Project Number	24004
Project Name	Maison's Village Phase II
Type of Development	New Construction
Type of Project	Family
Total Units [MIP Restricted Units]	191 (189 restricted)
Street Address	South Side of Palmdale Boulevard, between 51st Street East and 55th Street East
City, County, Zip Code	Palmdale, Los Angeles, California 93552
Borrower (Legal entity name)	Maison's Palmdale Blvd 150, LP
Developer(s)	Ravello Holdings, Inc.
Co-Developer	N/A
Approved Conduit Issuances	
Conduit T/E Issuance [CDLAC Meeting: 8/7/2024]	$38,000,000 (Includes 10% cushion and rounded to nearest $1m) (assuming current need $34,410,000)
Conduit Taxable Issuance	N/A
Recycled Bond Volume Cap	$7,000,000 (Includes 10% cushion and rounded to nearest $1m) (assuming current need $6,000,000)
Requested CalHFA Financing for Approval	
CalHFA Tax-Exempt Permanent Loan Amount	$30,000,000 UW Rate and Loan Term: [6.36% , fixed; 1st lien; 40/17]
CalHFA Taxable Permanent Loan Amount (if any)	
HUD Risk Sharing Requirement (1st lien loan)	Yes
CalHFA Subordinate/Subsidy Financing Type	Mixed-Income Program (MIP) 2024 $1,600,000 UW Rate and Loan Term: [3.00% , fixed; 2nd lien; 17 year term]
CalHFA Subordinate/Subsidy Financing Amount	N/A
Key Dates and Approvals	
SLC Initial Commitment Approval/ Declaration of Intent Date	4/22/2024
SLC Final Commitment Approval Date	2/5/2025
CDLAC Volume Cap Award Date	8/6/2024
CTCAC Tax Credit Award Date	8/6/2024
CDLAC Closing Deadline	5/27/2025
Construction Loan Closing Date [Est.]	4/1/2025
Est. CalHFA Loan Closing (perm conversion) Date	11/1/2027
Federal Tax Credits (LIHTC) Requested	Federal LIHTC Amount: $32,376,590 ($0.86/Credit) ($171,305/unit)
State Tax Credits Requested	State Tax Credit Amount: $9,573,068 ($0.75/credit) ($50,651/unit)

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1	Project Summary
1a	Project Description

Maison's Village Phase II (the "Project") is a new construction, family, mixed-income Project. The total development site area is 18.74 acres and is located in the City of Palmdale, CA. The Project will consist of 191 1-story single family detached homes, of which 189 units will be restricted between 30% and 70% of the Los Angeles County Area Median Income (AMI). There will be 64 one-bedroom units (499 sq. ft.), 46 two-bedroom units (749 sq. ft.), 57 three-bedroom units (1,250 sq. ft.), and 22 four-bedroom units (1,650 sq. ft.). In addition, 2 of the two-bedroom units will serve as manager's units. The Project will have 191 attached garage spaces for residential parking.

The Project's financing structure includes financing from (i) Tax-exempt (T/E) bonds, (ii) T/E Recycled bonds, (iii) an Equity Bridge Loan, (iv) 4% Federal Low Income Housing Tax Credit (LIHTC) equity, (v) State Housing Tax Credit Equity, (vi) CalHFA Tax-Exempt Permanent Loan, and (vii) CalHFA Subordinate financing through Mixed-Income (MIP) Subsidy Loan.

Residential Areas		Commercial Areas (If Mixed-use)	
Land Area (Acres)	18.74	Land Area (Acres)	N/A
Residential Units / Acre	10	Number of Lease spaces	N/A
Residential Area (Sq. Ft) (see note 1)	176,640	Commercial Area (Sq. Ft)	N/A
Community Area (Sq. Ft)	3,498	Commercial Parking Spaces	N/A
Supportive Services Area	N/A	Master Lease?	N/A
Residential Parking Space	191 (garage spaces)	Condo Structure (not part of subject financing)	N/A

Notes (if any):
1. Excludes square footage of managers' units.

1b	Project Location Geocoder Information

The Project is located in Palmdale, Los Angeles County. The project consists of single family homes.

Inside Principal City?	No	Underserved or Distressed Tract?	No
Census Tract (CT)	Moderate	% Population Below Poverty Line	18.71%
CT Minority Population %	90.47%	Rural Area?	No
CT Income Level	Medium	2024 Est. CT Median Family Income	$98,200
CDLAC/TCAC Opportunity Area Category		Low Resource	
CDLAC/TCAC Geographic Region		Balance of Los Angeles County	
Project is located in DDA?		No	
Project is located in Federally-designated Qualified Census Tract (QCT) for LIHTC purposes?		No	

2	Development and Financing Team				
Developer (Sponsor): Ravello Holdings, Inc.			**Co-developer (if any):** N/A		
	New to CalHFA?	No		New to CalHFA?	N/A
	Affordable Housing/LIHTC experience?	Yes		Affordable Housing/LIHTC experience?	select
	Has Projects in California?	Yes		Has Projects in California?	select
Borrower (Legal entity): Maison's Palmdale Blvd 150, LP			**Co-Borrower (if any):** N/A		
Construction (Senior) Lender: 1) KeyBank Real Estate Capital			**Construction Subordinate Lender(s):** N/A		
Permanent 1st lien Lender: 1) CalHFA			**Permanent Subordinate Lender(s):** 1) CalHFA (2nd lien)		
Federal LIHTC Investor: WNC & Associates, Inc.			**State LIHTC Investor:** WNC & Associates, Inc.		
	Tax Credit Amount	$32,376,590		Tax Credit Amount	$9,573,068
Solar Tax Credit Investor:					
	Tax Credit Amount	$0			
General Contractor: Ravello West Construction			**Management Company (Property Manager):** Aperto Property Management, Inc.		
	Is an affiliate of Developer?	Yes		Is an affiliate of Developer?	No
	Experience with CalHFA?	Yes		Total number of properties managed	211
Architect: LCRA			**Service Provider:** **LifeSTEPS**		
	Has worked with GC?	No		Required by TCAC or other Funding sources?	Yes
	Has experience designing and managing similar projects?	Yes		Terms of service (on-site, number of years)	15
				Support Services Cost (per Operating budget)	$33,240
	Has housing projects in CA?	Yes		Per unit cost of services meets USRM req.?	Yes
Financial Advisor: N/A			**Project Consultant:** N/A		
Notes (if any):					

3	Summary of Material Changes from Initial Commitment Approval
For any changes marked ☒ please explain the changes and the impact of such changes either in CDLAC scoring, financial risk to the Agency, or any other material impact to the underwriting of the loan	
☐	Changes in Borrower/Sponsor entities including Co-developer(s), if any
☒	Changes in Other Development Team members: Construction Lender, Tax Credit Investor, General Contractor, Property Management Agent, Other lenders including subordinate lenders - Construction lender changed from Merchants Capital Corporation to KeyBank Real Estate Capital

☐	Changes in Project Scope (for example, addition of non-residential component)
☐	Changes in CalHFA loan amount (>10%) or changes in loan terms
☒	Changes in construction schedule and rent-up/conversion timeline - Approval timeline has extended the construction closing and perm conversion dates stated at initial commitment approval by approximately 30 days.
☐	Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc.
☒	Significant changes in Operating budget as well as rental assistance/operating subsidy assumptions - TCAC maximum allowable rents were increased in 2024 which have increased the net operating income by 4.9% from initial commitment approval.
☐	Changes in CalHFA required reserves
☐	Changes in Affordability Restrictions including Unit distribution for regulated units
☐	Other material underwriting, project scope or financial structuring changes

4	**Requested CalHFA Financing for Approval**
4a	CalHFA Financing Terms

	CalHFA 1st Lien Perm Loan	**CalHFA Subordinate Loan (MIP Subsidy Loan)**	**Total CalHFA Financing**
Loan Amount ($)	$30,000,000	$1,600,000	$31,600,000
Loan Term (Year)	17	17	17
Amort. Term (Year)	40		40
Amort. Type	Partially Amortizing	Non-amortizing	
Lien Position	1st	2nd	
UW Interest Rate % (See Note 1)	6.36%	3.00%	
Loan to Value (%) (See Note 2)	67%	4%	
Combined LTV (CLTV) (%) (See Note 2)			71%
Loan to Cost (%) (See Note 3)	43%	2%	45%
Loan Repayment Source	Net Operating Income (NOI)	Residual Receipts	

Notes:

1. The interest rate spread will be locked on 2/29/2025 for the CalHFA perm loan. The final rate will be locked prior to issuance of the Final Commitment Letter pursuant to the final commitment approval. A 50 bps underwriting cushion is included to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked no more than 30 days prior to construction loan closing.
2. Maximum LTV limited to 90% and maximum CLTV to be limited to 120% of restricted appraised value based on an acceptable Appraisal. However, if the exit analysis requirements are not met per the Agency's underwriting standards, the CLTV shall not exceed 100%.
3. Loan to Cost shall not exceed 100% of the total project development cost (see construction sources/uses for total development cost).

4b	CalHFA Loan(s) Security
Select ONE	Description
☒	The CalHFA Perm loan(s) will be secured by a first lien deed of trust (DoT) against the above-described Project site and improvements.
☒	The CalHFA Subordinate (MIP) loan will be secured by a second lien deed of trust (DoT) against the above-described Project site and improvements.
☐	The Agency shall encumber both the fee and leasehold interests in the Development as security for its deeds of trust and regulatory agreements.
☐	CalHFA loan(s) will be secured against the fee interest in the improvements and leasehold Interest in the land.
☒	Assignment of Borrower's interest in Project improvements, Project revenues and escrows

Notes (if any):

1. The City of Palmdale is requiring a Density Bonus Agreement that is required to be recorded in priority position and which will be subject to CalHFA review and approval and further subjected to a CalHFA subordination or standstill agreement at permanent loan closing. See section 6a for more information.

5	**Project Budget & Total Development Cost**
5a	Construction Financing

Construction Lender	KeyBank Real Estate Capital
CDLAC/CTCAC Construction Closing Deadline	05/27/2025

	Bond Issuance Amount	Type of Issuance
Construction Conduit Issuance Amount	$34,410,000	Tax-Exempt
Construction Conduit Issuance Amount	$0	Taxable
Construction Conduit Issuance Amount	$6,000,000	T/E Recycled
Total	$40,410,000	

	Loan Amount	UW Rate	Loan Term
Construction Loan (T/E) (Interest-only, 1st lien during construction)	$40,410,000	Est. 7.28%, Variable (See Note 1)	30-months + one 6-month extension.
Construction Loan (Taxable) (Interest-only, 3rd lien during construction)	$6,220,803	Est. 8.07% (see Note 2)	30-months + one 6-month extension.
<Other Construction loan>			

Notes:

1. Construction Loan T/E is a variable rate [SOFR+250 bps, Index 30-day Average SOFR]. Current [SOFR] as of 01/24/2025 is 4.34% and the all-in rate is 6.84%. The loan term includes 12 months extension at 10 bps.
2. Construction Loan (Taxable) is a variable rate [SOFR+275 bps, Index 30-day Average SOFR]. Current [index] as of 1/24/2025 is 4.34% and the all-in rate is 7.09%. The loan term includes 12 months extension at 10 bps. This loan is a conventional loan provided by KeyBank and not a CalHFA bond issuance.
3. Construction interest reserve may be re-sized based on the final locked rate at construction closing. Any resulting funding gaps will be covered by the Developer until permanent loan closing.

5b	Construction Sources	
Construction Sources:	Amount ($)	% of Total
KeyBank (Loan)	$34,410,000	53.58%
KeyBank- Recycled Bonds (Loan)	$6,000,000	9.34%
KeyBank - Equity Bridge Loan (Loan)	$6,220,803	9.69%
WNC - Capital Contributions (Equity, LIHTC Investor)	$17,592,202	27.39%
Total Construction Sources	**$64,223,005**	**100%**

5c	Construction Uses	
Construction Uses:	Amount ($)	% of Total
Land and Improvement Value	$3,440,000	5.36%
Other Acquisition Costs	$50,000	0.08%
Construction/Rehab Costs	$42,253,396	65.79%
Soft Costs (A&E, Legal, Title, and Other Soft Cost)	$2,671,000	4.16%
Hard Cost contingency (9.48% of Hard Cost)	$3,465,156	5.40%
Soft Cost contingency (6.45% of Soft Cost)	$1,382,651	2.15%
Financing Costs (Interest Reserves, Fees, Taxes, and Insurance)	$4,638,250	7.22%
Local Impact Fees and Permit Fees	$4,434,483	6.90%
Cash Portion Developer Fee	1,518,069	2.36%
Other Costs (TCAC Fees, Furnishing, and Other Misc. Fees)	$370,000	0.58%
Total Construction Uses	**$64,223,005**	**100%**
Total Construction Cost per unit	**$336,246**	
Total Construction Cost per CalHFA MIP Regulated Unit	**$339,804**	

Notes (if any):

1. Acquisition Costs included in the budget is $3,490,000 which is in compliance with Agency's underwriting (USRM) standards. The total Acquisition costs include as-is land cost (per purchase appraisal dated 2/12/2024 and prepared by BBG Real Estate Services) of $3,440,000 and $50,000 legal costs. The construction appraisal dated 12/6/2024 and prepared by Kidder Mathews Valuation Advisory Services also supports the acquisition cost with a land value of $3,400,000.
2. The total hard cost contingency in the project is 9.48% of the Hard costs, which includes the contingency in the GC Schedule of Values (SOV) which will be reviewed by the CalHFA inspector prior to construction loan closing to ensure it meets USRM requirements and project scope for completion within the stipulated budget.
3. The total soft cost contingency in the project is 6.42% of eligible costs and has been reviewed by the Multifamily staff to meet the USRM requirements and project scope for completion within the stipulated budget.

5d	Third-party Plan & Cost Review Summary
General Contractor (GC) Name:	Ravello West Construction, Inc.
GC Budget (per Schedule of Values)	Pending
% of Builder overhead, profit, and general requirements (TCAC allowable 14%)	Pending
Type of Construction Contract:	Stipulated Sum
GC Contract Executed? If not, provide status:	Draft
GC Hard-Cost Contingency and Sufficiency:	TBD

Notes:

- CalHFA will require review and approval of independent third-party prepared plan and cost review report for project plans and specifications (plan & specs) and cost review prior to construction loan closing.

5e	Permanent Sources and Uses	
Permanent Sources:	Amount ($)	% of Total
CalHFA - Perm Loan (Loan)	$30,000,000	42.5%
CalHFA - MIP (Loan)	$1,600,000	2.3%
Deferred Developer Fee (Developer Fee, Deferral)	$3,457,365	4.9%
Tax Credit Equity (Equity, LIHTC Investor)	$35,513,868	50.3%
Total Permanent Sources	**$70,571,233**	**100%**

Permanent Uses:	Amount ($)	% of Total
Total Loan Payoffs/Equity	$64,223,005	91.0%
Financing costs	$233,000	0.3%
Operating Reserves	$1,133,297	1.6%
Cash Developer Fee paid at Perm Conversion	$1,524,566	2.2%
Deferred Developer Fees paid from cashflow	$3,457,365	4.9%
Total Permanent Uses	**$70,571,233**	**100%**
Total Development Cost per unit	**$369,483**	
Total Development Cost per CalHFA MIP Restricted Unit	**$373,393**	
Notes (if any):		

5f	Federal and State Tax Credits			
Federal LIHTC Tax Credit Investor /Syndicator		WNC & Associates		
State Housing Tax Credit Investor /Purchaser		WNC & Associates		
Other Tax Credit Investor/Purchaser				
Tax Credit Type	**Tax Credits Amount ($)**	**Pricing (per Credit)**	**Tax Credit Equity ($)**	**Tax Credit Equity per CTCAC Restricted Unit ($)**
Federal Tax Credits (New Const/Rehab)	$32,376,590	$0.86	$27,843,867	$147,322
State Housing Tax Credits	$9,573,068	$0.75	$7,179,801	$37,988
<Other Tax Credits: Solar, etc.>	N/A			
Total	$41,949,658		$35,023,668	$185,310

Notes (if any):

1. The Project was awarded volume cap for bonds and Federal and State LIHTC tax credit allocations in the CDLAC/TCAC meeting on 8/7/2024.

50% Aggregate Basis Test Requirements	
Accountant prepared Draft Financial Projections date	4/15/2024
Accounting firm name	Novogradac
T/E Private-Activity Bond Volume Cap Allocated	$34,410,000
Aggregate Basis of building and land costs considered	$67,656,311
% of Aggregate basis financed by T/E Bonds	50.86%
50% Test met per IRC Sec. 42 (h) for LIHTC?	Yes
Notes (if any):	

5g	Developer Fee	
Developer fee category:	TCAC Maximum Limit	Actual Amount in Project Budget
Upfront Cash Developer Fee (a)	$3,454,800	$3,042,635
Deferred Developer Fee (DDF) paid from project cash-flow (b)	N/A	$3,457,365
Total Developer Fee (a) + (b)	$11,152,533	$6,500,000
Excess Developer Fee above TCAC Maximum Limit as General Partner (GP) contribution		**$0**

Notes (if any):

1. For the Final Commitment underwriting, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Tax Credit Investor's requirements (LOI) and/or Limited Partnership Agreement (LPA).
2. Any outstanding Deferred Developer Fee remaining at Year 15, even if within TCAC Maximum Limit, will be paid from Borrower's 50% share surplus cash distribution.
3. Any outstanding Deferred Developer Fee remaining in Year 15 and above TCAC Maximum Limit will be treated as developer contribution. The Limited Partnership Agreement (LPA) and the Tax Credit Investor written approval evidencing that any outstanding deferred developer fee remaining in Year 15 will be treated as a GP contribution will be required prior to construction closing.

Note (if any):

5h	Evidence of Cost Containment for projects seeking subsidy
Cost Containment Certification received from Developer?	Yes
Cost Containment Certification acceptable to CalHFA?	Yes

Comments on Cost Containment Strategy: The Developer certified that below cost containment measures have been implemented to minimize construction costs:

1. All major subcontractor and self-performing trades have been competitively bid out.
2. Evaluate Exclusions and Exceptions within general contractor ("GC") contract for potential cost impact. If possible, resolve these potential impacts prior to construction commencement.
3. GC will be required to provide a minimum of 3 bids (when available) for each trade, particularly for all major trades..
4. Allowances should be minimized and reserved for value engineering items that may be added back to contract if hard cost contingency appears sufficient. In house personnel serve as construction professionals to conduct a feasibility/cost analysis prior to commencing construction on a project.

Note (if any):

5i	Evidence of Subsidy Efficiency
Per the CalHFA Term Sheet requirement, a subsidy efficiency analysis will be completed at Initial Commitment, Final Commitment, prior to construction loan closing, and at closing of the CalHFA subordinate financing (perm conversion). Based on the final subsidy efficiency analysis, the CalHFA subsidy loan may be reduced prior to construction closing or perm conversion. Parameters of Subsidy Efficiency Analysis [Verify with the FA and check all that apply]	
☒	Year 1 DSCR is 1.20x maximum
☒	Confirmed that the on-going minimum DSCR of 1.15x through the term of the CalHFA 1st lien permanent loan based on the Financial Analysis completed at final commitment per Agency's underwriting standards (USRM). A final check will be completed at construction closing and at perm conversion.
☒	Cash-flow after debt service is limited to (i) Higher of 25% of the anticipated annual must pay debt service payment, or (ii) 8% of gross income, during each of the first 3 years project operation.
☒	Inflation factors and vacancy rates are consistent with the Agency's underwriting standards (USRM)
☒	Developer Fee requirements consistent with CalHFA underwriting standards and/or CTCAC Regulation 10327(c)2(B)
☒	Confirmed the reasonableness of the Capitalized Reserves to be consistent with Agency's underwriting standards (USRM) and to be verified with the Investor Limited Partnership Agreement prior to Construction Loan close.
☒	State Tax Credits (STC) maximum requested amount is consistent with CTCAC Regulations 10317
☒	Confirmed that the Acquisition Cost (if applicable) is the lesser of: i. Purchase price pursuant to a current purchase and sales agreement between unrelated parties, or ii. Purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs, or iii. Appraised "as-is" value based on a current 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.

5j	High-Cost Explanation	
Total Development Cost (TDC)		$70,571,233
Total Units		191
TDC/Unit		$369,483
High-Cost Explanation provided by Developer per CDLAC Regs Section 5233?		N/A
High-Cost explanation acceptable to CalHFA?		N/A
Summary of Project-specific factors contributing to high cost:		
i.	Project located in HUD high-cost designated area?	☐
ii.	State Prevailing Wage (PW) applicable to the project?	☐
iii.	Increase in development cost due to demolition of existing building or structures?	☐
iv.	Increase in development cost due to high environmental remediation costs?	☐
v.	Increase in development cost due to significant off-site improvements due to site specific conditions?	☐

vi.	Increase in development cost due to additional parking spaces or Type 1 podium garage or other commercial space requirements by City, community feedback or other?	☐
vii.	Other atypical costs included in the development cost budget?	☐
Comments (for any ☒ response, please indicate the costs per the Development Budget line-items)		

6	**Affordability Requirements**
6a	CalHFA Regulatory Agreement Requirements

The CalHFA Permanent Financing Bond Regulatory Agreement will restrict a minimum of 40% of the total units (77 units) at or below 60% AMI; with 30% of the total units (57 units) at or below 60% AMI and 10% of the total units (20 units) at 50% of AMI for 55 years.

The CalHFA Subsidy Regulatory Agreement will restrict 189 of units between 30% and 120% of AMI for a term of 55 years.

Number of Regulated Units and AMI Restrictions by Each Agency

Number of Units and Percentage of AMI Rents Restricted by each Agency

Regulating Agency	Number of Units Restricted For Each AMI Category								Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	80%	120%	Regulated	Regulated
CalHFA Bond	2nd			20	57				77	41%
CalHFA MIP	3rd	20		38		20		111	189	100%
CTCAC	4th	22		27	52	88			189	100%
Density Bonus or CUP	1st				20				20	11%
TOTALS		22	0	36	43	88	0	0	189	100%

Notes (if any):

1. The CalHFA MIP Subsidy Regulatory Agreement requires 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 (20 units at 30% AMI and 38 units at 50% AMI). An additional 10% of total units (20 units) must be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years.
2. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 111 restricted units will be restricted at or below 120% of AMI.
3. The City of Palmdale is requiring a Density Bonus Agreement ("DBA") which will be subject to CalHFA review and approval and further subjected to a CalHFA subordination or standstill agreement at permanent loan closing. The DBA will restrict 10% (20 units) at or below 60% of AMI for a term of 55 years following permanent loan closing. In exchange for these restrictions the DBA will provide the following concessions:
    a. 20% density bonus over base density, which adds an additional 4 units per acre.
    b. Authorization to use composite shingles for roofing materials.
    c. Waiver to allow minimum garage length of 20 feet.

6b	Unit Distribution for each AMI category

The table below outlines the distribution of units for each unit size by AMI category.

Rent Limit Summary Table

	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	5-bdrm	Total	% Total
30%	0	6	5	6	3	0	20	10%
50%	0	14	9	11	4	0	38	20%
60%	0	14	11	13	5	0	43	23%
70%	0	30	21	27	10	0	88	46%
Manager	0	0	2	0	0	0	2	1%
Total	0	64	48	57	22	0	191	
AMI Avg		59.7%	59.3%	59.6%	58.6%		59.47%	

Note (if any):

- The initial rents at permanent loan closing and in subsequent years must not be less than the underwritten rent levels outlined in the "Rent Summary Table" of the Financial Analysis enclosed as part of this Staff Report.
- The CalHFA regulatory agreement(s) will require minimum underwriting rent levels as outlined above.

7	**Financial Analysis**
7a	Market Study Summary

Market Study firm: Novogradac	Market Study Date: 02/20/2024
Market Study date within 180 days?	Yes
Proposed Market Rents for subject property	1BR-$1,968, 2BR-$1,988, 3BR-$2,788, 4BR-$3,362 (CalHFA MIP Term Sheet requires maximum allowable rents for all CalHFA restricted units to be lesser of (i) applicable TCAC max rents, or (ii) 10% below market rate for the term of the CalHFA loan. The underwritten rents will be confirmed independently by the appraisal from a third-party appraiser firm engaged by CalHFA and for the term of the CalHFA loan)
Targeted population income range	30% AMI, 50%AMI, 60% AMI and 70% AMI
Absorption Period	6 to 7 months
Absorption rate	27 to 32 units per month
Project Amenities appropriate and sufficient for market and intended tenants?	Yes
Special Needs Housing – demand/need for Special Needs population, availability of area service providers and sufficiency of on-site services at subject property	N/A
Utility allowance schedule included in market study report?	Yes

<u>Regional Market Overview</u>

- The Primary Market Area is the city of Palmdale (population of 118,218 in 2023) and the Secondary Market Area ("SMA") is Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (MSA) (population of 13,179,586 in 2023)
- The general population in the PMA is anticipated to decrease by 0.3% per year, which is comparable with the MSA but lower than the Nation.
- Unemployment in the MSA is 4.7%, which evidences a strong employment area.

<u>Local Market Area Analysis</u>

Supply:

  - There are currently 15 family projects in the PMA, and they are 95%-100%% occupied with the majority having wait lists.
  - There are 4 affordable projects under construction which is anticipated to complete in 2024 and 2025.
  - There are two affordable projects with a total of 118 estimated units that have been approved by the locality that have yet to start construction.

- **Demand/Absorption:**
  - The project will need to capture 12.1% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 27 to 32 units per month and reach full occupancy within six to seven months of opening.
- **Summary:**
  - The Market Study absorption and lease-up timelines are in alignment in the Developer's lease-up plan and operating proforma assumptions.

- The Market Study identified below risks in the final analysis:
  - Competitive properties are also coming up online. However, there is sufficient demand for affordable housing in the area.
  - Declining population in the PMA. The Market study anticipates a slight population decline; however, it does not anticipate an impact on the demand for affordable housing.

7b	Appraisal Summary	
Appraiser firm: Kidder Mathews Valuation Advisory Services	Appraisal Date: 12/6/2024	
Engaged by: KeyBank	Reliance by CalHFA (if co-engaged): Yes	
Appraisal within 180 days of Final Commitment?	Yes	
Appraisal premise	Interest appraised	Valuation
Market Value as-is	Fee Simple	$3,400,000
Market Value upon stabilization as if unencumbered by restricted rents	Leased Fee	$66,780,000
Market Value upon stabilization as encumbered by restricted rents	Leased Fee	$49,980,000
Land Value – net of demolition costs	Fee Simple	$3,400,000
	Underwritten NOI	***Appraisal NOI***
Appraiser Firm	Kidder Mathews	Kidder Mathews
Appraisal Date	12/6/2024	12/6/2024
Appraised As-is Value	$3,400,000	$3,400,000
Appraised Land Value	$3,400,000	$3,400,000
Appraised As-Completed Value (Restricted)	$49,980,000	$49,980,000
Appraisal Investment Value	$80,730,000	$80,730,000
Appraisal Cap rate	5.50%	5.50%
NOI (Stabilized Year)	$2,467,028	$2,749,084
Appraisal Cap rate	5.50%	5.50%
As-completed Restricted Value Calculated for UW NOI	$49,983,345	$49,983,345
1st Lien Loan	$30,000,000	$30,000,000
Does the Perm loan include Cash equity payment?	No	No
LTV	60.02%	60.02%
Max LTV allowed	90.00%	90.00%
LTV Check	OK	OK
Total CalHFA loans	$31,600,000	$31,600,000
CLTV calculated	63.22%	63.22%
Max CLTV allowed	100%	100%
CLTV Check	OK	OK

LTV Stress Test for HUD Risk Share Underwriting Requirements		
Cap Rate Stress %	0.50%	0.50%
Cap Rate for Stress Test 1	6.00%	6.00%
1st Lien Loan	$ 30,000,000	$30,000,000
Restricted Value	$ 41,117,137	$45,818,067
LTV (Stress Test 1)	72.96%	65.48%
Total CalHFA loans	$ 31,600,000	$31,600,000
CLTV (Stress Test 1)	76.85%	68.97%
	OK	OK

Comments:
The Borrower's estimated NOI is $2,467,028 which is approximately $282,000 (~10%) lower than the estimated NOI on the appraisal report and is due to the following reasons:

- The borrower uses a 5% vacancy rate which is higher than the appraisal which forecasts 2% vacancy and 1% credit loss.
- The borrower estimated $266,128 in other income, which is ~$80,000 lower than the appraisal's estimate of $347,400 (RUBS plus Other Revenue).
- The borrower estimated approximately $450,000 for payroll/payroll taxes, which is ~$213,000 higher than the appraisal's estimate of $238,750 which only accounts for part-time management assistance whereas the project will have 2 on-site property managers.
- Considering these deviations, CalHFA is underwriting to the developer's proposed operating expenses as they are based on the Developer's experience with operating a similar project in the area and per the property management agreement. Additionally, the developer's projected NOI is lower than the appraisal.
- The absorption rate is 20 units/month (approximately 9-10 months for stabilized occupancy) which is lower than the Market Study.
- Cap Rate comments: The cap rate of 5.5% is based on the most recent information on comparable properties, which is 2 months old. Assuming an increase in cap rates due to current market conditions by 50 basis-points (6.0%), the LTV would be 72.96%. Stressing the cap further and adding 100 basis-points to the cap rate would result in an LTV of 79.04%, which is still within the CalHFA underwriting requirement of 90% or less.

7c	Project Operating Budget Assumptions		
Total Units	191	Construction Start Date	4/1/2025
Regulated Units	189	Construction Completion Date	10/1/2026
Manager Units (Market Rate)	2	Construction Period (months)	18
Total Residential Square Feet	176,640	Lease-up Commencement Date:	10/1/2026
Avg Sq Ft/Unit	919	Lease-up Completion Date	5/1/2027
Rental Subsidies?	No	Lease-up Period (months)	7
No. of Units with Rental Subsidies	N/A	Est. Stabilization /Perm Conversion Date	11/1/2027
Rental Subsidy Contract Term (Initial)	N/A	Lease-up Completion to Stabilization (months)	13

7d	Project Operating Cash-flow Summary				
Operating Budget and Reserve Balances					
	Year 1	Year 5	Year 10	Year 15	Terminal Year
Adjusted Gross Income	3,728,688	4,115,774	4,656,620	5,268,539	5,535,258
Other Income/Subsidies	266,128	293,756	332,357	376,032	395,069
Projected Vacancy and Discount Loss	199,741	220,476	249,449	282,229	296,516
Effective Gross Income (EGI)	3,795,075	4,189,053	4,739,529	5,362,342	5,633,810
Total Operating Expenses	1,328,047	1,517,753	1,794,415	2,122,657	2,270,503
Reserve For Replacement	47,750	49,689	52,223	54,887	55,991
Net Operating Income (NOI)	**2,467,028**	**2,671,300**	**2,945,114**	**3,239,685**	**3,363,308**
Total Debt Service & Other Payments	2,071,844	2,071,844	2,071,844	2,071,844	2,071,844
Cash Flow After Debt Service	395,185	599,457	873,270	1,167,841	1,291,464
Debt Service Coverage Ratio	**1.19**	**1.29**	**1.42**	**1.56**	**1.62**
Income/Expense Ratio	**2.86**	**2.76**	**2.64**	**2.53**	**2.48**
Less:					
LP Management Fee*	10,000	11,255	13,048	15,126	0
GP Partnership Management Fee	9,550	10,749	12,461	14,445	0
Other CalHFA approved Partnership Fee					
Total Fees	**$19,550.00**	**$22,004.00**	**$25,509.00**	**$29,571.00**	**$ 0.00**
Annual Cap Limit	**$38,000**	**$42,769**	**$49,581**	**$57,478**	**$60,979**
[*Note: Any Fees above the Annual Cap to be paid from Developer Distribution % below]					
Cashflow for Distribution					
Developer Distribution %	50%	50%	50%	50%	50%
Cumulative Developer Distribution	187,817	1,189,374	3,034,435	5,585,568	6,845,921
Residual Receipts %	50%	50%	50%	50%	50%
Cumulative Residual Receipts Repayment	187,817	1,189,374	3,034,435	5,585,568	6,845,921
Unpaid/Accrued CalHFA loan Balance					
Perm Loan	29,831,295	29,038,520	27,718,194	25,905,093	25,002,747
MIP Loan	1,600,000	862,689	8	0	0
Reserves Balances					
Operating Reserve	1,133,297	1,133,297	1,133,297	1,133,297	1,133,297
Rent Reserve	0				
Transition Operating Reserve	0	0	0	0	0
Replacement Reserve	0				
Other Reserve					

Notes:

1. The underwriting includes a total of $266,188 of additional annual income. This is comprised of $14,160 of laundry income, and $45,840 ($20 per unit per month) of cable access for the residents, $95,500 ($41 per unit per month) for trash removal reimbursement, $110,628 annually ($50 per unit per month) of Solar Offset income. County of Los Angeles utility allowance schedule requires electrical allowances of $133 for 1-bedroom units, $170 for 2-bedroom units, and $211 for 3-bedroom units which is accounted for in the Project's proposed net rents. The Solar offset income is the anticipated charge the tenants will pay for electricity generated by the solar panels (which they utilize when available, otherwise they consume directly from SCE – the California utility provider). This income will be retained by the project and is included in the net operating income and is supported by the appraisal dated 12/6/2024 and prepared by Kidder Mathews Valuation Advisory Services. The overall additional annual income will be verified again as part of the underwriting process prior to permanent loan closing.

7e	Rental Assistance and Other Subsidy			
[Background if any]				
Type of Rental Subsidy	**Subsidy Administrator**	**Initial Term of Rental Subsidy Contract**	**Eligible Units**	**Renewal/Additional Term for Subsidy Contract**
Project-based Vouchers	HUD/County/Other	N/A		
Section 8	HUD/County/Other	N/A		
Other rental assistance	HUD/County/Other	N/A		
Other Operating Subsidy	HUD/County/Other	N/A		
Notes (if any):				

Other State and Local Subsidies:

Other State Subsidies: N/A

Other Locality Subsidies: N/A

7f	Reserve Requirements	
Name of Reserve	**Amount**	**Comments**
Operating Expense Reserve (OER)	$1,133,297	4 months of operating expense will be funded at perm closing and will be held and maintained at that level for the term of the CalHFA permanent loan. The reserve will be held by CalHFA for the term of the CalHFA permanent loan and in the event the OER is drawn down during the term of the loan, the OER must be replenished over a 12-month period to the original level.
Replacement Reserves (RR)	$0 (capitalized) $47,750 (annually)	A capitalized RR is not required for new construction projects. The annual RR amount is sized based on $250 per unit per year. CalHFA will hold this reserve through the term of the CalHFA loan.
Transitional Operating Reserve (TOR)	N/A	(i) N/A

7g	Exit Analysis Requirements		
Exit Year	17	**Assumed Refi Year**	17
Cap Rate Increase	2.00%	**Interest Rate Increase**	3.00%
UW Loan Amount	$30,000,000	**Max. Refi Loan Size**	$27,575,929
Appraised Value	$44,855,058	**Max LTV at Refi**	63%
Unpaid Principal Balance (1st Lien)	$0	**Unpaid Principal Balance (MIP Subsidy Loan)**	$0

Notes:

- The primary source of repayment for the CalHFA 1st lien loan is refinance of the Project's first mortgage. The Exit analysis test for refinancing indicates that the Project should have the ability to fully repay the balance of the Agency's 1st lien and MIP loans in year 17.
- The MIP subsidy loan is projected to be fully repaid from net cash flow prior to the loan maturity date.

8	**Insurance Requirements**
8a	Seismic Review and Earthquake Insurance
Seismic Review Required?	N
Earthquake Insurance Required?	N

- This new construction Project will be built to State and City of Palmdale Building Codes so no seismic review is required and the project will not be subject to Earthquake Insurance.

8b	Flood Designation and Insurance		
Flood Zone Designation:	X	Flood Insurance Required?	N

The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain, therefore the Project will not be subject to flood insurance.

8c	Other Insurance Requirements

[Add as applicable]

9	Third-party reports and diligence
9a	Environmental Review Summary

Environmental Phase I Site Assessment Firm:	Partner Engineering and Science, Inc.		
Phase I ESA Report Date:	2/14/2024	Reliance Letter with CalHFA as relying party?	Y
Phase II ESA Report Date:	N/A		
NEPA Review Completed?	N	NEPA review Date of completion:	In process

- A Phase I Environmental Site Assessment identified no evidence of Recognized Environmental Conditions (RECs) and did not recommend any additional investigation.
- A Phase I ESA update will be required within 180 days of construction closing and must also include CalHFA reliance.

<u>Other Environmental Reports</u>

Asbestos-containing Material (ACM) Survey Required?	No
Date of Survey:	N/A
Lead-Based Paint (LBP) Survey Required?	No
Date of Survey:	N/A
Other Environmental Reports /studies completed:	N/A

10	Risk Identification and Mitigations
10a	Underwriting and Term Sheet Variations

Select all that applies <u>AND</u> add any other applicable deviations from USRM or Term Sheet that are not listed

☐	i.	Initial DSCR greater than 1.20x?
☐	ii.	Deviation from LTV and CLTV requirements per Agency's underwriting standards
	iii.	The Project's proposed operating expenses are below CTCAC minimum
	iv.	Utility Allowance less than HUD's allowance?
☐	v.	Affordability restrictions (rent and income limits) are NOT in compliance with CalHFA Term Sheets and CalHFA Regulatory Agreement
☐	vi.	Deviation in Agency's underwriting standards (USRM) requirements for CalHFA regulated unit sizes (by bedroom count) to be distributed substantially on a pro rata basis across income ranges proportionately to their availability in the development?

☐	vii.	Maximum allowable rents for all restricted units is NOT in compliance with CalHFA Term Sheets
☐	viii.	Variation in CalHFA Loan(s) requirements for lien position recordation per Program Term Sheets
☐	ix.	Variation in CalHFA Loan(s) requirement for loan security and repayment per Agency's underwriting standards (USRM) and Program Term Sheets
☒	x.	CalHFA Regulatory Agreements (MIP affordability covenants) are not recorded in senior position to all foreclosable debt. ○ The City of Palmdale is requiring a Density Bonus Agreement which will be subject to CalHFA review and approval and further subjected to a CalHFA subordination or standstill agreement at permanent loan closing. See section 6a for further information.
☐	xi.	Exceptions related to the Development Team experience or qualifications including deficiency in diligence obtained or lack of supporting evidence, per the requirements in the Agency's underwriting standards
☐	xii.	Exceptions related to Ground Lease structure requirements not meeting the minimum: the ground lease structure is acceptable to Legal, and satisfies the requirement that the first lien perm loan is secured against both fee and leasehold interests in the subject property. The ground lease term exceed any CalHFA subsidy or perm loan term(s) by 10 years or more. The term of the ground lease is equal to or longer than the term of the CalHFA Regulatory Agreement.
☐	xiii.	Failure to meet CalHFA Exit Analysis test requirements
☐	xiv.	Deviation from the CalHFA Program Term Sheet requirement for surplus cash distribution allowing higher than 50% distribution to the Developer
☐	xv.	Project-based rental subsidy contract term is less than Agency's 1st lien perm loan and/or the proposed rental subsidy contract does not contain an automatic renewal provision.
☐	xvi.	Deviation from the Agency's underwriting standards and/or CDLAC/TCAC regulations related to maximum Developer Fee including cash/upfront fee and Deferred Developer fee requirements
☐	xvii.	Deviations from the Agency's underwriting standards related to Construction Cost budget concerns, contingency requirements below minimum, sources/uses imbalance, sources for environmental remediation and/or off-site improvements not identified or finalized, etc.
☐	xviii.	<Other>

For any response that is ☒ checked, please explain below and discuss potential mitigation strategies:

i.

11	Supplementary Project Information
11a	Form of Site Control and Expiration

Current Ownership of Entity of Record:	Maison's Palmdale Blvd 150, LLC

The current owner, Maison's Palmdale Blvd 150, LLC, of the site and the Project owner, Ravello MODS Palmdale Blvd 150, LLC, entered into a Purchase and Sale Agreement dated 02/10/2024 for an amount of $3,440,000. The Agreement has a closing date no later than June 10, 2025 (one year after expiration of the due diligence period).

11b	Ground Lease (if applicable)		
Ground Lessor	N/A	Capitalized Ground Lease Payment and Source	N/A
Ground Lease Term	N/A	On-going Ground Lease Payment and Source	N/A

11c	Displacement and Relocation of existing tenants

- The Project is new construction, therefore, relocation is not applicable.
-

11d	Net Loss of Affordable Units

The Project is a new construction project, with no related demolition of existing affordable housing, hence no existing affordable housing units will be lost as a result of this development.

11e	Project Amenities		
Project Amenities:	Present?	Unit Amenities	Present?
Community Room	☒	Central Heating	☒
Fitness Room	☒	Central A/C	☒
Computer Room	☒	Microwave	☒
Gym	☐	Washer/Dryer Hookups	☒
Swimming Pool	☒	Dishwasher	☒
Laundry facility	☒	Garbage Disposal	☒
Playground	☒	Free Internet Service	☐
Picnic area	☒	<Other>	☐
<Other>	☐	<Other>	☐
<Other>	☐	<Other>	☐
<Other>	☐	<Other>	☐
Notes (if any):			

11f	Legislative Districts & Local Support
Congress:	#27, George Whitesides
Assembly:	#39, Juan Carrillo
State Senate	#23, Suzette Martinez Valladares

Local Support: On 3/29/2024, the City of Palmdale responded to CalHFA's locality contribution letter request showing their support for the project.

12	Development Team Experience				
12a	Developer / Project Sponsor				
Name	Experience with CalHFA		If new, describe if minimum development experience requirements are met per USRM		
Ravello Holdings, Inc.	1 project under construction in CalHFA's pipeline. 0 projects in CalHFA's asset management portfolio.		N/A		
Co-developer Name	N/A				

Developer Relationship Summary [Pipeline]					
Project Name	Project Status	Construction Loan Closing	Est. conversion	Perm Loan Amount	CalHFA Subsidy Amount
Maison's Sierra	Under Construction	5/8/2024	5/1/2026	$27,875,000	$1,600,000
			Grand Total	$29,475,000	
Notes (if any)					

Developer Relationship Summary [Portfolio]								
Project Name	Project Status	Loan Origination Date	Loan Maturity Date	Loan Amount	UPB as of [date]	Most Recent DSCR	Most Recent Occ. (%)	Most Recent Risk Rating
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Notes:								

12b	General Contractor
General Contractor name:	Ravello West Construction, Inc.
Affiliated entity of the Developer/Borrower?	Yes
Experience with CalHFA?	Yes

The general contractor (GC) is Ravello West Construction, Inc., which has extensive experience in constructing similar affordable housing projects in California and is familiar with CalHFA. The GC and the developer have worked on 6 project(s) that has been completed and is working on 2 projects that are in development stage.

12c	Architect and Engineering (A&E) firm
Architect name:	LCRA
Affiliated entity of the GC?	No
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	No

The architect is LCRA which has designed 2 affordable housing projects 30 market rate housing projects. They have completed 1 affordable housing project in the past 5 years. CalHFA is not familiar with the architect.

This is the first project the developer and architect have worked on together.

12d	Management Agent (Property Manager)
Name of the Firm	Aperto Property Management, Inc.
Third-party or Borrower Affiliate?	No
Management Fee (Annual fee %)	3.5%
Management Fee (Other incentives)	N/A
Total number of properties managed by the Property Manager (PM)	211
Total number of properties managed for the Developer	2
Total number of properties the PM has in CalHFA portfolio	19
Any property management issues for CalHFA portfolio projects under the management of the Property Manager?	No
Notes (if any):	

12e	Borrower Affiliated Entities

Borrower Legal Entity	**Maison's Palmdale Blvd 150, LP**	
Borrower Entity Type	A California limited partnership	
Member	% interest	Legal Entity Name:
Managing General Partner	0.01%	AHA High Desert MGP, LLC
Administrative General Partner	0.01%	Ravello MODs Palmdale Blvd 150, LLC
Special Limited Partner	0.01%	WNC Housing, LP
Investor Limited Partner	99.97%	WNC California Holding, LLC
	100.00%	

Managing General Partner	AHA High Desert MGP, LLC
Type of Legal Entity	A California limited liability Company
Ownership	% interest
Affordable Housing Access, Inc., a California non-profit public benefit corporation	100%

Administrative General Partner	Ravello MODs Palmdale Blvd 150, LLC
Type of Legal Entity	A California limited liability Company
Ownership	% interest
Ravello Holdings, Inc., a California Corporation	52.5%
PBV Capital Holdings LLC, a Delaware limited liability company	25.0%
MDAC LLC, a California limited liability company	7.5%
Cape West Holdings, a California Corporation	7.5%
Mavital Realty LLC, a California limited liability company	7.5%

Special Limited Partner	WNC Housing, LP
Type of Legal Entity	A California limited partnership
Ownership	% interest
	100%

Investor Limited Partner	WNC California Holding, LLC

Comments on Tax Credit Investor: N/A

Comments on LPA nuances/concerns: N/A

Notes (if any):

12f	Support Service Provider(s)
Name of Service Provider	LifeSTEPS
Required by TCAC or other funding sources?	Yes
Term of Services (on-site, number of years)	15
Support Services Budget included in the Operating Budget	$33,240
Per unit cost of support services meets USRM thresholds?	Yes

The Borrower has elected to provide supportive services to the residents through LifeSTEPS. Services will include a minimum of 84 hours of instructor-led adult educational, health and wellness, or skill building classes and a minimum of 249 hours of health and wellness services and programs.

12g	Other Development Team Members (if applicable)
Name of Firm: N/A	
Role:	

Experience

13 Conditions for Approval

Approval is conditioned upon:

1. CalHFA receipt and approval of GC contract including Schedule of Values (SOV).
2. CalHFA receipt and approval of plan and cost review.
3. Subject to all MIP program requirements pursuant to applicable term sheets.
4. The CalHFA MIP loan subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as stated on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing.
5. All MIP Loan principal and interest will be due and payable at maturity.
6. No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter, per the HUD Risk Sharing program requirements.
7. CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt.
8. Funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the parking spaces construction costs, except to the extent such costs are attributable to improvements for the exclusive use by the tenants of the Project.
9. The locality is requiring the Borrower to encumber the Property by recording a Density Bonus Agreement. Prior to constructing loan closing and closing of the CalHFA loan(s), the Density Bonus Agreement is subject to CalHFA review and approval in accordance with agency underwriting standards.
10. Receipt of a certification by the engineer on record that Project has been built to current seismic code acceptable to the Agency prior to permanent closing.
11. Receipt of an updated Phase 1 Environmental Study and CalHFA reliance, dated within 180 days of construction closing, acceptable to CalHFA.

14	Approval Recommendation and Action
14a	Staff Recommendation and Approval Authorizing the Issuance of a Final Commitment

The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

The Final Commitment of the Agency is subject to all CalHFA underwriting standards, applicable Term Sheet and CalHFA regulatory requirements, and any other applicable requirements. Any material deviation from the original financing structure, project changes, underwriting assumptions, or the failure of a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.

14b	Senior Loan Committee Action

Senior Loan Committee recommends approval of the Final Commitment of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

Erwin Tam
_______________________________________ Date: 2/10/2025

Erwin Tam
Director of Financing & Senior Loan Committee Chairperson

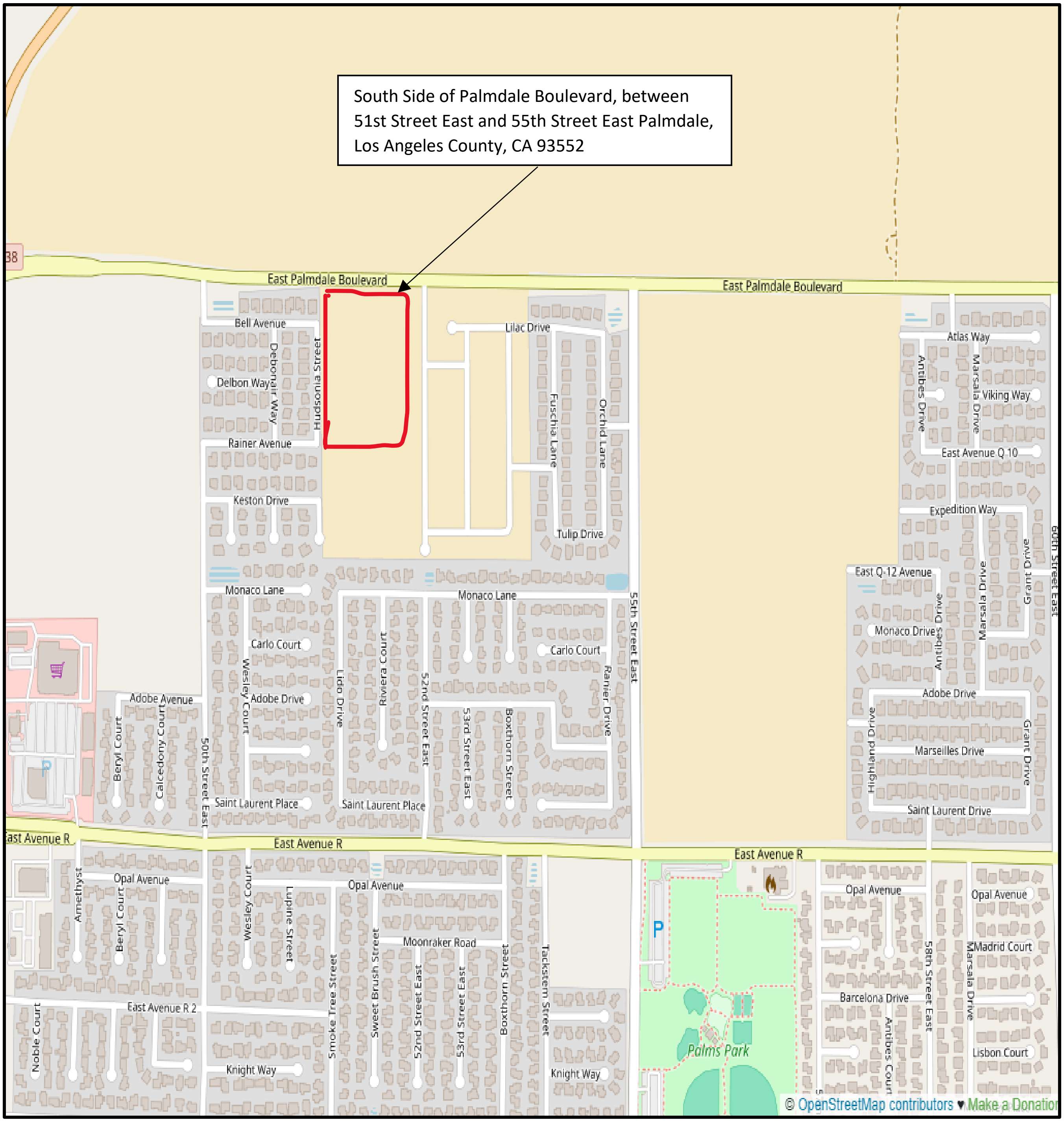
Approved by:

Rebecca Franklin
Digitally signed by Rebecca Franklin
DN: OU=Executive Office, O=California Housing Finance Agency, CN=Rebecca Franklin, E=rfranklin@calhfa.ca.gov
Location:
Foxit PDF Reader Version: 2024.3.0
_______________________________________ Date: 02/11/25

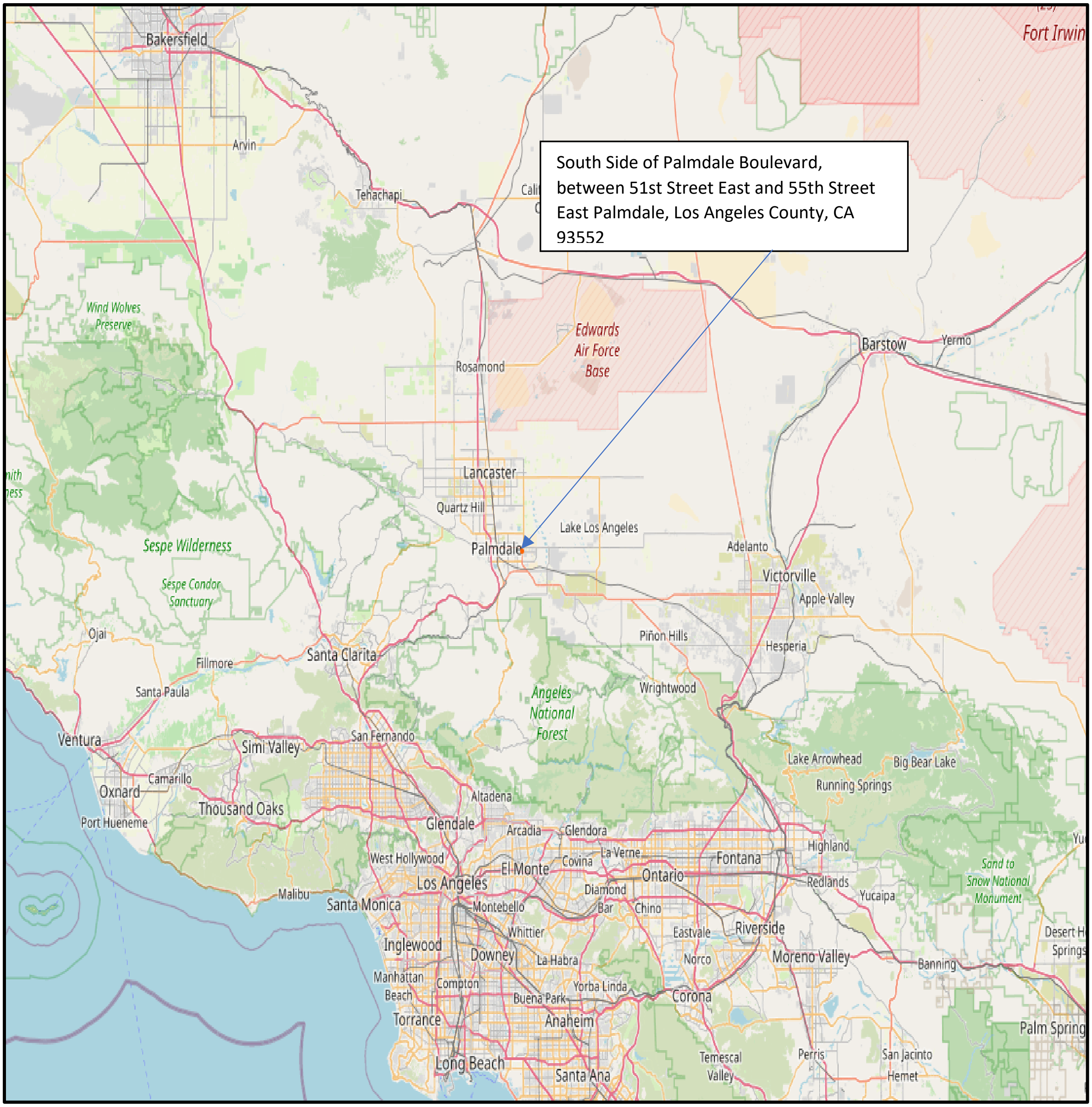
Rebecca Franklin
Acting Executive Director
CalHFA

Maison's Village - Phase II

Near



Maison's Village - Phase II
Far



BOARD OF DIRECTORS
OF THE CALIFORNIA HOUSING FINANCE AGENCY

RESOLUTION NO. 25-03

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "***Agency***") has received a loan application on behalf of Maison's Palmdale Blvd 150, LP, a California limited partnership (the "***Borrower***"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City of Palmdale, County of Los Angeles, California, to be known as Maison's Village Phase II (the "***Development***"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "***Staff Report***"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, pursuant to the Executive Director's authority to issue Conduit Bonds, under Resolution 24-10 the Agency has filed an application with the California Debt Limit Allocation Committee ("***CDLAC***") for an allocation of California Qualified Private Activity Bonds for the Development; and

WHEREAS, pursuant to Resolution 24-10, the Agency may additionally issue refunding bonds utilizing "Recycled" private activity bond volume cap pursuant to 26 U.S.C. 146(i)(6); and

WHEREAS, the Development has received a TEFRA Resolution as required by the Tax Equity and Fiscal Responsibility Act of 1983, and under 26 U.S.C. section 147(f); and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on February 21, 2024, the Executive Director exercised the authority delegated to her under Resolution 15-16 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Agency has conditionally approved a subsidy loan pursuant to CalHFA's Mixed-Income Program ("***MIP***") pursuant to its authority under Resolutions 19-02 and 19-14; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment to provide permanent financing for the development and taking out the Conduit Bonds upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "***Board***") of the California Housing Finance Agency as follows:

1. The Executive Director, or in her absence, the Chief Deputy Director, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
24-004-A/X/S	MAISON'S VILLAGE PHASE II City of Palmdale, County of Los Angeles	$30,000,000.00	Tax-Exempt Bond 1st Lien Loan with HUD Risk Share
		$ 1,600,000.00	Mixed-Income Program Residual Receipts 2nd Lien Loan

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loan or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in her absence, the Chief Deputy Director of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

SECRETARY'S CERTIFICATE

I, Claire Tauriainen, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 25-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of February, 2025, at which meeting all said directors had due notice, a quorum was present and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate hereto this 20th day of February, 2025.

ATTEST: ______________________________

CLAIRE TAURIAINEN
Secretary of the Board of Directors of the
California Housing Finance Agency

MEMORANDUM

To: Board of Directors **Date:** February 20, 2025

From: Stephanie McFadden, Director of Multifamily Programs
California Housing Finance Agency

Subject: Agenda Item 6 – Final Loan Commitment for North City Affordable, Project No. 24-006

Action: CalHFA Senior Loan Committee has recommended that Chief Deputy Director, Rebecca Franklin, seek Board approval and final loan commitment for the Holt & Main Development by approving Resolution Number 25-04.

Development Information:

- The Executive Director has Board delegated authority to approve loans up to $15,000,000, therefore, the North City Affordable Development is seeking Board approval for a $31,150,000 tax-exempt permanent loan and a $4,000,000 Mixed-Income Program subsidy loan, to construct a 224-unit new construction development at a total development cost per unit of $546,215.
- Both the permanent loan (40-year amortization) and MIP subsidy loan (residual receipts) will have terms of 17 years.
- The North City Affordable Development is proposed to be constructed in San Marcos, San Diego County and developed by Rise Carmel LLC.
- Energy efficient and green design features include: The building will be all-electric with a photovoltaic solar system on the roof and a battery storage system to promote peak energy savings. The building also features open corridors and an open parking garage to reduce the need for mechanical ventilation at these spaces and all units will have Energy Star appliances.
- The only recommended underwriting exception is the CalHFA regulatory agreements will not be recorded in senior position to all foreclosable debt. The City of San Marcos is requiring a Density Bonus Agreement, which will not have foreclosure rights, to be recorded in senior position to the CalHFA Deeds of Trust.

Executive Summary	
CalHFA Project Number	24006-A/X/S
Project Name	North City Affordable
Type of Development	New Construction
Type of Project	Family
Total Units [MIP Restricted Units]	224 (222 restricted)
Street Address	337 E. Carmel Street
City, County, Zip Code	San Marcos, San Diego, 92078
Borrower (Legal entity name)	Rise Carmel LP
Developer(s)	Rise Carmel LLC (emerging developer, see notes in section 2) (Urban Villages San Marcos, LLC (owner) Noble Canyon, LLC (manager))
Co-Developer	N/A
Approved Conduit Issuances	
Conduit T/E Issuance [CDLAC Meeting: 8/6/2024] **Supplemental Request (4,400,000 – submission date 1/24/2025)**	Up to $66,000,000 (Includes 10% cushion and rounded to nearest $1M assuming current need of $60,360,000)
Conduit Taxable Issuance	Up to $4,000,000 (Includes 10% cushion and rounded to nearest $1M assuming current need of $4,000,000)
Recycled Bond Volume Cap to be utilized, if available	$5,000,000 (Includes 10% cushion and rounded to nearest $1M assuming current need of $4,000,000
Requested CalHFA Financing for Approval	
CalHFA Tax-Exempt Permanent Loan Amount	$39,150,000 UW Rate and Loan Term: 6.25%, fixed; 1st lien; 40/17
CalHFA Taxable Permanent Loan Amount (if any)	$0 UW Rate and Loan Term: N/A
HUD Risk Sharing Requirement (1st lien loan)	Yes
CalHFA Subordinate/Subsidy Financing Type	Mixed-Income Program (MIP) 2024
CalHFA Subordinate/Subsidy Financing Amount	$4,000,000 UW Rate and Loan Term: [3.00%, fixed; 2nd lien; residual receipts; principal and accrued interest due in 17 years]
Key Dates and Approvals	
SLC Initial Commitment Approval/ Declaration of Intent Date (2/21/2024 Dec of Intent)	4/22/2024
SLC Final Commitment Approval Date	2/5/2025
CDLAC Volume Cap Award Date- Supplemental Request submitted 1/24/2025)	8/6/2024
CTCAC Tax Credit Award Date	8/6/2024
CDLAC Closing Deadline (per extension letter dated 12/20/2024)	5/5/2025
Construction Loan Closing Date [Est.]	3/11/2025
Est. CalHFA Loan Closing (perm conversion) Date	3/11/2028
Federal Tax Credits (LIHTC) Requested	Federal LIHTC Amount: $59,301,950

State Tax Credits Requested	State Tax Credit Amount: $20,581,563
Notes:	

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1	**Project Summary**
1a	Project Description

North City Affordable (the "Project") is a new construction, large family, mixed-income Project. The total development site area is 3.43 acres of a larger 6.1-acre parcel located in San Marcos, San Diego. The Project will consist of one, 4-story residential elevator serviced building. The Project will have total 224 residential units, of which 222 units will be restricted between 30% and 70% of the San Diego County Area Median Income (AMI). There will be 16 SRO/studio units (385 sq. ft.), 82 one-bedroom units (580 sq. ft.), 66 two-bedroom units (871 sq. ft.), and 60 three-bedroom units (1,100 sq. ft.). In addition, 2 of the two-bedroom units will serve as the manager's units. The Project will have 280 spaces for residential parking.

The subject site is vacant without any existing structures. An Environmental Site Assessment (ESA) Phase I report dated 2/8/2024 did not identify any environmental hazard concerns.

The Project's financing structure includes financing from: Tax-exempt (T/E) bonds, Taxable bonds, T/E Recycled bonds, 4% Federal Low Income Housing Tax Credit (LIHTC) equity, State Housing Tax Credit Equity, GP Loan, CalHFA Tax-Exempt Permanent Loan, and CalHFA Subordinate financing through Mixed-Income (MIP) Subsidy Loan.

Residential Areas		Commercial Areas (If Mixed-use)	
Land Area (Acres)	3.43	Land Area (Acres)	N/A
Residential Units / Acre	69	Number of Lease spaces	N/A
Residential Area (Sq. Ft)	182,313	Commercial Area (Sq. Ft)	N/A
Community Area (Sq. Ft)	4,210	Commercial Parking Spaces	N/A
Supportive Services Area	N/A	Master Lease?	N/A
Residential Parking Space	272	Condo Structure (not part of subject financing)	N/A

Notes:

1b	Project Location Geocoder Information

The Project is located in San Marcos, San Diego County. The total development site area is a 3.43acre portion of a larger 6.1-acre parcel that will be a subdivided and receive a new address during development. The Project is located in the University District Specific Plan (UDSP) area of San Marcos, San Diego County reflecting the presence of California State University San Marcos to the south. This is an inclusionary project and will be part of a larger development that will include retail, office, CSUSM educational facilities, student housing, affordable housing, and market rate for-sale and for-rent housing. The entire development will sit on approximately 203 acres. The master developer is Urban Villages San Marcos, LLC. The Administrative general partner, Rise Carmel, LLC is an affiliate of the master developer. The seller of the site, Carmel Enterprises LLC is also an affiliate of the master developer. The master developer is meeting the MIP requirement of 1:1 contribution to the project by providing a subordinate loan of up to $14,000,000, the current need is $12,820,611, at 3% interest rate for 55 years for receipt of Certificate of Occupancy which exceeds the MIP amount of $4,000,000. Repayment of the loan will be from the Borrower's portion of surplus cash.

The City granted concessions and waivers to the Project. These include allowing the Project to contain ground floor residential uses without having to obtain a Director's Permit; allowing the Project to have an approximate six-foot setback along Enterprise Street, where a zero-foot setback would normally be required; and allowing the Project's ground floor to have a ceiling height of 10.5 feet, when a ceiling height of 15 to 22 feet would normally be required.

The project will be subject to a regulatory agreement from the City of San Marcos that will restrict 13 units at or below 50% of AMI and 209 units at or below 80% of AMI for a term of at least 55 years. The City of San Marcos is requiring an Affordability Restrictions and Regulatory Agreement (Density Bonus) to be recorded in senior position to the CalHFA Deeds of Trust. See Section 4b, Note 1.

Inside Principal City?	No	Underserved or Distressed Tract?	No
Census Tract (CT)	06-073-0203.10	% Population Below Poverty Line	9.38
CT Minority Population %	54.42	Rural Area?	No
CT Income Level	Medium	2023 Est. CT Median Family Income	$130,793
CDLAC/TCAC Opportunity Area Category		Highest Resource	
CDLAC/TCAC Geographic Region		San Diego County	
Project is located in DDA?		Yes	
Project is located in Federally-designated Qualified Census Tract (QCT) for LIHTC purposes?		No	

2	Development and Financing Team		
Developer (Sponsor): Rise Carmel LLC (emerging developer, see notes) (Urban Villages San Marcos, LLC, member and Noble Canyon, LLC, manager)		**Co-developer:**	
New to CalHFA?	Yes	New to CalHFA?	select
Affordable Housing/LIHTC experience?	Yes	Affordable Housing/LIHTC experience?	select
Has Projects in California?	Yes	Has Projects in California?	select
Borrower (Legal entity): Rise Carmel LP		**Co-Borrower (if any):** N/A	
Construction (Senior) Lender: 1) Citibank, N.A.		**Construction Subordinate Lender(s):** 1) Seller/Affiliate Loan	
Permanent 1st lien Lender: 1) CalHFA		**Permanent Subordinate Lender(s):** 1) CalHFA (2nd lien) 2) Seller/Affiliate Loan (3rd lien) (Note: The repayment of the Developer loan will be from the Developer's share of the surplus cash.	
Federal LIHTC Investor: RSEP Holding, LLC		**State LIHTC Investor:** RSEP Holding, LLC	
Tax Credit Amount	$59,301,950	Tax Credit Amount	$20,581,563
Solar Tax Credit Investor: N/A			
Tax Credit Amount	$0		
General Contractor:		**Management Company (Property Manager):**	

ECON JMI JV 2.0		CONAM Management Corporation (CONAM)	
Is an affiliate of Developer?	No	Is an affiliate of Developer?	No
Experience with CalHFA?	No	Total number of properties managed	321 (230 Affordable and 91 Market Rate)
Architect: Safdie Rabines Architects		**Service Provider:** ATAP	
Has worked with GC?	Yes	Required by TCAC or other Funding sources?	Yes
Has experience designing and managing similar projects?	Yes	Terms of service (on-site, number of years)	On-site, minimum of 15 years
		Support Services Cost (per Operating budget)	$20,000
Has housing projects in CA?	Yes	Per unit cost of services meets USRM req.?	Yes
Financial Advisor: N/A		**Project Consultant:** Rise Urban Partners, LLC	

Notes:

- The Developer, Rise Carmel LLC, is a wholly owned affiliate of Urban Villages San Marcos LLC, with common Manager, Noble Canyon LLC. Urban Villages San Marcos LLC was founded in 2007 and specializes in the acquisition, financing, and development of commercial and multifamily properties. CalHFA does not have prior experience with either entity.
- Rise Urban Partners, LLC will provide Consulting services during development and operating phases. Rise Urban Partners, LLC is not affiliated with Rise Carmel LLC nor Urban Villages San Marcos LLC or its subsidiaries.
  (1) Prior to construction loan closing, Rise Urban Partners LLC, and the Developer will enter into a Development Consulting Agreement given their experience in LIHTC projects. The services include feasibility analysis, budget preparation and maintenance, identifying, applying and managing the closing of Project financing, Project financial management including loan and equity draws from construction through permanent loan closing, reporting and compliance obligations in connection with Project financing, assisting with the cost certification and documentation for 8609. Rise Urban Partners, LLC will receive a Consultant Development Fee of $2,000,000 over time which are associated with Project milestones (construction loan closing, certificate of occupancy, conversion and 8609 receipt) from the Developer.
  (2) Prior to construction loan closing, Rise Urban Partners, LLC and the Developer will enter into an Asset Management Agreement to perform the Project asset management services. These services include review and approval of operating budget, capital expenditures, operating costs, trial balances, ledgers, profit and loss statements and balance sheets, Property Manager oversight, communication management with Property Manager, Borrower and lenders, fulfil third party requests and reporting services. Payment of the asset management services will be an amount equal the 10% of net cash flow after the payment operating expenses, mandatory debt service, investor payment obligations, and managing general partner fees. Rise Urban Partners, LLC is not affiliated with Rise Carmel LLC nor Urban Villages San Marcos LLC or its subsidiaries.

3	Summary of Material Changes from Initial Commitment Approval

For any changes marked ☒ please explain the changes and the impact of such changes either in CDLAC scoring, financial risk to the Agency, or any other material impact to the underwriting of the loan	
☒	Changes in Borrower/Sponsor entities including Co-developer(s), if any
☒	Changes in Other Development Team members: Construction Lender, Tax Credit Investor, General Contractor, Property Management Agent, Other lenders including subordinate lenders
☐	Changes in Project Scope (for example, addition of non-residential component)
☒	Changes in CalHFA loan amount (>10%) or changes in loan terms
☐	Changes in construction schedule and rent-up/conversion timeline
☐	Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc.
☐	Significant changes in Operating budget as well as rental assistance/operating subsidy assumptions
☐	Changes in CalHFA required reserves
☒	Changes in Affordability Restrictions including Unit distribution for regulated units
☒	Other material underwriting, project scope or financial structuring changes

	Notes:
	• Development Team Member Changes:
	  ◦ Carmel Enterprises, LLC was the member manager of Rise Carmel LLC. The member is now Urban Villages San Marcos, LLC and the manager is Noble Canyon, LLC.
	  ◦ The Property Management Agent changed from Aperto to CONAM.
	• Requested CalHFA loan amount increased ~26% from $31,026,780 to $39,150,000.
	• At Initial Commitment the Affordability Restrictions did not comply with the comparable distribution of CalHFA regulated units but now the requirement is met.
	• The Project will be requesting a supplemental bond allocation to meet the 50% test and is seeking a rate lock on the construction loan.

4	**Requested CalHFA Financing for Approval**
4a	CalHFA Financing Terms

	CalHFA 1st Lien Perm Loan	**CalHFA Subordinate Loan (MIP Subsidy Loan)**	**Total CalHFA Financing**
Loan Amount ($)	$39,150,000	$4,000,000	$43,150,000
Loan Term (Year)	17	17	
Amort. Term (Year)	40		
Amort. Type	Partially Amortizing	Non-amortizing	
Lien Position	1st	2nd	
UW Interest Rate % (See Note 1)	6.25%	3%	
Loan to Value (%) (See Note 2)	67.04%	6.85%	
Combined LTV (CLTV) (%) (See Note 2)			73.89%
Loan to Cost (%) (See Note 3)	32%	3.27%	35.27%
Loan Repayment Source	Net Operating Income (NOI)	Residual Receipts	

Notes:
1. The spreads locked on 2/5/2025 for the CalHFA perm loan. The final rate will be locked prior to issuance of the Final Commitment Letter pursuant to the final commitment approval. A 50-bps underwriting cushion is included to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked no more than 30 days prior to construction loan closing.
2. Maximum LTV limited to 90% and maximum CLTV to be limited to 120% of restricted appraised value based on an acceptable Appraisal. However, if the exit analysis requirements are not met per the Agency's underwriting standards, the CLTV shall not exceed 100%.
3. Loan to Cost shall not exceed 100% of the total project development cost (see construction sources/uses for total development cost).

4b	CalHFA Loan(s) Security
Select ONE	Description
☒	The CalHFA Perm loan(s) will be secured by a first lien deed of trust (DoT) against the above-described Project site and improvements.
☒	The CalHFA Subordinate (MIP) loan will be secured by a second lien deed of trust (DoT) against the above-described Project site and improvements.
☐	[If ground lease owned by for-profit entity, add:] The Agency shall encumber both the fee and leasehold interests in the Development as security for its deeds of trust and regulatory agreements.
☐	[If ground lease owned by locality/non-profit and it meets USRM requirements, add:] CalHFA loan(s) will be secured against the fee interest in the improvements and leasehold Interest in the land.
☒	Assignment of Borrower's interest in Project improvements, Project revenues and escrows

Notes:
1. The City of San Marcos is requiring an Affordability Restrictions and Regulatory Agreement (Density Bonus) to be recorded in senior position to the CalHFA Deeds of Trust. The Affordability Restrictions and Regulatory Agreement (Density Bonus) will not have foreclosure rights and will be subject to a subordination or standstill agreement with provisions that require CalHFA to adhere to the affordability requirements for any period that the Agency is in possession of the property following a foreclosure or deed in lieu.

5	Project Budget & Total Development Cost
5a	Construction Financing

Construction Lender	Citibank, N.A.
CDLAC/CTCAC Construction Closing Deadline	5/5/2025

	Bond Issuance Amount	Type of Issuance
Construction Conduit Issuance Amount	$60,360,000	Tax-Exempt
Construction Conduit Issuance Amount	$4,000,000	Taxable
Construction Conduit Issuance Amount	$4,000,000	T/E Recycled
Total	$68,360,000	

	Loan Amount	UW Rate	Loan Term
Construction Loan (T/E) (Interest-only, 1st lien during construction)	$60,360,000	6.15%, Fixed/Variable (See Note 1)	36 months + two 6-month extensions
Construction Loan (Taxable) (Interest-only, 1st lien during construction)	$18,000,000	6.65%, Fixed/Variable (See Note 2)	36 months + two 6-month extensions
Construction Loan (T/E) Recycled Bonds (Interest-only, 1st lien during construction)	$4,000,000	6.15%, Fixed/Variable (See Note 1)	36 months + two 6-month extensions
Carmel Enterprise, LLC, Subordinate Loan	$12,820,611	3% fixed (see Note 4)	55-years at permanent; 36-months deferred

Notes:

1. Construction Loan T/E is a variable rate equal to 1-month term SOFR + spread of 175 bps. Current 1-month term SOFR as of January 17, 2025, is 4.30% and the all-in rate is 6.05%. The loan term includes two 6-month extensions which will have a 0.25% fee per each extension.
2. Construction Loan (Taxable) is a variable rate equal to 1-month term SOFR + spread of 225 bps. Current 1-month term SOFR as of January 17, 2025, is 4.30% and the all-in rate is 6.55%. The loan term includes two 6-month extensions which will have a 0.25% fee per each extension.
3. The Developer is anticipating a purchase of Interest Rate Cap with a strike rate of 2.50% on the 1-month term SOFR index for a cost of approximately $2,334,000 due at closing of the construction financing which will be paid from taxable bond proceeds. Construction interest reserve is currently sized based on underwritten rate of 4.25% for the T/E Construction Loan and 4.75% for the Taxable Construction Loan and may be re-sized based on the final locked rate at construction closing. Any resulting funding gaps will be covered by the Developer until permanent loan closing.
4. Carmel Enterprises, LLC will be providing a subordinate loan for $12,820,611. The loan will be funded at construction loan closing with repayments deferred during the construction period. The loan will have a 3% interest rate for a term of 55-years. The loan will be repaid from the borrower's 50% portion of surplus cash.

5b	Construction Sources	
Construction Sources:	**Amount ($)**	**% of Total**
Citibank, N.A. - Tax-Exempt (Loan)	$60,360,000	50.99%
Citibank, N.A. - Taxable (issued by CalHFA) (Loan)	$4,000,000	3.38%
Citibank, N.A. - TE Recycled (Loan)	$4,000,000	3.38%
Carmel Enterprise, LLC (Loan)	$12,820,611	10.83%
RSEP Holding, LLC (Equity, LIHTC Investor)	$23,204,084	19.60%
Citibank, N.A. - Taxable (Loan)	$14,000,000	11.83%
Total Construction Sources	**$118,384,695**	**100%**

5c	Construction Uses	
Construction Uses:	**Amount ($)**	**% of Total**
Land and Improvement Value	$160,000	0.14%
Construction/Rehab Costs	$82,306,084	69.52%
Soft Costs (A&E, Legal, Title, and Other Soft Costs)	$7,511,240	6.34%
Hard Cost contingency	$6,147,456	5.19%
Soft Cost contingency	$1,128,935	0.95%
Financing Costs (Interest Reserves, Fees, Taxes, and Insurance)	$8,159,325	6.89%
Local Impact Fees and Permit Fees	$8,739,684	7.38%
Cash Portion Developer Fee	1,194,871	1.01%
Other Costs (TCAC Fees, Furnishing, and Other Misc. Fees)	$3,037,100	2.57%
Operating Reserves	$0	0.00%
Total Construction Uses	**$118,384,695**	**100%**
Total Construction Cost per unit	$528,503	
Total Construction Cost per CalHFA MIP Regulated Unit	$533,264	

Notes:
1. CalHFA will require review and approval of independent third-party prepared plan and cost review report for project plans and specifications (plan & specs) and cost review prior to construction loan closing.
2. CalHFA underwriting policy requires any Sponsor or General Partner (GP) loan to be repaid from the Borrower's 50% share of surplus cash. Accordingly, any repayment of the sponsor loan is not considered separately in the Financial Analysis and Underwriting as it is expected to be repaid from the Borrower's share of the 50% surplus cash.
3. Acquisition Costs included in the budget are $160,000 which is in compliance with Agency's underwriting (USRM) standards. The total Acquisition costs include as-is land cost (per appraisal dated 1/21/2025) of $160,000 and $10,000 for the consideration of the option which is credited to the purchase price. The appraisal noted that this is a related party transaction and that the price was determined by a prior appraisal and not reflective of market value. Approximately $3,000,000 has been spent on architectural, engineering and other soft costs towards plan and approvals for the site. .
4. The total hard cost contingency in the project is 10.16% of the Hard costs, which includes the contingency in the GC Schedule of Values (SOV) and has been reviewed by the CalHFA inspector to meet the USRM requirements and project scope for completion within the stipulated budget.
5. The total soft cost contingency in the project is 3% of eligible costs and has been reviewed by the Multifamily staff to meet the USRM requirements and project scope for completion within the stipulated budget.
6. The project budget includes $3,796,884 in offsite improvements and infrastructure costs. See Note 6 in Section 5d for detail.

5d	Third-party Plan & Cost Review Summary
General Contractor (GC) Name:	ECON JMI JV 2.0
GC Budget (per Schedule of Values)	$74,471,392
% of Builder overhead, profit, and general requirements (TCAC allowable 14%)	7.92%
Type of Construction Contract:	GMP, Cost Plus Fee
GC Contract Executed? If not, provide status:	No. Contract execution to occur prior to construction closing.
GC Hard-Cost Contingency and Sufficiency:	$1,392,162

Notes:
1. Construction Lender and Investor have co-engaged, GTG Consultants, Inc., to perform an independent third-party review of project plans and specifications (plan & specs) and cost review. The report is expected on February 11, 2025.
2. The final Plan and Cost Review and sign off by CalHFA Inspector is a condition to construction closing.
3. Per the review by CalHFA inspector, the project can be completed within the indicated budget and the construction schedule.
4. The project hard cost contingency in the General Contractor's Schedule of Values (SOV) as well as the project hard cost contingency included in the overall budget are sufficient per the review completed by CalHFA inspector and meets the USRM requirements for minimum contingency levels.
5. The project is in a planned development that requires off-site infrastructure connections and pedestrian links to the site. Offsite infrastructure costs of $3,796,884 includes:

Carmel Street	$2,469,732
Enterprise	$342,089
Ped Link	$857,325

Barham	$127,738
Total	**$3,796,884**

A separate contract for this work will be in place. The draft contract and SOV has been reviewed by the CalHFA inspector. These costs will be paid from the Seller/Affiliate loan proceeds.

5e	Permanent Sources and Uses

Permanent Sources:	**Amount ($)**	**% of Total**
CALHFA Perm Loan (Loan)	$39,150,000	32.0%
CALHFA MIP (Loan)	$4,000,000	3.3%
Carmel Enterprise, LLC (Loan)	$12,820,611	10.5%
Deferred Developer Fee (Developer Fee, Deferral)	$1,455,446	1.2%
Accrued Interest (Accrued Interest)	$1,678,000	1.4%
Tax Credit Equity (Equity, LIHTC Investor)	$63,248,134	51.7%
Total Permanent Sources	**$122,352,191**	**100%**

Permanent Uses:	**Amount ($)**	**% of Total**
Total Loan Payoffs	$118,384,695	96.8%
Financing costs	$313,625	0.3%
Operating Reserves	$1,348,742	1.1%
Cash Developer Fee paid at Perm Conversion	$849,683	0.7%
Deferred Developer Fees paid from cashflow	$1,455,446	1.2%
Total Permanent Uses	**$122,352,191**	**100%**
Total Development Cost per unit	$546,215	
Total Development Cost per CalHFA MIP Restricted Unit	$551,136	
Notes:		

5f	Federal and State Tax Credits			
Federal LIHTC Tax Credit Investor /Syndicator	RSEP Holding, LLC			
State Housing Tax Credit Investor /Purchaser	RSEP Holding, LLC			
Other Tax Credit Investor/Purchaser	N/A			
Tax Credit Type	**Tax Credits Amount ($)**	**Pricing (per Credit)**	**Tax Credit Equity ($)**	**Tax Credit Equity per CTCAC Restricted Unit ($)**
Federal Tax Credits (New Const/Rehab)	$59,301,950	$0.800	$47,441,560	$213,700
Federal Tax Credits (Acq.)	$0		$0	$0
State Housing Tax Credits	$20,581,563	$0.768	$15,806,574	$71,200
<Other Tax Credits: Solar, etc.>	$0		$0	$0
Total	$79,883,513		$63,248,134	$284,900

Notes:
1. The Project was awarded volume cap for bonds and Federal LIHTC tax credit allocation in the CDLAC/TCAC meeting on 8/6/2024.
2. The Project has been awarded State Housing Tax Credits by TCAC.
3. The Project has submitted a supplemental bond application on 1/24/2025.

50% Aggregate Basis Test Requirements	
Accountant prepared Draft Financial Projections date	1/16/2025
Accounting firm name	Novogradac & Company LLP
T/E Private-Activity Bond Volume Cap Allocated	$60,360,000
Aggregate Basis of building and land costs considered	$116,075,881
% of Aggregate basis financed by T/E Bonds	52%
50% Test met per IRC Sec. 42 (h) for LIHTC?	Yes

Notes (if any):
- The supplemental allocation was requested to add a cushion to meet the project’s 50% aggregate basis requirement (the “50% test”) which was at approximately 48% based on the original development budget and is now approximately 52% due to recent budget adjustments/increase. The supplemental allocation is necessary to accommodate a potential cost increase during construction.

5g	Developer Fee	
Developer fee category:	TCAC Maximum Limit	Actual Amount in Project Budget
Upfront Cash Developer Fee (a)	$6,000,000	$2,044,554
Deferred Developer Fee (DDF) paid from project cash-flow (b)	N/A	$1,455,446
Total Developer Fee (a) + (b)		$3,500,000
Excess Developer Fee above TCAC Maximum Limit as General Partner (GP) contribution		**$0**

Notes:
1. For the Final Commitment underwriting, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Tax Credit Investor’s requirements (LOI) and/or Limited Partnership Agreement (LPA).
2. Any outstanding Deferred Developer Fee remaining at Year 15, even if within TCAC Maximum Limit, will be paid from Borrower’s 50% share surplus cash distribution.

3. Any outstanding Deferred Developer Fee remaining in Year 15 and above TCAC Maximum Limit will be treated as developer contribution. The Limited Partnership Agreement (LPA) and the Tax Credit Investor written approval evidencing that any outstanding deferred developer fee remaining in Year 15 will be treated as a GP contribution will be required prior to construction closing.
Note:

5h	Evidence of Cost Containment for projects seeking subsidy
Cost Containment Certification received from Developer?	Yes
Cost Containment Certification acceptable to CalHFA?	Yes
Comments on Cost Containment Strategy: The Developer certified that below cost containment measures have been implemented to minimize construction costs 1. All major subcontractor and self-performing trades have been competitively bid out 2. Value engineering firm ECON Construction has been engaged during the design process 3. Utilize Guaranteed Maximum Price (GMP) contract, with cost savings returned to owner. 4. GC will be required to provide a minimum of 3 bids (when available) for each trade, particularly for all major trades 5. Lifecycle Cost Analysis 6. Risk Management and Contingency Planning 7. Technology for Project Management	
Note:	

5i	Evidence of Subsidy Efficiency
Per the CalHFA Term Sheet requirement, a subsidy efficiency analysis completed at Initial Commitment, Final Commitment, prior to construction loan closing, and at closing of the CalHFA subordinate financing (perm conversion). Based on the final subsidy efficiency analysis, the CalHFA subsidy loan may be reduced prior to construction closing or perm conversion. Parameters of Subsidy Efficiency Analysis [Verify with the FA and check all that apply]	
☒	Year 1 DSCR is 1.20x maximum
☒	Confirmed that the on-going minimum DSCR of 1.15x through the term of the CalHFA 1st lien permanent loan based on the Financial Analysis completed at final commitment per Agency's underwriting standards (USRM). A final check will be completed at construction closing and at perm conversion.
☒	Cash-flow after debt service is limited to (i) Higher of 25% of the anticipated annual must pay debt service payment, or (ii) 8% of gross income, during each of the first 3 years project operation.
☒	Inflation factors and vacancy rates are consistent with the Agency's underwriting standards (USRM)
☒	Developer Fee requirements consistent with CalHFA underwriting standards and/or CTCAC Regulation 10327(c)2(B)
☒	Confirmed the reasonableness of the Capitalized Reserves to be consistent with Agency's underwriting standards (USRM) and the verified with the Investor LOI.
☒	State Tax Credits (STC) maximum requested amount is consistent with CTCAC Regulations 10317
☒	Confirmed that the Acquisition Cost (if applicable) is the lesser of: i. Purchase price pursuant to a current purchase and sales agreement between unrelated parties, or ii. Purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs, or

	iii. Appraised "as-is" value based on a current 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 Loan Agreement has the requirement that Construction cost savings funds evidenced by the Final Cost Certification will be used to reduce the CalHFA subsidy (MIP) loan prior to CalHFA MIP loan closing.

5j	High-Cost Explanation	
Total Development Cost (TDC)		$122,352,191
Total Units		224
TDC/Unit		$546,191
High-Cost Explanation provided by Developer per CDLAC Regs Section 5233?		N/A
High-Cost explanation acceptable to CalHFA?		N/A
Summary of Project-specific factors contributing to high cost:		
i.	Project located in HUD high-cost designated area?	☐
ii.	State Prevailing Wage (PW) applicable to the project?	☐
iii.	Increase in development cost due to demolition of existing building or structures?	☐
iv.	Increase in development cost due to high environmental remediation costs?	☐
v.	Increase in development cost due to significant off-site improvements due to site specific conditions?	☐
vi.	Increase in development cost due to additional parking spaces or Type 1 podium garage or other commercial space requirements by City, community feedback or other?	☐
vii.	Other atypical costs included in the development cost budget?	☐
viii.		☐
Comments (for any ☒ response, please indicate the costs per the Development Budget line-items)		

6	Affordability Requirements
6a	CalHFA Regulatory Agreement Requirements

The CalHFA Permanent Financing Bond Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI; with 30% of the total units (68 units) at or below 60% AMI and 10% of the total units (23 units) at 50% AMI for 55 years.

The CalHFA Subsidy Regulatory Agreement will restrict 222 units between 30% and 120% of AMI for a term of 55 years.

Number of Regulated Units and AMI Restrictions by Each Agency

Number of Units and Percentage of AMI Rents Restricted by each Agency

Regulating Agency	Number of Units Restricted For Each AMI Category								Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	80%	120%	Regulated	Regulated
City of San Marcos	1st			13			209		**222**	100%
CalHFA Bond	2nd			23	68				**91**	41%
CalHFA MIP	3rd	23		45		23		131	**222**	100%
CTCAC	4th	28		96	19	79			**222**	100%
TOTALS		28		96	19	79	0	0	**222**	100%

Notes:

1. The CalHFA MIP Subsidy Regulatory Agreement requires 30% of total units be restricted at or below 50% of AMI. Of these, a minimum of 10% of total units must be restricted at or below 30% of AMI (23 units at 30% AMI and 45 units at 50% AMI). An additional 10% of total units (23 units) must be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years.
2. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 131 units restricted units will be restricted at or below 120 % of AMI.
3. In addition, the Project will be restricted by the following jurisdictions described below:
    a. The City will restrict 13 units at or below 50% of AMI and 209 units at or below 80% of AMI for a term of at least 55 years.

6b	Unit Distribution for each AMI category

The table below outlines the distribution of units for each unit size by AMI category.

AMI Category	Total	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	% of Total
30% AMI	28	5	9	7	0	0	13%
40% AMI	0	0	0	0	0	0	0%
50% AMI	96	9	63	13	11	0	43%
60% AMI	19	0	2	11	6	0	8%
70% AMI	79	2	8	33	36	0	35%
80% AMI	0	0	0	0	0	0	0%
100% AMI	0	0	0	0	0	0	0
110% AMI	0	0	0	0	0	0	0
120% AMI	0	0	0	0	0	0	0
Manager's Unit	2	0	0	2	0	0	1%
Total	**224**	**16**	**82**	**66**	**60**	**0**	
AMI Avg	**55.45%**	**46.3%**	**50.0%**	**59.8%**	**60.7%**		

Note:

- The initial rents at permanent loan closing and in subsequent years must not be less than the underwritten rent levels outlined in the “Rent Summary Table” of the Financial Analysis enclosed as part of this Staff Report.
- The CalHFA regulatory agreement(s) will require minimum underwriting rent levels as outlined above.

7	**Financial Analysis**
7a	Market Study Summary

Market Study firm: Novogradac	Market Study Date: 2/14/2024
Market Study date within 180 days?	No
Proposed Market Rents for subject property	Studio/SRO-$2,462; 1BR-$2,565; 2BR-$3,168; 3BR-3,968 (CalHFA MIP Term Sheet requires maximum allowable rents for all CalHFA restricted units to be lesser of (i) applicable TCAC max rents, or (ii) 10% below market rate for the term of the CalHFA loan. The underwritten rents will be confirmed independently by the appraisal from a third-party appraiser firm engaged by CalHFA and for the term of the CalHFA loan). For underwriting purposes, the average market rents from the appraisal are being utilized: Studio/SRO-$2,275; 1BR-$2,675; 2BR-$3,200; 3BR-$3,600
Targeted population income range	30%, 50%, 60%, and 70%
Absorption Period	7 months
Absorption rate	34 units/month
Project Amenities appropriate and sufficient for market and intended tenants?	Yes
Special Needs Housing – demand/need for Special Needs population, availability of area service providers and sufficiency of on-site services at subject property	N/A
Utility allowance schedule included in market study report?	Yes

Regional Market Overview

- The Primary Market Area is the city of San Marcos and some surrounding areas (population of 122,325) and the Secondary Market Area ("SMA") is San Diego-Chula Vista-Carlsbad, CA Metropolitan Statistical Area (MSA) (population of 3,325,723)
- The general population in the PMA is anticipated to increase by 0.1% per year and the population in the SMA will increase by 0.2% per year.
- Unemployment in the SMA is 4.2%, slightly above the current national unemployment rate of 3.5%.
- Median home value in the project zip code is $862,941.

Local Market Area Analysis

- **Supply:**
    - There are currently 18 LIHTC family projects in the PMA, many were surveyed and four responded; they are 100% occupied with wait lists.
    - There is 1 affordable project under construction.
- **Demand/Absorption:**
    - The project will need to capture 8.7% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 34 units per month and reach full occupancy within 7 months of opening.
- **Summary:**
    - The Market Study absorption and lease-up timelines are in alignment with the Developer's lease-up plan and operating proforma assumptions.

7b	Appraisal Summary	
Appraiser firm: Partner Valuation Advisors	Appraisal Date: 1/30/2025	
Engaged by: Citibank, N.A.	Reliance by CalHFA (if co-engaged): Y	
Appraisal within 180 days of Final Commitment?	Yes	
Appraisal premise	Interest appraised	Valuation
Market Value as-is	Fee Simple/Leased Fee	$4,625,000
Market Value upon completion/stabilization as if unencumbered by restricted rents	Fee Simple/Leased Fee	$103,000,000
Market Value upon completion/stabilization as encumbered by restricted rents	Fee Simple/Leased Fee	$59,000,000
Land Value – net of demolition costs	Fee Simple/Leased Fee	$4,625,000
	Underwritten NOI	***Appraisal NOI***
Appraiser Firm	N/A	Partner Valuation Advisors
Appraisal Date	N/A	1/30/2025
Appraised As-is Value	N/A	$4,625,000
Appraised Land Value	N/A	$4,625,000
Appraised As-Completed Value (Restricted)	N/A	$59,000,000
Appraisal Investment Value	N/A	$125,488,000
Appraisal Cap rate	N/A	5.25%
NOI (Stabilized Year)	$3,066,045	$3,098,314
Appraisal Cap rate	5.25%	5.25%
As-completed Restricted Value Calculated for UW NOI	$58,400,858	$59,015,505
1st Lien Loan	$39,150,000	$39,150,000
Does the Perm loan include Cash equity payment?	NO	
LTV	67.04%	66.34%
Max LTV allowed	90.00%	90.00%
LTV Check	OK	OK
Total CalHFA loans	$43,150,000	$43,150,000
CLTV calculated	73.89%	73.12%
Max CLTV allowed	120%	120%
CLTV Check	OK	OK

LTV Stress Test for HUD Risk Share Underwriting Requirements		
Cap Rate Stress %	0.50%	0.50%
Cap Rate for Stress Test 1	5.75%	5.75%
1st Lien Loan	$39,150,000	$39,150,000 -
Restricted Value	$53,322,523	$53,883,722
LTV (Stress Test 1)	73.42%	72.66%

Total CalHFA loans	$43,150,000	$43,150,000
CLTV (Stress Test 1)	80.92%	80.08%
	OK	OK

Comments:
The Borrower's estimated NOI is $3,066,045 which is approximately $32,269 (~1.04%) lower than the estimated NOI on the appraisal report and is due to the following reasons:

- The appraisal estimated approximately $56,000 for income, that includes fees that CalHFA does not consider for underwriting purposes, is $12,489 (~22.30%) higher than the Borrower's estimated budget of $43,511.
- The Borrower estimated approximately $224,000 for repairs/maintenance, which is $56,000 (~33.33%) higher than the appraisal's estimated budget of $168,000. The Borrower's proposed estimated repairs/maintenance budget is based on the current operations of a similar project in the area.
- The Borrower estimated approximately $128,000 for taxes, advertising and administrative expenses, which is $5,783 (~4.73%) higher than the appraisal's estimated budget of $122,217.
- The Borrower estimated approximately $713,385 for utilities, payroll and management services, which is $164,204 (~18.71) lower than the appraisal's estimated budget of $877,589. The difference is reduced to $87,404 (~10.91%) if the payroll expense is decreased by the rental income of the manager units, of $76,800, which the appraisal includes as income as well.
- The appraiser utilized a 3% vacancy rate for their assumptions while the Borrower used a 5% vacancy.
- Considering these deviations, the proposed operating expenses are reasonable based on the Developer's experience with operating a similar project in the area and per the property management certification.
- The proposed operating expense is consistent with and is reasonable based on the appraisal report.
- The appraisal did not include a capture rate. The absorption rate is 20 units per month, assuming 45 units to be pre-leased. This differs from the market study and is based on the appraiser's analysis and is a bit more conservative based on the competitive properties in the area, minimal population growth and variety of unit sizes and various rental restrictions which is consistent with a competitive property the opened in October 2024.
- Cap Rate comments: The cap rate of 5.25 is based on the most recent information on comparable properties, from the appraisal dated 1/21/2025. Assuming an increase in cap rates due to current market conditions by 50 basis-points (5.75%), the LTV would be 73.42% and CLTV would be 80.92%. Stressing the cap further and adding 100 basis-points to the cap rate would result in an LTV of 79.81%% and CLTV would be 87.96%, which is still within the allowable underwriting requirement of 90% and 100% or less respectively.

7c	Project Operating Budget Assumptions		
Total Units	224	Construction Start Date	3/11/2025
Regulated Units	222	Construction Completion Date	3/11/2027
Manager Units (Market Rate)	2	Construction Period (months)	24
Total Residential Square Feet	182,313	Lease-up Commencement Date:	3/11/2027
Avg Sq Ft/Unit	780	Lease-up Completion Date	12/11/2027
Rental Subsidies?	0	Lease-up Period (months)	9
No. of Units with Rental Subsidies	0	Est. Stabilization /Perm Conversion Date	3/11/2028
Rental Subsidy Contract Term (Initial)	N/A	Lease-up Completion to Stabilization (months)	3

7d	Project Operating Cash-flow Summary				
Operating Budget and Reserve Balances					
	Year 1	Year 5	Year 10	Year 15	Terminal Year
Adjusted Gross Income	**4,635,468**	**5,116,689**	**5,789,064**	**6,549,795**	**6,881,378**
Other Income/Subsidies	43,511	48,028	54,339	61,480	64,592
Projected Vacancy and Discount Loss	233,949	258,236	292,170	330,564	347,299
Effective Gross Income (EGI)	4,445,030	4,906,481	5,551,233	6,280,711	6,598,672
Total Operating Expenses	1,378,985	1,573,963	1,858,183	2,195,236	2,347,006
Reserve For Replacement	67,200	69,929	73,496	77,245	78,797
Net Operating Income (NOI)	3,066,045	3,332,519	3,693,051	4,085,475	4,251,666
Total Debt Service & Other Payments	2,667,241	2,667,241	2,667,241	2,667,241	2,667,241
Cash Flow After Debt Service	398,805	665,278	1,025,810	1,418,235	1,584,425
Debt Service Coverage Ratio	**1.15**	**1.25**	**1.38**	**1.53**	**1.59**
Income/Expense Ratio	**3.22**	**3.12**	**2.99**	**2.86**	**2.81**
Less:					
LP Management Fee*	15,000	16,883	19,572	22,689	0
GP Partnership Management Fee (See Note 1)	23,000	25,887	30,010	34,790	0
Other CalHFA approved Partnership Fee					
Total Fees	$38,000.00	$42,770.00	$49,582.00	$57,479.00	$ 0.00
Annual Cap Limit	$38,000	$42,769	$49,581	$57,478	$60,979
*Note: 1. Investor Letter of Intent states an annual Partnership Management Fee of $50,000. Any amount above the annual cap will be paid from the Developer Distribution % below.					
Cashflow for Distribution					
Developer Distribution %	50%	50%	50%	50%	50%
Cumulative Developer Distribution	180,402	1,226,257	3,307,075	6,318,157	7,860,701
Residual Receipts %	50%	50%	50%	50%	50%
Cumulative Residual Receipts Repayment	180,402	1,226,257	3,307,075	6,318,157	7,860,701
Unpaid/Accrued CalHFA loan Balance					
Perm Loan	38,923,211	37,860,492	36,099,372	33,694,158	32,501,561
MIP Loan	4,000,000	3,550,038	2,104,794	2,900	3
Reserves Balances					
Operating Reserve	1,348,742	1,348,742	1,348,742	1,348,742	1,348,742

Rent Reserve	0				
Transition Operating Reserve	0	0	0	0	0
Replacement Reserve	0				
Other Reserve	0	0	0	0	0
Notes: 1.					

7e	Rental Assistance and Other Subsidy

[Background if any]

Type of Rental Subsidy	Subsidy Administrator	Initial Term of Rental Subsidy Contract	Eligible Units	Renewal/Additional Term for Subsidy Contract
Project-based Vouchers	HUD/County/Other	N/A		
Section 8	HUD/County/Other	N/A		
Other rental assistance	HUD/County/Other	N/A		
Other Operating Subsidy	HUD/County/Other	N/A		

Notes:

Other State and Local Subsidies:

Other State Subsidies: N/A

Other Locality Subsidies: N/A

7f	Reserve Requirements

Name of Reserve	Amount	Comments
Operating Expense Reserve (OER)	$1,348,742	A 4-month operating expense reserve will be funded at perm closing and will be held and maintained at that level for the term of the CalHFA permanent loan. The reserve will be held by CalHFA for the term of the CalHFA permanent loan and in the event the OER is drawn down during the term of the loan, the OER must be replenished over a 12-month period to the original level.
Replacement Reserves (RR)	$0 $67,200 (annually)	A capitalized RR is not required for new construction projects. The annual RR amount is sized based on $300 per unit per year, escalating annually at 3%. CalHFA will hold this reserve through the term of the CalHFA loan.
Transitional Operating Reserve (TOR)		N/A

7g	Exit Analysis Requirements

Exit Year	16	**Assumed Refi Year**	16
Cap Rate Increase	2.00%	**Interest Rate Increase**	3.00%

UW Loan Amount	$39,150,000	**Max. Refi Loan Size**	$35,160,595
Appraised Value	$59,504,416	**Max LTV at Refi**	59%
Unpaid Principal Balance (1st Lien)	$0	**Unpaid Principal Balance (MIP Subsidy Loan)**	$0
Notes:			

8	**Insurance Requirements**
8a	Seismic Review and Earthquake Insurance

Seismic Review Required?	See note below
Earthquake Insurance Required?	See note below

- A seismic study is in process. If the Project does not meet the CalHFA requirements to waive earthquake insurance, earthquake insurance will be required. If the Project meets the CalHFA requirements to waive earthquake insurance, as demonstrated by the seismic study, the Project will not be subject to earthquake insurance provided that the Agency receives an acceptable certification from the engineer on record that the Project has been built to current seismic code. Receipt of the engineer of record certification will be required prior to permanent closing.

8b	**Flood Designation and Insurance**

Flood Zone Designation:	Zone X	Flood Insurance Required?	N

The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain, therefore the Project will not be subject to flood insurance.

8c	**Other Insurance Requirements**

N/A

9	**Third-party reports and diligence**
9a	Environmental Review Summary

Environmental Phase I Site Assessment Firm:	PIC Environmental Services		
Phase I ESA Report Date:	2/8/2024	Reliance Letter with CalHFA as relying party?	Yes
Phase II ESA Report Date:	N/A		
NEPA Review Completed?	No	NEPA review Date of completion:	Estimated completion March 2025

- A Phase I Environmental Site Assessment identified no evidence of Recognized Environmental Conditions (RECs) and did not recommend any additional investigation.

<u>Other Environmental Reports</u>

Asbestos-containing Material (ACM) Survey Required?	No
Date of Survey:	N/A
Lead-Based Paint (LBP) Survey Required?	No
Date of Survey:	N/A

Other Environmental Reports /studies completed:	Report of Update Geotechnical Investigation by Geotechnical Exploration, Inc. dated 01/04/2021

10		**Risk Identification and Mitigations**
10a		Underwriting and Term Sheet Variations
Select all that applies AND add any other applicable deviations from USRM or Term Sheet that are not listed		
☐	i.	Initial DSCR greater than 1.20x?
☐	ii.	Deviation from LTV and CLTV requirements per Agency's underwriting standards
☐	iii.	The Project's proposed operating expenses are below CTCAC minimum
☐	iv.	Utility Allowance less than HUD's allowance?
☐	v.	Affordability restrictions (rent and income limits) are NOT in compliance with CalHFA Term Sheets and CalHFA Regulatory Agreement
☐	vi.	Deviation in Agency's underwriting standards (USRM) requirements for CalHFA regulated unit sizes (by bedroom count) to be distributed substantially on a pro rata basis across income ranges proportionately to their availability in the development?
☐	vii.	Maximum allowable rents for all restricted units is NOT in compliance with CalHFA Term Sheets
☐	viii.	Variation in CalHFA Loan(s) requirements for lien position recordation per Program Term Sheets
☐	ix.	Variation in CalHFA Loan(s) requirement for loan security and repayment per Agency's underwriting standards (USRM) and Program Term Sheets.
☒	x.	CalHFA Regulatory Agreements (MIP affordability covenants) are not recorded in senior position to all foreclosable debt. (See Section 4b Note 1)
☐	xi.	Exceptions related to the Development Team experience or qualifications including deficiency in diligence obtained or lack of supporting evidence, per the requirements in the Agency's underwriting standards
☐	xii.	Exceptions related to Ground Lease structure requirements not meeting the minimum: the ground lease structure is acceptable to Legal and satisfies the requirement that the first lien perm loan is secured against both fee and leasehold interests in the subject property. The ground lease term exceed any CalHFA subsidy or perm loan term(s) by 10 years or more. The term of the ground lease is equal to or longer than the term of the CalHFA Regulatory Agreement.
☐	xiii.	Failure to meet CalHFA Exit Analysis test requirements
☐	xiv.	Deviation from the CalHFA Program Term Sheet requirement for surplus cash distribution allowing higher than 50% distribution to the Developer
☐	xv.	Project-based rental subsidy contract term is less than Agency's 1st lien perm loan and/or the proposed rental subsidy contract does not contain an automatic renewal provision.
☐	xvi.	Deviation from the Agency's underwriting standards and/or CDLAC/TCAC regulations related to maximum Developer Fee including cash/upfront fee and Deferred Developer fee requirements
☐	xvii.	Deviations from the Agency's underwriting standards related to Construction Cost budget concerns, contingency requirements below minimum, sources/uses imbalance, sources for environmental remediation and/or off-site improvements not identified or finalized, etc.
☐	xviii.	

For any response that is ☒ checked, please explain below and discuss potential mitigation strategies:

11	**Supplementary Project Information**
11a	Form of Site Control and Expiration

Current Ownership of Entity of Record:	Carmel Enterprise, LLC

The current owner, Carmel Enterprise, LLC, of the site and the Project owner, Rise Carmel LP, entered into an Option Agreement dated February 1, 2024, which expires on June 1, 2025, for an option price of $100. The purchase price for the Property under the Option shall be $160,000. The site will be conveyed between related parties. The Acquisition cost considered for the final commitment underwriting will be subject to CalHFA acceptable appraisal for the "as-is" value of the property and the lot split documentation. The site is a 3.43-acre portion of a larger 6.1-acre parcel that will be split from the larger parcel. Carmel Enterprise, LLC is an affiliate of the Master Developer of the larger 6.1-acre site.

11b	Ground Lease (if applicable)		
Ground Lessor	N/A	Capitalized Ground Lease Payment and Source	N/A
Ground Lease Term	N/A	On-going Ground Lease Payment and Source	N/A

11c	Displacement and Relocation of existing tenants

- The Project is new construction, therefore, relocation is not applicable.

11d	Net Loss of Affordable Units

The Project is a new construction project, with no related demolition of existing affordable housing, hence no existing affordable housing units will be lost nor will existing residential households be displaced as a result of this development.

11e	Project Amenities		
Project Amenities:	Present?	Unit Amenities	Present?
Community Room	☒	Central Heating	☒
Fitness Room	☐	Central A/C	☒
Computer Room	☒	Microwave	☒
Central Laundry	☒	Washer/Dryer Hookups	☐
Recreational Areas	☒	Dishwasher	☒
Picnic Area	☒	Garbage Disposal	☒
Playground	☒	Free Internet Service	☐
Common Area Wi-Fi	☒	Patios/Balconies	☒
Gated/Restricted Access	☒	<Other>	☐
Surveillance Cameras	☒	<Other>	☐
<Other>	☐	<Other>	☐

Notes :

11f	Legislative Districts & Local Support

Congress:	#50, Alejandro "Alex" Padilla
Assembly:	#78, Christopher M. Ward
State Senate	#39, Mike McGuire
Local Support: The City of San Marcos strongly supports the project per a locality contribution letter dated 4/24/2024.	

12	**Development Team Experience**
12a	Developer / Project Sponsor

Name	Experience with CalHFA	If new, describe if minimum development experience requirements are met per USRM
Rise Carmel LLC	None	See Note 1

Notes:
The CalHFA Developer requirements are met by the Managing General Partner of the Borrower, AOF MGP LLC, whose sole member, AOF/Pacific Affordable Housing Corp., meets the requirements necessary to receive a minimum of seven points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f).

12b	General Contractor

General Contractor name:	ECON JMI JV 2.0
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	No

The general contractor is ECON JMI JV 2.0, which is a joint venture of ECON, Inc. and Johnstone Moyer, Inc. Current employees have extensive experience in constructing similar affordable housing projects in California while employed under a different contractor, however, CalHFA is not familiar with the general contractor. ECON JMI JV 2.0 also serves as the general contractor for St. Luke's Affordable, another project undergoing CalHFA approval for MIP funding.

12c	Architect and Engineering (A&E) firm

Architect name:	Safdie Rabines Architects
Affiliated entity of the GC?	No
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	No

The architect is Safdie Rabines Architects, which has experience in designing and managing similar affordable housing projects in California through the locality's building permit process, however, CalHFA is not familiar with the architect.

The architect and affiliates of the developer have worked on at least 12 projects, both market rate and affordable. They are working on at least 400 units in the North City master development (that are in development stage).

12d	Management Agent (Property Manager)
Name of the Firm	CONAM
Third-party or Borrower Affiliate?	No
Management Fee (Annual fee %)	The greater of 4% of gross revenue or $60/unit
Management Fee (Other incentives)	No
Total number of properties managed by the Property Manager (PM)	321 (230 are affordable projects)
Total number of properties managed for the Developer	0
Total number of properties the PM has in CalHFA portfolio	18
Any property management issues for CalHFA portfolio projects under the management of the Property Manager?	Overall, there are no major concerns with the management company just some communication and response time challenges.
Notes:	

12e	Borrower Affiliated Entities	
Borrower Legal Entity	Rise Carmel LP	
Borrower Entity Type	A California limited Partnership	
Member	% interest	Legal Entity Name:
Managing General Partner	0.001%	AOF SD MGP, LLC
Administrative General Partner	0.008%	Rise Carmel, LLC
Investor Limited Partner	99.99%	RSEP Holding, LLC
Special Limited Partner	0.001%	Red Stone Equity Manager, LLC
	100.00%	

Managing General Partner	AOF SD MGP LLC
Type of Legal Entity	A California limited liability Company

Ownership	% interest
AOF/Pacific Affordable Housing Corp., a California nonprofit public benefit corporation	100%

Administrative General Partner	Rise Carmel LLC
Type of Legal Entity	A California limited liability Company

Ownership	% interest
Member: Urban Villages San Marcos, LLC, a California limited liability company Manager: Noble Canyon, LLC, a California limited liability company	100%

Investor Limited Partner	RSEP Holding, LLC or its designee

Comments on Tax Credit Investor:

Comments on LPA nuances/concerns:

Notes:

1. This project involves an emerging developer that meets the maximum TCAC points for project experience. See Section 12a, Note 1

12f	Support Service Provider(s)
Name of Service Provider	All Things are Possible After School and Family Resource Centers (ATAP)
Required by TCAC or other funding sources?	Yes
Term of Services (on-site, number of years)	On site, minimum of 15 years
Support Services Budget included in the Operating Budget	Yes
Per unit cost of support services meets USRM thresholds?	Yes

The Borrower will provide supportive services to the residents through ATAP. ATAP will provide on-site services for all tenants. Services will include 84 hours per year of adult educational and health, wellness, and supportive services AND 396 hours per year (6 hours/week throughout the school year) of after school programming. Services will be provided on an ongoing and regular basis for the life of property ownership and in no case less than 15 years.

12g	Other Development Team Members
Name of Firm:	N/A
Role:	N/A
Experience: N/A	

13	**Conditions for Approval**

Approval is conditioned upon:

1. Subject to all MIP program requirements pursuant to applicable term sheets.
2. The CalHFA MIP loan subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as stated on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing.
3. All MIP Loan principal and interest will be due and payable at maturity.
4. No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter, per the HUD Risk Sharing program requirements.
5. CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt.
6. Evidence of earthquake insurance coverage, acceptable to the Agency, will be required if the Project does not meet the requirements to waive earthquake insurance. If the Project meets the requirements for the earthquake insurance waiver as demonstrated in the seismic report, receipt of a certification by the engineer on record that Project has been built to current seismic code acceptable to the Agency, prior to permanent closing is required. Funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the offsite improvements' construction costs, except to the extent such costs are attributable to improvements for the exclusive use by the tenants of the Project.
7. The draft appraisal has been submitted and the final appraisal will be subject to Agency's review and approval prior to construction loan closing.
8. The locality is requiring the Borrower to encumber the Property by recording an Affordability Restrictions and Regulatory Agreement (Density Bonus). Prior to construction loan closing and closing of the CalHFA loan(s), the Affordability Restrictions and Regulatory Agreement (Density Bonus) is subject to CalHFA review and approval in accordance with agency underwriting standards.
9. An updated Phase I report dated within 180 days of property acquisition with CalHFA reliance is required prior to construction loan closing.
10. Receipt of Final Plan and Cost Review and acceptance by CalHFA prior to construction closing.
11. Receipt of the seismic report acceptable to CalHFA prior to construction closing.
12. Receipt of the final Development Consulting Agreement and the Asset Management Agreement acceptable to CalHFA prior to construction closing.
13. Receipt of finalized LPA consistent with the representations in this credit request and will be acceptable to CalHFA.

14	Approval Recommendation and Action
14a	Staff Recommendation and Approval Authorizing the Issuance of a Final Commitment

The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

The Final Commitment of the Agency is subject to all CalHFA underwriting standards, applicable Term Sheet and CalHFA regulatory requirements, and any other applicable requirements. Any material deviation from the original financing structure, project changes, underwriting assumptions, or the failure of a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.

14b	Senior Loan Committee Action

Senior Loan Committee recommends approval of the Final Commitment of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

Erwin Tam

Digitally signed by Erwin Tam
Date: 2025.02.10 13:52:39-08'00'

______________________ Date: ______________

Erwin Tam
Director of Financing & Senior Loan Committee Chairperson

Approved by:

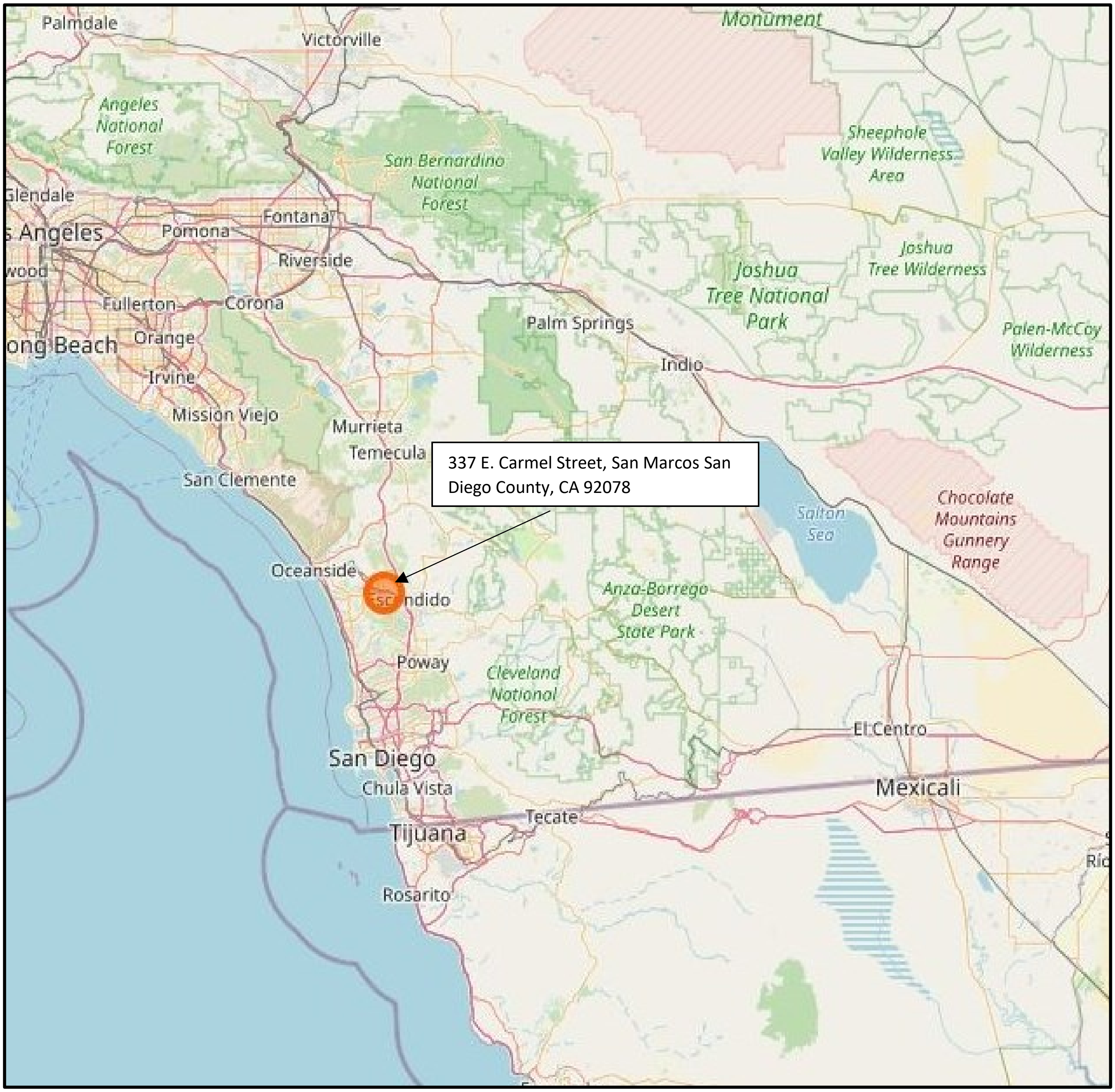
Rebecca Franklin

Digitally signed by Rebecca Franklin
DN: OU=Executive Office, O=California Housing Finance Agency, CN=Rebecca Franklin, E=rfranklin@calhfa.ca.gov
Location:
Foxit PDF Reader Version: 2024.3.0

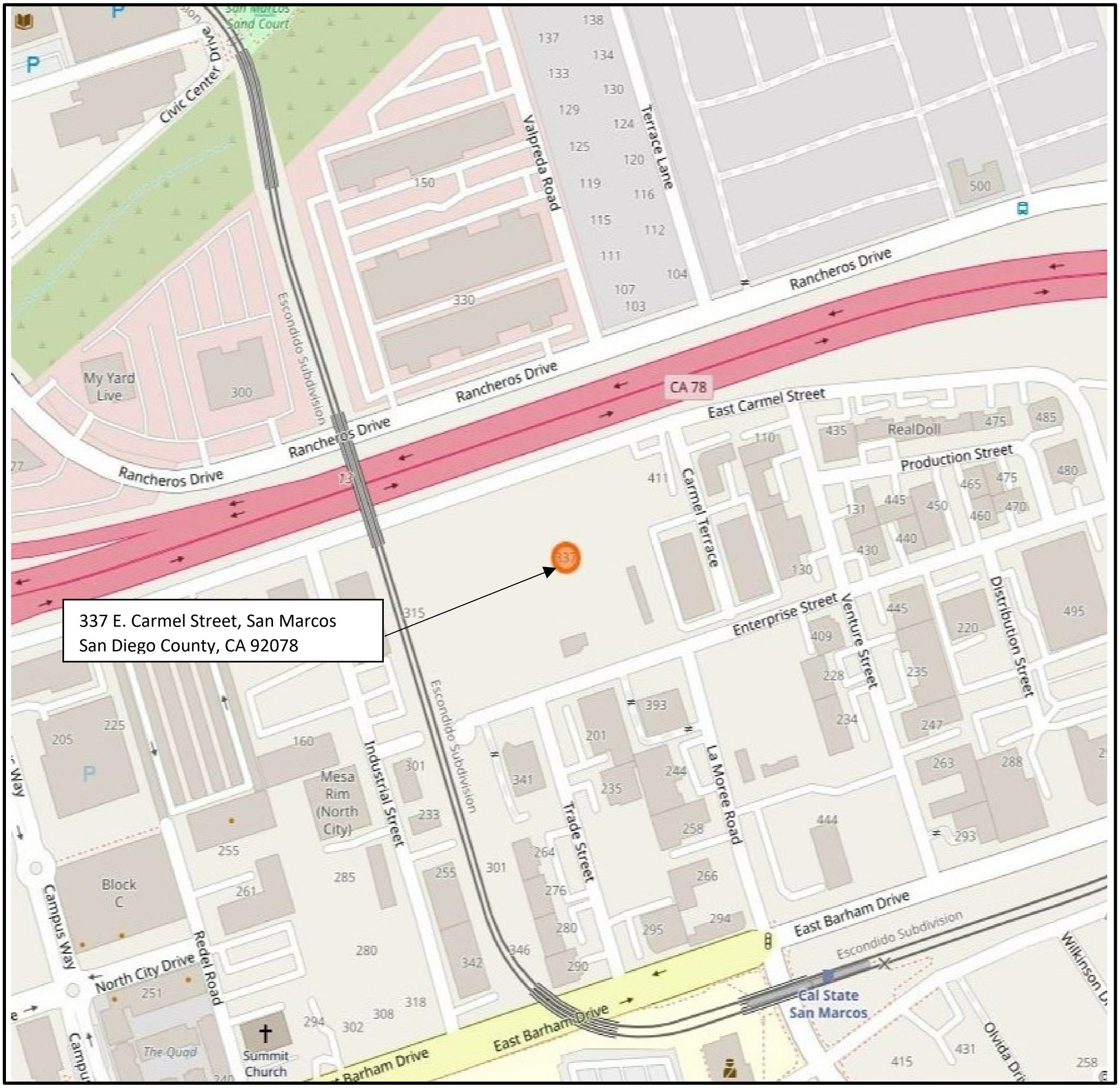
______________________ Date: 02/11/25

Rebecca Franklin
Chief Deputy Director
CalHFA

North City Affordable Housing – Far



North City Affordable Housing Near



BOARD OF DIRECTORS
OF THE CALIFORNIA HOUSING FINANCE AGENCY

RESOLUTION NO. 25-04

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Rise Carmel LP, a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City of San Marcos, County of San Diego, California, to be known as North City Affordable (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, pursuant to the Executive Director's authority to issue Conduit Bonds, under Resolution 24-10 the Agency has filed an application with the California Debt Limit Allocation Committee ("CDLAC") for an allocation of California Qualified Private Activity Bonds for the Development; and

WHEREAS, pursuant to Resolution 24-10, the Agency may additionally issue refunding bonds utilizing "Recycled" private activity bond volume cap pursuant to 26 U.S.C. 146(i)(6); and

WHEREAS, the Development has received a TEFRA Resolution as required by the Tax Equity and Fiscal Responsibility Act of 1983, and under 26 U.S.C. section 147(f); and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on February 21, 2024, the Executive Director exercised the authority delegated to her under Resolution 15-16 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Agency has conditionally approved a subsidy loan pursuant to CalHFA's Mixed-Income Program ("***MIP***") pursuant to its authority under Resolutions 19-02 and 19-14; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment to provide permanent financing for the development and taking out the Conduit Bonds upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

1. The Executive Director, or in her absence, the Chief Deputy Director, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
24-006-A/X/S	NORTH CITY AFFORDABLE City of San Marcos, County of San Diego	$39,150,000.00	Tax-Exempt Bond 1st Lien Loan with HUD Risk Share
		$ 4,000,000.00	Mixed-Income Program Residual Receipts 2nd Lien Loan

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loan or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in her absence, the Chief Deputy Director of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

SECRETARY'S CERTIFICATE

I, Claire Tauriainen, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 25-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of February 2025, at which meeting all said directors had due notice, a quorum was present and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate hereto this 20th day of February, 2025.

ATTEST: ____________________________________

CLAIRE TAURIAINEN
Secretary of the Board of Directors of the
California Housing Finance Agency

MEMORANDUM

To: Board of Directors **Date:** February 20, 2025

From: Kelly Madsen, Director of Enterprise Risk Management and Special Initiatives
California Housing Finance Agency

Subject: Agenda Item 8 A – FY 2024-25 Strategic Plan Q2 Update

Background

In May 2023, the Board of Directors adopted a three-year CalHFA Strategic Plan for fiscal years 2023-24 through 2025-26. The plan focused on CalHFA's goals, measures, and objectives for the next three years. Annually, the CalHFA executive team, under the guidance of Executive Director Johnson Hall, develops key initiatives to help achieve the Strategic Goals set by the Board. The plan was formed in alignment with CalHFA's mission and vision and serves to amplify the Agency's commitment and continuous efforts to serve the diverse communities of California.

With CalHFA's mission of **investing in diverse communities with financing programs that help more Californians have a place to call home**, CalHFA focused its strategies and business decisions on these four goals.

1. **Lending Impact** - Focus lending activities on broadening access to affordable housing opportunities for a diverse population.
2. **Financial Sustainability** - Leverage opportunities and create innovative products that ensure financial sustainability and continue to serve the affordable housing market.
3. **Trusted Advisor** - Affirm CalHFA as a trusted housing finance advisor that understands the needs of California's diverse communities.
4. **Operational Excellence** - Invest in continuous improvement and cultivate an inclusive and highly qualified workforce.

Second Quarter Update

This item provides the Board of Directors with an update on the strategic measures' progress in the second quarter of FY 2024-25. A dashboard is included to provide an overview of the performance, an update on the Single Family and Multifamily production, a high-level budget update, and a few notable highlights thus far. Three items are detailed below for exception reporting purposes.

Exception:

Goal 1 Strategic Measure

Multifamily is currently projected to exceed 5,400 units for the fiscal year. However, four out of thirteen Mixed-Income Program projects in our pipeline (representing up to 681 units) are experiencing external challenges such as city approval delays and finalizing partnership agreements with a Low-Income Housing Tax credit investor. These challenges may result in closing delays which could impact CalHFA's unit count for the fiscal year. The Multifamily Lending team will meet with the borrowers to determine feasibility of closing timelines and closely monitor progress to ensure timely communication of any closing delays.

Goal 1 Business Plan Initiative

The Single Family Program is collaborating with Terner Center to develop a report that identifies key characteristics of the First Time Homebuyer Market in California. The study is expected to be completed by July 15, 2025, which is slightly beyond our June 30, 2025 deadline. We regularly meet with the Terner Center to check on progress and ensure that the project stays on schedule for timely completion.

Goal 4 Business Plan Initiative

The Marketing & Communication team along with Single Family staff began the process of developing a mortgage professionals' partner enews list to improve communications on updates for processing CalHFA loans. The proposed system would deliver targeted communications to lenders only. While engaging with our stakeholders during the planning phases, feedback from lenders indicated this might discourage participation as this would require additional credentialing steps to verify their status as a lender in order to receive the communications. Based on the input, the recommendation is to cancel/rescind this initiative and take no further actions at this time.

STRATEGIC MEASURES – Q2

Goal 1: Lending Impact

Focus lending activities on broadening access to affordable housing opportunities for California's diverse population.

STRATEGIC MEASURES	TOLERANCES	Q1	Q2	Q3	Q4	Comments
Increase Single Family first mortgage dollar lending volume and number of loans 5% by 2026.	**Volume** ■ ≥ $1.550B ■ $1.52B -1.549B ■ ≤ $1.51B					Currently Met
	Loan Counts ■ ≥ 3,971 loan ■ 3,890 – 3,970 loans ■ ≤ 3,889 loans					
Increase Multifamily dollar lending volume, unit production, and conduit issuer volume 5% by 2026.	**Conduit Issuer Volume** ■ ≥ $1.194B ■ $1.170B - $1.193B ■ ≤ $1.169B					
	Volume ■ ≥ $526M ■ $515M – $525M ■ ≤ $514M					
	Units ■ ≥ 4,809 units ■ 4,710 – 4,808 units ■ ≤ 4,709 units					See exception report on page 4.

Goal 2: Financial Sustainability

Leverage opportunities and create innovative products that ensure CalHFA's financial sustainability and continued ability to serve the affordable housing market.

STRATEGIC MEASURES	TOLERANCES	Q1	Q2	Q3	Q4	Comments
Maintain risk-adjusted rate of return on restricted assets.	■ ≥ 5.3% ■ 4.5% – 5.2% ■ ≤ 4.4%					
Identify and implement new revenue generating strategies.	■ Yes ■ No ■ None Planned					
Grow the Agency's balance sheet, increasing total assets by 5% by 2026.	■ ≥ $2.75B ■ $2.70B - $2.74B ■ ≤ $2.69B					Currently Met
Maintain financial liquidity with a minimum of 20% of net assets as short-term investments	■ Yes ■ No					

STRATEGIC MEASURES – Q2

Goal 3: Trusted Advisor

Affirm CalHFA as a trusted housing finance advisor that understands the needs of California's diverse communities.

STRATEGIC MEASURES	TOLERANCES	Q1	Q2	Q3	Q4	Comments
Increase public presence and publications 10% by 2026.	■ ≥ 67 appearances ■ 58 – 66 appearances ■ ≤ 57 appearances					
Partner, fund, and/or participate in housing finance data analytics reports.	■ Yes ■ No ■ None Planned					
Receive industry recognition and/or awards for CalHFA specific programs.	■ 2 awards ■ 1 award ■ 0 award					Completed

Goal 4: Operational Excellence

Invest in continuous improvement and cultivate an inclusive and highly qualified workforce.

STRATEGIC MEASURES	TOLERANCES	Q1	Q2	Q3	Q4	Comments
Implement informed decision-making tools and processes.	■ Training in place and tools being used ■ Tools being used for <25% of processes ■ No training in place					
Increase Great Place to Work certification score 5% by 2026.	■ ≥ 71% ■ 70% ■ ≤ 69%					
Fill 80% of all key positions.	■ ≥ 80% ■ 75% – 79% ■ ≤ 74%					

FY 2024–25 STRATEGIC PLAN STATUS UPDATE – Q2

OVERALL OBJECTIVES PERFORMANCE STATUS

12 Strategic Objectives

83%	**10** On-Target
8%	**1** At-Risk
8%	**1** Off-Target

SINGLE FAMILY PRODUCTION UPDATE

Assisted **4,117** homebuyers

$32.5M Revenue generated

$2.0B Lending volume activity

MULTIFAMILY PRODUCTION UPDATE

Financed **970** affordable housing units

$2.1M Revenue generated

$525.3M Lending volume activity

Operating Expenditures

OPERATING REVENUE

$50.6M

Single Family & Multifamily revenues

OPERATING EXPENSES

$19.2M

Net Operating Revenue

$31.4M

12 Months Projections

Revenues	$93.4M
Expenses	($42.2M)
Net	**$51.2M**

Highlights

Stephanie McFadden joined CalHFA in November as the Director of Multifamily Programs.

CalHFA's FY 2022-23 Comprehensive Annual Financial Report received the Government Finance Officer Association certificate for excellence in financial reporting. This is the seventh consecutive year that CalHFA's annual report has been honored by GFOA.

CalHFA sold $107 million of affordable multifamily revenue bonds which were designated as Sustainability Bonds because they are aligned with the UN Development Goals for Green and Social Bond expenditures.

The offering is through CalHFA's Affordable Multifamily Bond Indenture and the proceeds of these sales will fund a portion of CalHFA's perm loan commitments, which have helped create and preserve hundreds of affordable housing units.

Goal 1: Lending Impact

Focus lending activities on broadening access to affordable housing opportunities for California's diverse population.

MEASURE	**Increase Multifamily dollar lending, unit production, and conduit issuer volume by 5% by 2026.**
DESIRED OUTCOME	4,809 or more units in FY 2024-25.
CHALLENGES	Multifamily is currently projected to exceed 5,400 units for the fiscal year. However, four out of thirteen Mixed-Income Program projects in our pipeline (representing up to 681 units) are experiencing external challenges that may result in closing delays which could impact CalHFA's unit count for the fiscal year. These challenges include city approval delays and finalizing partnership agreements with a Low Income Housing Tax credit investor. If all four projects are delayed beyond FY 2024-25, the projected unit count would fall below the desired outcome of 4,809 units.

MITIGATION ACTIVITY	OWNER(S)	COMPLETION DATE
The Multifamily Lending team will meet with the borrowers to determine feasibility of closing timelines.	Stephanie McFadden	Ongoing
The Weekly Multifamily Tracker will be kept up to date to communicate any closing date delays.	Stephanie McFadden	Ongoing

Goal 1: Lending Impact

Focus lending activities on broadening access to affordable housing opportunities for California's diverse population.

OBJECTIVE	Expand and diversify Single Family program opportunities.
INITIATIVE	**Evaluate opportunities to increase first mortgage lending by completing studies to identify the total addressable market and competitiveness of CalHFA's program terms compared to competitors in each market segment.**
DESIRED OUTCOME	Completed study identifying key characteristics of the First Time Homebuyer Market in California.
CHALLENGES	Completion of the study is not in jeopardy or at risk, however, it is currently projected to be completed by July 15, 2025, which is just beyond our June 30, 2025 deadline.

MITIGATION ACTIVITY	OWNER(S)	COMPLETION DATE
Meeting with Terner Center, author of the report, to discuss progress to date and any potential to complete the report by 6/30/25.	Ellen Martin, Kelly Madsen	03/07/2025

Goal 4: Operational Excellence

Invest in continuous improvement and cultivate an inclusive and highly qualified workforce.

OBJECTIVE	**Innovate and streamline business processes to increase operational efficiency and service delivery.**
INITIATIVE	**Develop a mortgage professionals' partner enews list to improve communications on updates for processing CalHFA loans.**
DESIRED OUTCOME	Creation of mortgage professionals' partner enews list.
CHALLENGES	As part of the planning process for this initiative, we engaged our lender stakeholders for feedback on the proposed mortgage professional enews list. Our current system of communication utilizes listservs that deliver communications to anyone who signs up to receive them. The proposed enews list would deliver targeted communications limited only to lenders. This would require additional credentialing steps to verify their status as a lender in order to receive the communications. Feedback from lenders indicated this change would not be perceived as an upgrade to the current system, and may in fact discourage participation and result in fewer lenders receiving the information as compared with the current system.

MITIGATION ACTIVITIES	OWNER(S)	COMPLETION DATE
Based on the input from key beneficiaries, this initiative is unwelcome and would not create the desired outcomes as originally thought. The recommendation is to cancel/rescind this initiative and take no further actions at this time.	Kathy Phillips, Ellen Martin	12/2024

MEMORANDUM

To: Board of Directors **Date:** February 10, 2025

From: Erwin Tam, Director of Financing
California Housing Finance Agency

Subject: Agenda Item 8B – FY 2024-25 Q2 Operating Budget Update

Background

The purpose of this memorandum is to provide the Board of Directors with a summary of CalHFA's operating budget for the first half of fiscal year 2025, ending December 31, 2024. The CalHFA Board of Directors approved the Fiscal Year 2025 operating budget in June 2024. Under the California Health and Safety Code, CalHFA's policy is to conduct its operations to be fiscally self-sufficient.

Operating Budget Results for Quarter Ending December 31, 2024

Similar to the prior fiscal year, operating results for Single Family lending was improved due to Phase II of the Dream for All Program. Single Family Lending Revenue was $36.7 million or 98% of the total annual revenue budget.

Factors contributing to this positive variance are higher than projected volume of loans, higher than projected loan size, and higher than projected spread per loan. Budgeted MyHome volume was 3,500 loans for the full fiscal year and CalHFA has issued almost 2,900 loans in the first 6 months of the fiscal year.

Multifamily Lending Revenue was $14.0 million or 50% of total annual revenue budget. Since the 1st quarter update, anticipated interest earnings have fallen due to changes in CalHFA's cost of capital. Currently, financial projections show both lending programs exceeding revenue budget for the full fiscal year.

Operating expense was $19.2 million for the 1st half, or $3.9 million below budget. Currently, financial projections show that operating expenses will be below budget for the full fiscal year. The following table provides detailed operating results and projections for the full fiscal year.

Overall net operating revenue is projected to be $51.2 million, up from $19.0 million in budget.

	6 Months ending December 31, 2024			12 Months ending June 30, 2025		
	Actual	Budget	Variance	Projection	Budget	Variance
Single Family Lending Revenue						
Lending Fees	$23,970	$8,750	$15,220	$41,947	$17,500	$24,447
Loan Servicing	264	180	$84	444	360	$84
Interest	3,926	3,049	$877	7,459	6,098	$1,361
Administration Fees	8,527	6,750	$1,777	15,153	13,500	$1,653
Sub-Total Single Family	**$36,687**	**$18,729**	**$17,958**	**$65,003**	**$37,458**	**$27,545**
Multifamily Lending Revenue						
Lending Fees	$2,528	$4,172	($1,644)	$8,976	$8,344	$632
Loan Servicing	720	729	($9)	1,422	1,458	($36)
Interest	8,038	6,266	$1,773	12,343	12,531	($188)
Administration Fees	2,663	2,733	($70)	5,727	5,465	$262
Sub-Total Multifamily	**$13,950**	**$13,899**	**$51**	**$28,468**	**$27,798**	**$670**
Total Operating Revenue	**$50,637**	**$32,628**	**$18,009**	**$93,471**	**$65,256**	**$28,215**
Operating Expenditures						
Salaries and Benefits	$13,632	$15,617	($1,984)	$29,165	$31,234	($2,069)
Consulting & Professional Services	1,578	2,455	(877)	4,227	4,911	(684)
General Expense	259	389	(130)	699	778	(79)
Communications	74	211	(137)	243	422	(180)
Travel	140	195	(54)	318	390	(72)
Training	30	133	(103)	76	267	(191)
Facilities Operation	1,274	1,561	(287)	2,547	3,122	(575)
Central Administrative Services	1,366	1,164	202	2,329	2,329	0
Information Technology	789	1,203	(414)	2,386	2,406	(20)
Equipment	78	223	(144)	241	445	(204)
Total Operating Expenditure	**$19,221**	**$23,151**	**($3,930)**	**$42,230**	**$46,302**	**($4,072)**
Net Operating Revenue	**$31,416**	**$9,477**	**$21,939**	**$51,241**	**$18,954**	**$32,287**

MEMORANDUM

To: Board of Directors **Date:** February 20, 2025

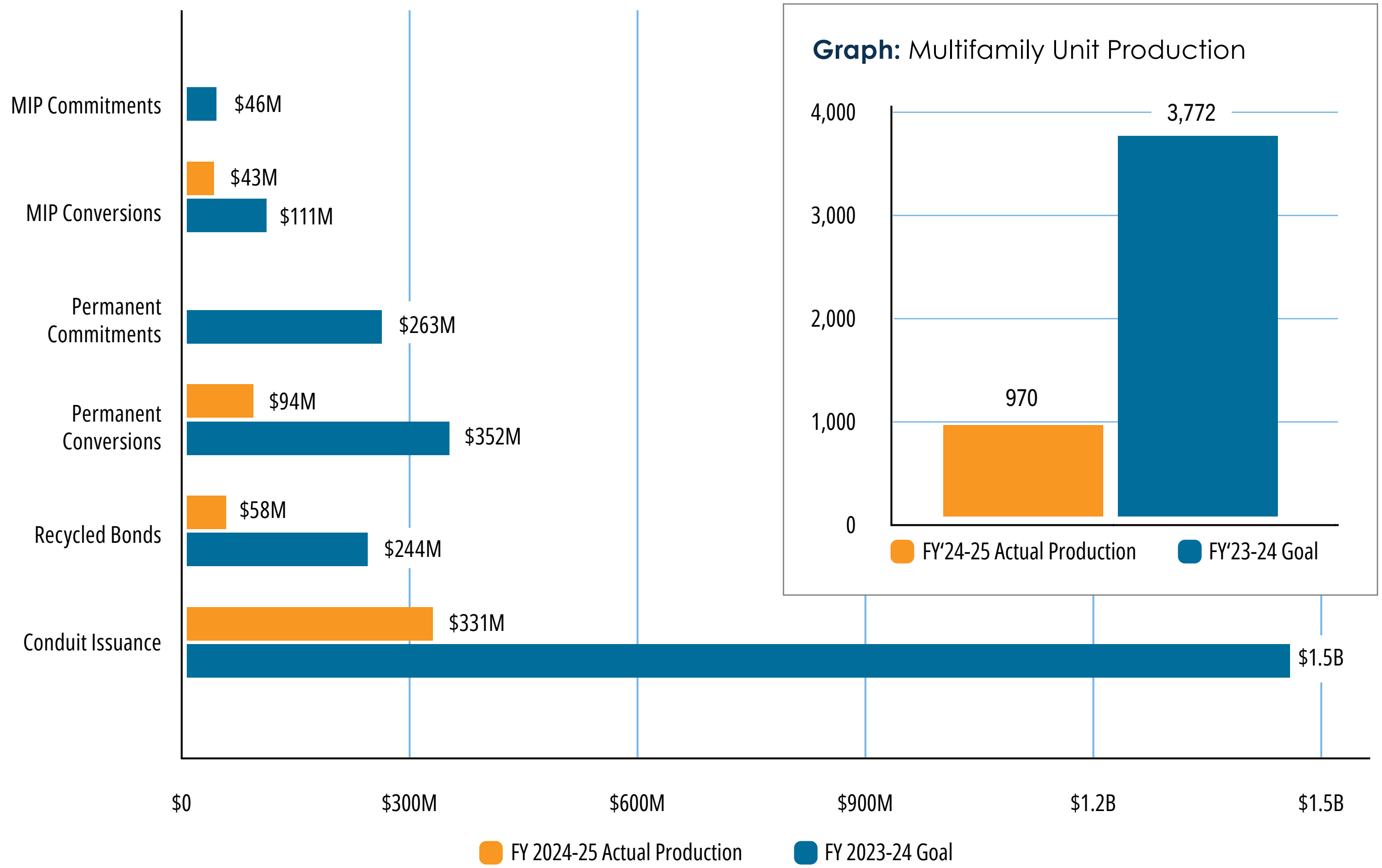
From: Stephanie McFadden, Director of Multifamily Programs
California Housing Finance Agency

Subject: Agenda Item 9 A – Multifamily Quarterly Loan Production Report

CalHFA offers a variety of loan programs with competitive rates and long-term financing to advance the creation and preservation of affordable housing for people who truly need it. CalHFA's Taxable, Tax-Exempt, and/or CalHFA funded Permanent Loan programs provide competitive long-term financing for affordable multifamily rental housing projects. The CalHFA Mixed-Income Program provides competitive long-term subordinate financing for new construction multifamily housing projects restricting units between 30% and 120% of county Area Median Income. The CalHFA Conduit Issuer Program is designed to facilitate both for-profit and non-profit developers in accessing tax-exempt and taxable bonds for the financing of family and senior affordable and mixed-income housing developments. The goals of the programs are to increase and preserve the supply of affordable rental housing, maintain a quality living environment, leverage private sector funds to the greatest extent possible, and to cooperate with local jurisdictions to advance affordable housing goals.

Multifamily Loan Volume as of December 31, 2024

Graph: Fiscal Year 2024-25 Multifamily Loan Production



Graph: Production Volume By Program

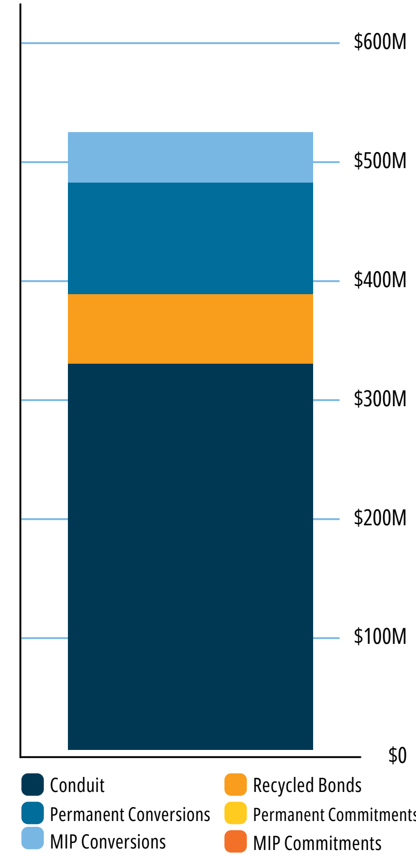


Table: CalHFA Multifamily Production Summary

	Conduit Issuance	Recycled Bonds	Perm Conversions	Perm Commitments	MIP Conversions	MIP Commitments	Total All Programs
FY 2024-25 Goal	$ 1,458,637,522	$ 244,466,000	$ 352,207,705	$ 263,187,059	$ 111,407,284	$ 45,800,000	$ 2,475,705,570
FY 2024-25 Actual Production	$ 330,719,914	$ 58,100,000	$ 93,930,000	$ 0	$ 42,507,918	$ 0	$ 525,257,832
Percent of Goal Complete	23%	24%	27%	0%	38%	0%	21%
FY 2024-25 Projected Production	$ 1,898,589,313	$ 316,326,484	$ 424,423,089	$ 291,857,084	$ 144,181,139	$ 45,800,000	$ 3,121,177,109
Projected Percent of Goal Complete	130%	129%	121%	111%	129%	100%	126%

FY 2024-25 Multifamily Loan Commitments as of December 31, 2024

Table: Multifamily Loan Commitments (Closed)

	Project Name	Underwriting Type	City	Project Type[1]	Closing Date	Units[2]	Tax Exempt Loan	Taxable Loan	Recycled Bonds	Permanent	MIP
1	All Hallows Apartments	Conduit - Reg Only	San Francisco	FN	7/30/2024	157	$ 73,000,000	-	$ 3,500,000	-	-
2	La Salle Apartments	Conduit - Reg Only	San Francisco	FN	7/30/2024	145	$ 63,500,000	-	$ 4,500,000	-	-
3	Avenue 34	Conduit - Reg Only	Los Angeles	FN	8/1/2024	0	$ 1,400,000	-	-	-	-
4	U.S. Vets - WLAVA Building 210	Conduit - Reg Only	Los Angeles	SN	8/5/2024	38	$ 19,155,829	$ 406,000	-	-	-
5	Bayview Apartments	Conduit - Reg Only	San Francisco	FN	8/14/2024	146	$ 57,000,000	-	$ 6,000,000	-	-
6	MacArthur Field A	Conduit - Reg Only	Los Angeles	HM,SN	8/19/2024	0	$ 590,000	-	-	-	-
7	Kawana Springs Apartments	Conduit - MIP & Perm	Santa Rosa	FN	9/4/2024	0	$ 4,456,125	-	-	-	-
8	Sisal Apartments	Conduit - Reg Only	San Diego	FN	9/12/2024	120	-	-	$ 32,100,000	-	-
9	Vintage At Woodman	Conduit - MIP	Panorama City	SR	10/29/2024	0	$ 4,000,000	-	-	-	-
10	The Pardes 2	Conduit - Reg Only	Elk Grove	FN	11/21/2024	140	$ 39,008,355	$ 13,160,155	$ 7,000,000	-	-
11	The Trails at Carmel Mountain Ranch	Conduit - Reg Only	San Diego	FN	12/19/2024	125	$ 40,600,000	$ 4,633,000	$ 5,000,000	-	-
12	College Creek Apartments	Conduit - MIP & Perm	Santa Rosa	FN	12/20/2024	0	$ 2,250,000	-	-	-	-
13	Santa Rosa Avenue Apartments	Conduit - MIP	Santa Rosa	FN	12/20/2024	0	$ 3,910,450	$ 3,650,000	-	-	-
						871	$ 308,870,759	$ 21,849,155	$ 58,100,000	$ 0	$ 0

Table: Multifamily Loan Commitments (Projected Closings: Q3 1/1 - 03/31/25)

	Project Name	Underwriting Type	City	Project Type[1]	Closing Date	Units[2]	Tax Exempt Loan	Taxable Loan	Recycled Bonds	Permanent	MIP
	St. Luke's Affordable	Conduit - MIP & Perm	San Diego	FN	2/20/2025	78	$ 18,000,000	$ 1,245,082	-	$ 9,034,153	$ 3,900,000
	Holt & Main	Conduit - MIP & Perm	Pomona	FN	2/24/2025	160	$ 41,250,000	$ 22,334,838	$ 9,000,000	$ 20,094,000	$ 4,000,000
	BUSD Workforce Housing	Conduit - MIP & Perm	Berkeley	FN	2/28/2025	110	$ 39,443,118	$ 6,112,793	-	$ 12,195,000	$ 4,000,000
	North City Affordable	Conduit - MIP & Perm	San Marcos	FN	3/11/2025	224	$ 60,100,000	$ 18,000,000	$ 4,000,000	$ 39,150,000	$ 4,000,000
	Kindred Apartments	Conduit - Reg Only	San Diego	FN, SN	3/11/2025	126	$ 50,276,455	$ 20,260,716	$ 1,500,000	-	-
	121 N. Mathews	Conduit - Reg Only	Los Angeles	FN	3/14/2025	40	$ 5,945,000	-	$ 2,730,000	-	-
	6018 Brynhurst	Conduit - Reg Only	Los Angeles	FN	3/14/2025	50	$ 7,170,000	-	$ 3,265,000	-	-
	Residency at Sky Village Hollywood - Phase I	Conduit - Reg Only	Los Angeles	SR, SN	3/17/2025	237	$ 74,000,000	$ 12,000,000	$ 24,000,000	-	-
	Residency at Sky Village Hollywood - Phase II	Conduit - Reg Only	Los Angeles	SR, SN	3/17/2025	245	$ 71,000,000	$ 15,218,581	$ 22,000,000	-	-
	Maison's Village Phase II	Conduit - MIP & Perm	Palmdale	FN	3/19/2025	192	$ 34,410,000	-	$ 6,000,000	$ 28,500,000	$ 1,600,000
	The Walk Residences	Conduit - MIP & Perm	Norwalk	VT	3/27/2025	56	$ 24,794,672	$ 9,436,015	-	$ 7,011,082	$ 2,800,000
						1,518	$ 426,389,245	$ 104,608,025	$ 72,495,000	$ 115,984,235	$ 20,300,000

Commitments continue next page

1 FN: Family/Individual, SR: Senior, SN: Special Needs, VT: Veterans, HM: Homeless

2 Projects with '0' as the unit count had their units counted in a previous fiscal year.

FY 2024-25 Multifamily Loan Commitments as of December 31, 2024

Table: Multifamily Loan Commitments (Projected Closings: Q4 4/1 - 6/30/25)

Project Name	Underwriting Type	City	Project Type[1]	Closing Date	Units[2]	Tax Exempt Loan	Taxable Loan	Recycled Bonds	Permanent	MIP
300 De Haro	Conduit - Reg Only	San Francisco	FN	4/1/2025	425	$ 101,746,126	$ 16,341,466	$ 16,324,009	-	-
Monarch	Conduit - MIP & Perm	Sacramento	FN, HM	4/3/2025	241	$ 55,161,072	-	-	$ 22,089,000	$ 4,000,000
Monarch Hillside Affordable Apartments	Conduit - Reg Only	San Diego	FN	4/15/2025	249	$ 13,500,000	-	$ 72,300,000	-	-
Sutter Street	Conduit - MIP & Perm	San Francisco	FN	4/21/2025	102	$ 40,195,709	-	$ 23,372,475	$ 16,000,000	$ 4,000,000
Avanzando San Ysidro	Conduit - Reg Only	San Diego	FN	4/30/2025	103	$ 49,000,000	$ 2,250,000	$ 11,800,000	-	-
Regency Apartments & Lexington Apartments & David Avenue Apartments	Conduit - Reg Only	San Jose	FN	5/1/2025	290	$ 94,870,000	-	-	-	-
Sandstone Valley Apartments	Conduit - MIP & Perm	Murrieta	FN	5/5/2025	96	$ 25,652,201	$ 8,751,233	-	$ 8,436,849	$ 4,000,000
The Grant at Mission Trails	Conduit - Reg Only	San Diego	FN, HM	5/7/2025	48	$ 16,993,197	$ 1,470,537	-	-	-
Vera Avenue Apartments	Conduit - MIP & Perm	Redwood City	FN	5/12/2025	178	$ 49,815,000	$ 8,000,000	$ 8,000,000	$ 29,610,000	$ 4,000,000
Julian Street Studios	Conduit - MIP & Perm	San Jose	FN	5/26/2025	305	$ 71,850,000	$ 50,250,000	$ 11,250,000	$ 45,428,000	$ 4,000,000
Monterey Family Apartments	Conduit - MIP & Perm	Gilroy	FN	6/2/2025	94	$ 28,570,598	$ 9,289,490	$ 3,500,000	$ 18,309,000	$ 1,500,000
3412 Victoria Avenue	Conduit - Reg Only	Los Angeles	FN	6/2/2025	58	$ 8,150,000	-	$ 3,850,000	-	-
3981 Meier	Conduit - Reg Only	Los Angeles	FN	6/2/2025	75	$ 10,900,000	-	$ 3,675,000	-	-
4345 Matilija	Conduit - Reg Only	Sherman Oaks	FN	6/2/2025	75	$ 10,230,000	-	$ 4,245,000	-	-
5625 Case	Conduit - Reg Only	Los Angeles	FN	6/2/2025	70	$ 10,270,000	-	$ 6,730,000	-	-
5749 Brynhurst	Conduit - Reg Only	Los Angeles	FN	6/2/2025	53	$ 8,065,000	-	$ 5,435,000	-	-
8911 Ramsgate	Conduit - Reg Only	Los Angeles	FN	6/2/2025	77	$ 10,600,000	-	$ 7,250,000	-	-
Wakeland Riverwalk	Conduit - Reg Only	San Diego	FN	6/2/2025	190	$ 70,150,547	$ 41,760,301	$ 1,000,000	-	-
Westside Village	Conduit - Reg Only	Santa Cruz	FN	6/2/2025	38	$ 18,446,853	$ 10,805,768	-	-	-
Napa Creek Manor Apartments	Conduit - Reg Only	Napa	FN	6/2/2025	84	$ 18,000,000	-	$ 7,000,000	-	-
831 Water Street	Conduit - MIP & Perm	Santa Cruz	FN, SN	6/3/2025	140	$ 53,900,000	$ 22,015,297	-	$ 36,000,000	$ 4,000,000
U.S. VETS - WLAVA Building 300	Conduit - Reg Only	Los Angeles	HM	6/9/2025	44	$ 23,305,313	$ 10,808,670	-	-	-
4575 Scotts Valley Apartments	Conduit - Reg Only	Scotts Valley	FN	6/9/2025	100	$ 41,923,146	$ 23,834,605	-	-	-
					3,135	$ 831,294,762	$ 205,577,367	$ 185,731,484	$ 175,872,849	$ 25,500,000

* Projects with ‘0’ as the unit count had their units counted in a previous fiscal year.

1 FN: Family/Individual, SR: Senior, SN: Special Needs, VT: Veterans, HM: Homeless

2 Projects with ‘0’ as the unit count had their units counted in a previous fiscal year.

FY 2024-25 Multifamily Loan Conversions as of December 31, 2024

Table: Multifamily Loan Conversions (Closed)

Project Name	Underwriting Type	City	Project Type[1]	Closing Date	Units[2]	Permanent Loan Amount	MIP Loan Amount	Subsidy Loan Amount
Monroe Street Apartments	Conduit - MIP & Perm	Santa Clara	FN, SN	9/26/2024	65	$ 11,580,000	$ 2,601,733	-
921 Howard Street Apts	Conduit - MIP & Perm	San Francisco	FN	9/27/2024	203	$ 45,000,000	$ 9,822,795	-
Village at Burlingame	Conduit - MIP	Burlingame	FN, SR	10/1/2024	132	-	$ 9,700,000	-
Mission Gateway	Conduit - MIP	Los Angeles	FN	10/4/2024	356	-	$ 14,383,390	-
Anton Viridian Apartments	Conduit - MIP & Perm	Oakley	FN	10/8/2024	170	$ 36,850,000	$ 6,000,000	-
FLOR 401 Lofts	SNHP/MHSA	Los Angeles	FN, HM, SN	11/25/2024	99	$ 500,000	-	-
					1,025	$ 93,930,000	$ 42,507,918	$ 0

Table: Multifamily Loan Conversions (Projected Closings: Q3 1/1 - 3/31/25)

Project Name	Underwriting Type	City	Project Type[1]	Closing Date	Units[2]	Permanent Loan Amount	MIP Loan Amount	Subsidy Loan Amount
California Grand Manor Apartments	Conduit - MIP & Perm	Atascadero	SR	3/13/2025	76	$ 6,183,589	$ 5,440,234	-
Kawana Springs Apartments	Conduit - MIP	Santa Rosa	FN	3/26/2025	151	-	$ 7,450,000	-
Kiku Crossing	Conduit - MIP & Perm	San Mateo	FN	3/31/2025	225	$ 71,528,000	$ 2,000,000	-
					452	$ 77,711,589.00	$ 14,890,234.00	$ 0

Table: Multifamily Loan Conversions (Projected Closings: Q4 4/1 - 6/30/25)

Project Name	Underwriting Type	City	Project Type[1]	Closing Date	Units[2]	Permanent Loan Amount	MIP Loan Amount	Subsidy Loan Amount
Shiloh Crossing	Conduit - MIP & Perm	Windsor	FN	4/1/2025	173	$ 21,696,000	$ 15,442,362	-
Kelsey Ayer Station	Conduit - MIP & Perm	San Jose	FN	4/1/2025	115	$ 15,910,000	$ 4,600,000	-
Marina Village	Conduit - MIP & Perm	Suisun City	FN	4/1/2025	160	$ 24,125,000	$ 3,175,000	-
The Atchison	Conduit - MIP	Pittsburg	FN	4/7/2025	202	-	$ 10,000,000	-
Santa Rosa Avenue Apartments	Conduit - MIP	Santa Rosa	FN	4/26/2025	154	-	$ 7,600,000	-
College Creek Apartments	Conduit - MIP & Perm	Santa Rosa	FN	5/1/2025	164	$ 28,140,000	$ 4,000,000	-
Vista Woods	Conduit - MIP & Perm	Pinole	SR	5/1/2025	179	$ 35,240,000	$ 6,212,000	-
Shiloh Terrace	Conduit - MIP & Perm	Windsor	FN	5/1/2025	134	$ 26,000,000.00	$ 3,900,000.00	-
Terracina At The Dunes	Conduit - MIP & Perm	Marina	FN	5/15/2025	142	$ 18,778,500	$ 2,800,000	-
Vintage At Woodman	Conduit - MIP	Panorama City	SR	5/30/2025	239	-	$ 11,850,000	-
515 Pioneer Drive	Conduit - MIP & Perm	Glendale	FN, SR	6/1/2025	340	$ 30,892,000	$ 10,203,625	
Alamo Street Apartments	Conduit - MIP & Perm	Simi Valley	FN	6/16/2025	271	$ 52,000,000	$ 7,000,000	-
					2,273	$ 252,781,500.00	$ 86,782,987.00	$ 0

1 FN: Family/Individual, SR: Senior, SN: Special Needs, VT: Veterans, HM: Homeless

2 With the exception of the SNHP project "FLOR 401 Lofts," all other Multifamily Loan Conversion projects listed had their units counted in a previous fiscal year.

MEMORANDUM

To: Board of Directors **Date:** February 20, 2025

From: Stephanie McFadden, Director of Multifamily Programs
California Housing Finance Agency

Subject: Agenda Item 9 B – Asset Management Quarterly Portfolio Report

The CalHFA Asset Management Portfolio is comprised of 659 projects with a balance of $1,425,654,967 in financing as of December 31, 2024. The CalHFA portfolio consists of 19,598 affordable regulated units throughout the State of California.

The portfolio is broken down by type of program as follows:

1	Section 8 (Contract Administrator)
93	CalHFA Permanent (Risk Share)
118	CalHFA Permanent (Non-Risk Share)
176	Mental Health Services Act
39	Special Needs Housing Program
193	Conduit
39	Section 811 (Contract Administrator)
659	Total

The portfolio has a low delinquency rate of 0.1%, which is only two projects.

There are two projects on the Watch List, one for an unapproved addition on the property, and another for failure to properly maintain affordability compliance documentation.

The goals of the Multifamily Asset Management Program are to increase and preserve the supply of affordable housing, assure the maintenance of a quality living environment, assure the projects are financially sound and sustainable, and to cooperate with local jurisdictions to advance affordable housing throughout the State.

ASSET MANAGEMENT

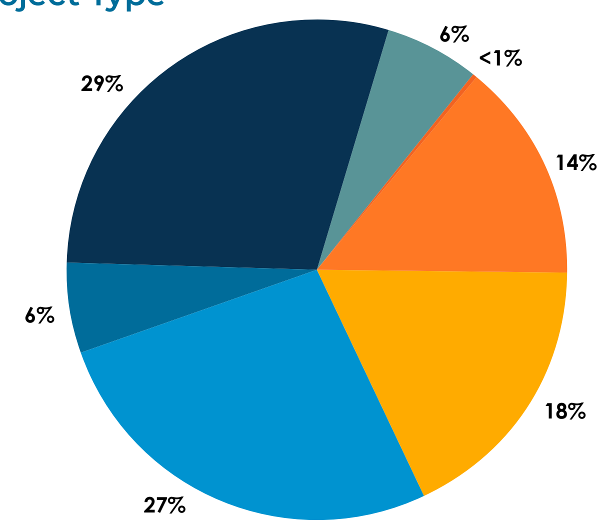
CalHFA California Housing Finance Agency

Quarterly Portfolio Review ending December 31, 2024

Programs

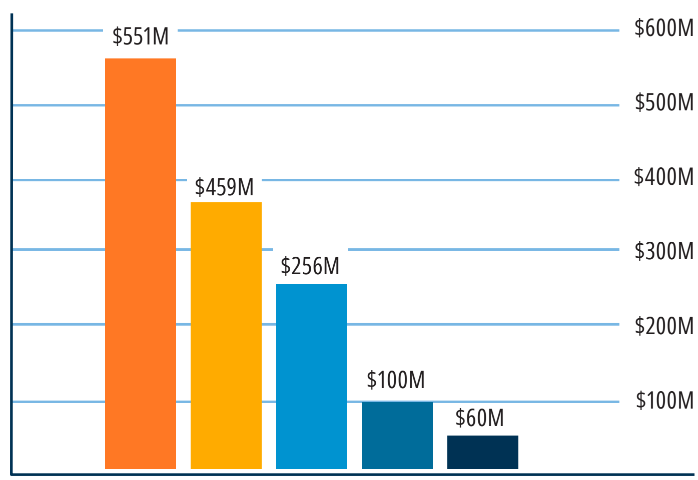
Type	# of Projects	% of Projects	UPB	% of UPB
Section 8 Program - Contract Administrator	1	0.15%	$ 0	0.0%
CalHFA Permanent - Risk Share	93	14.11%	$ 550,684,388	38.6%
CalHFA Permanent - Non Risk Share	118	17.91%	$ 458,906,101	32.2%
Mental Health Services Act	176	26.71%	$ 256,237,124	18.0%
Special Needs Housing Program	39	5.92%	$ 99,719,302	7.0%
Conduit	193	29.29%	$ 60,108,052	4.2%
Section 811 - Contract Administrator	39	5.92%	$ 0	0.0%
TOTAL*	**659**	**100.00%**	**$ 1,425,654,967**	**100.0%**

Project Type



- Section 8 Program Contract Administrator
- CalHFA Permanent: Risk Share
- CalHFA Permanent: Non-Risk Share
- Mental Health Services Act
- Special Needs Housing Program
- Conduit
- Section 811: Contract Administrator

Unpaid Principal Balance



- Section 8 Program Contract Administrator*
- CalHFA Permanent: Risk Share
- CalHFA Permanent: Non-Risk Share
- Mental Health Services Act
- Special Needs Housing Program
- Conduit
- Section 811: Contract Administrator*

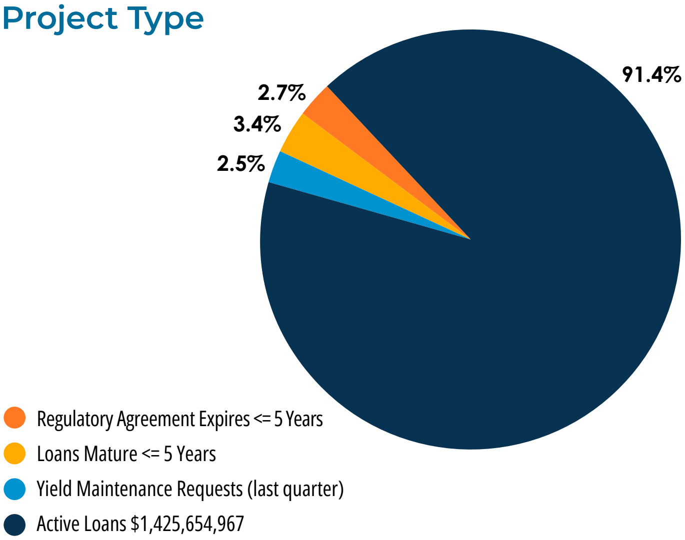
** Section 8 and Section 811 had a 0 value.*

* The unpaid principal balance is based on 432 existing projects with loan balances. The portfolio continues to maintain projects without loan balances for purposes of affordability requirements and compliance. 227 projects are being reviewed and maintained for compliance purposes only.

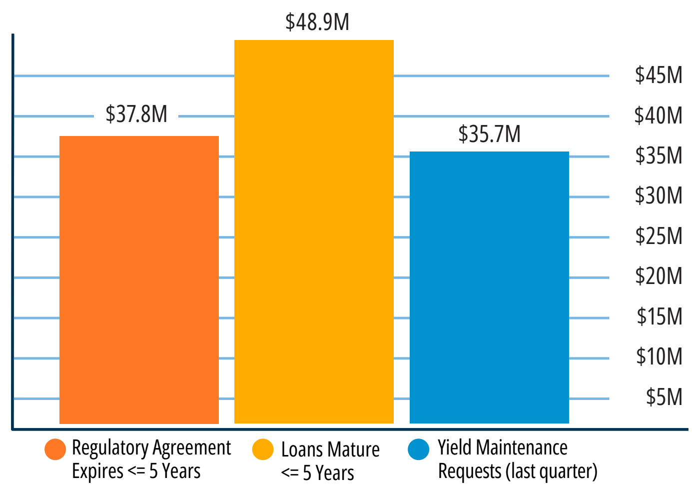
Preservation Risk Indicators

Type	# of Projects	% of Projects	UPB	% of UPB
Regulatory Agreement Expires <= 5 years	45	6.83%	$ 37,817,288	2.7%
Loans Mature <= 5 years	40	6.07%	$ 48,923,525	3.4%
Yield Maintenance Requests (last quarter)	10	1.52%	$ 35,655,794	2.5%

Project Type



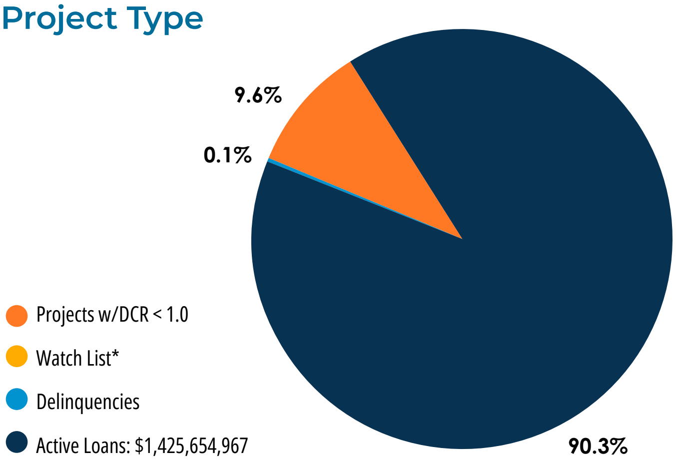
Unpaid Principal Balance



Financial Risk Indicators

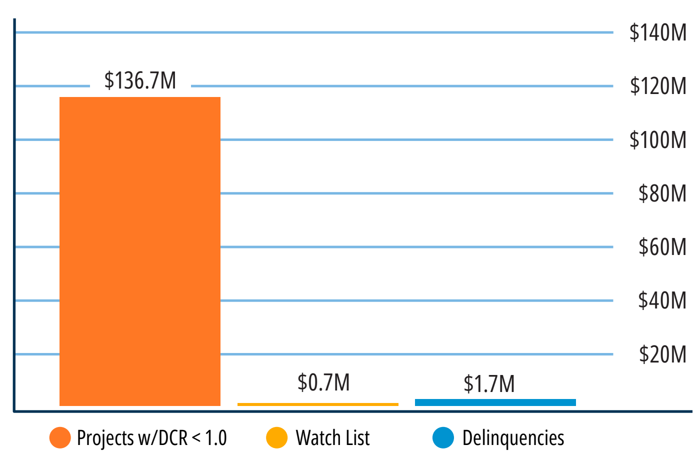
Type	# of Projects	% of Projects	UPB	% of UPB
Projects w/ DCR < 1.0	36	5.46%	$ 136,658,806	9.6%
Watch List	2	0.30%	$ 703,884	0.0%
Delinquencies	2	0.30%	$ 1,663,727	0.1%

Project Type



** Watch List had a 0 value.*

Unpaid Principal Balance



Map of CalHFA Multifamily Projects in California

Accessory Dwelling Unit Program Evaluation

Pursuant to Health and Safety Code Section 51532, the **California Housing Finance Agency** is pleased to submit this report to the Legislature providing an evaluation of the **CalHFA Accessory Dwelling Unit Grant Program**.

January 2025

Tomiquia Moss

Cabinet Secretary, Business, Consumer Services and Housing Agency

Rebecca Franklin

Chief Deputy Director, California Housing Finance Agency

A copy of this report may be downloaded from the CalHFA website.

Please call (916) 326-8000 to request a hard copy of the report.

Summary

The 2020-21 State Budget (Senate Bill [SB] 115, Skinner) provided the California Housing Finance Agency (CalHFA) with $81 million to fund a program to assist homeowners in qualifying for loans to construct accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) on the homeowners' property and increase access to capital for homeowners interested in building ADUs and JADUs.

Pursuant to Section 51532 of the California Health and Safety Code, this report provides an evaluation of CalHFA's ADU Grant Program, including key demographic and geographic outcomes and the impact of the program on the ADU lending and construction environment.

Introduction And Overview

In September 2021, CalHFA introduced the CalHFA Accessory Dwelling Unit (ADU) Grant Program, which provides funding for predevelopment (i.e., any activities to get the site ready for construction) and other costs necessary to build an ADU. CalHFA had a total of $125 million available for the ADU Grant Program over two phases.

Phase 1 of the ADU Grant Program was funded by $81 million in State General Funds from the Fiscal Year 2020-21 State Budget. CalHFA supplemented this amount with an additional $19 million in discretionary Assembly Bill (AB) 101 (2019, Ting) funds for total Phase 1 funding of $100 million.

The 2023-24 State Budget (SB 104, Skinner) provided CalHFA with a one-time appropriation of $25 million to be used for a Phase 2 of the ADU Grant Program.

Pursuant to Section 51532 of the California Health and Safety Code, this report provides an evaluation of CalHFA's ADU Grant Program, including key demographic and geographic outcomes and the impact of the program on the ADU lending and construction environment.

Program Parameters

Phase 1

When first established in September 2021, the ADU Grant Program offered a $25,000 grant to fund ADU predevelopment costs (e.g., architectural designs, permits, impact fees, soil tests, property surveys, energy reports, utility hookups, etc.). Eligible homeowners included lower income households (i.e., under 80% Area Median Income [AMI]); moderate-income households (i.e., up to 150% AMI) located in a Socially Disadvantaged Area (e.g., homeowners with high or highest vulnerability as defined in UCLA's CA COVID-19 Owner Vulnerability Index); and moderate-income households with low equity.

In response to a volatile interest rate environment as well as rising material and labor costs, CalHFA increased the grant amount from $25,000 to $40,000 in March 2022. In addition, CalHFA expanded the definition of eligible costs to include all non-reoccurring closing costs associated with the construction financing, which would include costs to buydown the interest rate. Finally, CalHFA expanded income eligibility to include low- to moderate-income homeowners regardless of location or home equity level.

Phase 2

Consistent with legislative expectations and CalHFA Board of Directors approvals, Phase 2 maintained the same program parameters but reduced income eligibility to lower-income homeowners seeking to build an ADU.

Delivery System

Because CalHFA is not a direct lender (i.e., it does not provide loans or funds directly to homeowners), the ADU Grant Program was deployed through CalHFA's network of ADU partners, including lenders, credit unions, nonprofits, and local government agencies qualified to manage the grant funds in accordance with the ADU Grant Program guidelines.

CalHFA's network of program partners prequalified homeowners for the CalHFA ADU grant and reserved the grant in CalHFA's system. When the project was ready for funding, the ADU Grant Program partner submitted the required documentation to CalHFA for review and approval. Once approved, CalHFA wired funds directly to the construction escrow account managed by the ADU Grant Program partner, as described further below.

Construction Escrow Requirements

ADU grant funds were required to be deposited into a construction escrow account, a typical feature of construction lending. Construction lenders rely on construction escrow accounts to ensure that sufficient funds are available to complete the construction project, that the borrower uses a properly licensed and insured contractor, and that project construction milestones are met (among other features and requirements).

For the ADU Grant Program, the grant funds were deposited into a construction escrow account managed by CalHFA's network of participating ADU partners. The lender or partner then releases funds in accordance with CalHFA's program guidelines and their program participation agreement with CalHFA. This ensures that ADU grant funds were only spent on eligible costs.

Grant funds may only be distributed to directly pay vendors or to write down the principal balance on the loan associated with the ADU (e.g., HELOC, etc.). No grant funds may be distributed directly to the grantee.

Due to the varied complexity and duration of construction projects, ADU grant funds do not currently have an expiration date. Lenders are encouraged to manage their pipeline effectively to make sure all grant awardees are in process and working toward completing their project. When the ADU project is complete, the lender/partner is required to submit the Certificate of Occupancy (COO) to CalHFA. If they are not able to produce a COO, the lender must return the grant funds to CalHFA.

Lender, Nonprofit, and CDFI Participation

At the outset of the ADU Grant Program, construction escrow management services were only offered by traditional lenders that offered construction and renovation financing. Because construction lending is very complex and financially risky for the lender, and because construction financing for ADUs was a fairly new consumer market, lender participation rates were somewhat low at the beginning of the program.

Interest rates began to rise in early 2022, significantly impacting the market for construction and renovation financing. Construction and renovation financing generally requires the homeowner to refinance their first mortgage at current interest rates. However, with many homeowners locked into historically low interest rates, traditional construction financing was not an attractive approach to funding their ADU construction project.

In response to these dynamics, CalHFA worked to establish new partnerships with nonprofit organizations that could provide the managed construction escrow feature as a third party to the construction financing. These partnerships offered significant financing flexibility that allowed for different types of financing (e.g., home equity line of credit, second mortgage, cash-out refinance). Borrowers could use the type of financing that worked best for their unique situation and deposit those funds with the third party managed construction escrow provider, who would then oversee the construction of the project and offer CalHFA the needed assurances that the ADU will ultimately be constructed.

Traditional lenders could also partner with the third-party construction escrow provider to offer additional financing opportunities to their borrowers.

CalHFA also worked with various local government programs that offered ADU construction financing conducive to the ADU Grant Program. **Figure 1**, below, lists the lenders, credit unions, nonprofits, and local governments that participated in the ADU Grant Program.

Figure 1: ADU Grant Program Partners

Lenders

1. Academy Mortgage
2. American Financial Network
3. American Pacific Mortgage
4. Bay Valley Mortgage Group
5. Benchmark
6. Caliber Home Loans
7. Castle & Cooke Mortgage
8. CMG Mortgage
9. Envoy Mortgage
10. Evergreen Home Loan
11. Fairway Independent Mortgage
12. First Northern Bank
13. Flagstar Bank
14. Guaranteed Rate
15. Guaranteed Rate Affinity
16. Guild Mortgage
17. Homebridge Financial
18. JMJ Financial
19. Land Home Financial
20. LoanDepot
21. The Money Store
22. Mortgage Management Consultants
23. New American Funding
24. NewRez, LLC
25. One Trust Home Loans
26. PFN Lending Group
27. Platinum Home Mortgage
28. Primary Residential Mortgage
29. Priority Financial Network
30. Supreme Lending

Credit Unions
1. Patelco Credit Union
2. Redwood Credit Union
3. Self-Help Credit Union

Nonprofits
1. California Community Economic Development Association (CCEDA)
2. Hello Housing
3. HPP Cares
4. Neighborhood Housing Services of LA County (NHSLA)
5. Neighborhood Partnership Housing Services, Inc. (NPHS)
6. Self-Help Enterprises

Local Governments and Public Agencies
1. City of Oakland
2. City of Pasadena
3. City of West Hollywood
4. San Diego Housing Commission

Program Outcomes to Date

ADU construction projects are challenging and complicated, and durations for project completion vary greatly. Design and permitting often remains a protracted process for many, sometimes taking multiple years for homeowners to navigate. In addition, many homeowners begin the process of planning their ADU only to find that their project is not feasible due to the high interest rate environment, site constraints, costs, timelines, family circumstance, or myriad other factors. For that reason, ADU Grant Program activity is fluid and changes regularly.

Snapshot of ADU Grant Program activity, current as of November 20, 2024:

- Phase 1 = 1,996 Grant Reservations
- Phase 2 = 585 Grant Reservations
- Total = 2,581 Active Projects
- Nearly 560 ADUs completed
- Roughly 1,900 grant recipients have commenced the ADU project in earnest (i.e., submitted enough documentation to lender to reserve grant and start predevelopment activities)

It is important to note that these figures are snapshots in time and will change as homeowners continue to work through their projects.

The remainder of the projects have a reservation for the grant, but have not yet requested the grant funds, meaning the project remains in initial feasibility and evaluation stages. Lenders are encouraged to make sure all grant awardees remain in process and working toward completing their project (i.e., projects must remain in process of some predevelopment or construction activity to remain active).

Construction Status

ADU Grant Program administration underscores the complex and protracted nature of ADU construction projects. Of the projects that are in progress, CalHFA estimates that nearly 50% remain in early stages of architecture, design, and permitting. Construction is underway for another roughly 35%, with 12% completed but waiting on occupancy permits. CalHFA has observed that these projects often take several years to complete and is actively working with our ADU partners to monitor and manage the construction pipeline. Many external factors — such as state law and local practices — have the potential to expedite the process. CalHFA continues to identify other streamlining opportunities that could align with existing resources.

Geographic Distribution

Figure 2, below identifies the distribution of ADU grant funds by region. At 54%, Los Angeles County is the largest recipient of grant funds. According to the California Department of Housing and Community Development's (HCD)Annual Progress Reports data, Los Angeles County has led the state in ADU production, accounting for nearly 60% of all ADUs produced statewide since 2018. The nine-county Bay Area region also accounts for a significant level of ADU grant activity, bolstered by low housing inventories, high rental rates, and higher incomes. ADU grant activity in these regions helps to bolster CalHFA programmatic assistance in these high-cost regions that are very challenging to serve with traditional CalHFA down payment assistance programs.

While areas like the Inland Empire, Capital Region, and Central Valley have received smaller shares of ADU grant funds, these regions are receiving a higher proportion of grant funds than they have contributed to ADU production over the last several years. This may suggest that the ADU Grant Program is incentivizing increased ADU production in those regions.

Figure 2: Geographic Distribution of ADU Grant Reservations

Region	CA Households	Statewide ADU Permits (2018-2022)	Phase 1 ADU Grants (2022)	Phase 2 ADU Grants (2024)
				To date - current as of 1/2/2024
Los Angeles/Orange County	33%	63%	49%	65%
Bay Area	21%	15%	19%	11%
San Diego	9%	7%	10%	7%
Inland Empire	11%	5%	8%	5%
Central Coast	6%	6%	6%	5%
Capital	6%	2%	5%	3%
Central Valley	10%	1%	2%	2%
Rural	4%	1%	1%	1%
Grand Total	**100%**	**100%**	**100%**	**100%**

Note: Net of cancellations includes completed ADUs.
Source: U.S. Census 2022 5-Year American Community Survey (ACS); HCD's Annual Progress Reports Data Dashboard and Downloads; CalHFA's ADU Grant Program

Distribution by Race/Ethnicity

The geography of ADU Grant Program recipients also drives program demographics. Because the ADU Grant Program serves existing homeowners, **Figure 3**, below, compares the race and ethnicity of ADU Grant Program recipients to the race and ethnicity of existing California homeowners. Nearly 55% of ADU Grant Program recipients self-identified as belonging to a community of color. Notably, 9% of ADU grantees identified as Black or African American, well outpacing the Black or African American composition of California homeowners (4%). Lower ADU construction activity in the Central Valley and Inland Empire, driven in part by more affordable housing prices and higher inventory in those regions, somewhat depresses the composition of grantees that identify as Latino or Hispanic.

Figure 3: ADU Reservations by Race & Ethnicity

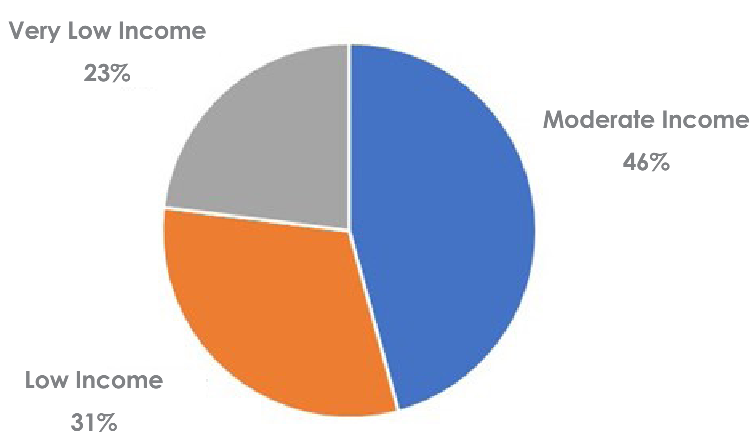
Race & Ethnicity	CA Homeowners	ADU Grant Reservations*
		*As of 11/20/2024
American Indian or Alaska Native	0.3%	1%
Asian	16%	20%
Black or African American	4%	9%
Hispanic or Latino	25%	23%
Native Hawaiian or Other Pacific Islander	0.2%	1%
Not Provided	3%	3%
White	53%	44%
Grand Total	**100%**	**100%**

Note: Net of cancellations includes completed ADUs.
Source: U.S. Census 2022 5-Year American Community Survey (ACS); CalHFA's ADU Grant Program

Income Levels

More than half (54%) of ADU grant recipients were lower income, earning less than 80% AMI (as defined by the Fannie Mae HomeReady AMI Lookup Tool). Almost a third (31%) of Phase 2 grant recipients identified as Low-Income (i.e., households earning between 50-80% AMI) while 44% identified as Very Low-Income (earning between 30-50% AMI). The remaining 46% identified as Moderate-Income (earning between 80% AMI and CalHFA county income limits — on average, roughly 150% AMI).

Figure 4: Distribution by Income Level



Impact on Lending Environment

In 2023, CalHFA conducted a working group process that provided significant feedback from industry partners regarding the impact of the ADU Grant Program. Working group discussions revealed that the ADU Grant Program not only helped individual homeowners to build an ADU, but also catalyzed significant innovations in the ADU lending ecosystem.

For individual ADU grantees, lenders indicated that the ADU Grant Program not only defrayed predevelopment costs but was also an effective credit enhancement tool — i.e., expanded homeowner access to more financing by increasing their value and increasing the economic viability of ADU construction.

In addition, by improving ADU economics and demonstrating the strong market for ADU lending, the ADU Grant Program contributed to significant innovations in ADU financing. At the outset of the ADU Grant Program, ADU financing options for low- and moderate-income (LMI) borrowers were very limited.

LMI and low equity borrowers were particularly challenged as there were few (if any) options available for borrowers to rely on the prospective rental income from an ADU to support their loan. Current federal mortgage underwriting standards do not allow ADU rental income to be counted when qualifying for a home loan. This exclusion limits homeowners' ability to finance ADUs. However, recent updates from Freddie Mac and Fannie Mae signal potential progress. Freddie Mac announced a pilot program to include projected ADU rental income for certain loans, and Fannie Mae has expressed interest in similar initiatives. These changes could pave the way for more accessible ADU financing and encourage broader adoption.

The launch of the ADU Grant Program highlighted the significant consumer demand for ADUs and the need for financing products serving LMI borrowers. The lending ecosystem is very entrepreneurial and responsive to current market dynamics, including consumer appetites for ADUs. Over the course of the ADU Grant Program, several of CalHFA's ADU lending partners developed portfolio loan products that expand access to ADU financing by allowing rental income to be used in the construction loan underwriting process and other products that expand consumer access to financing. These portfolio products include cash-out refinances, second mortgage products, HELOC renovation financing, and other approaches, all with access to a managed construction escrow that meets the ADU Grant Program requirements.

These programs all helped to expand access to financing products not only for ADU grant recipients, but also for other homeowners interested in building an ADU.

Remaining Gaps in the ADU Lending Ecosystem

Despite significant progress in the field of ADU finance, ADU construction financing remains a significant challenge for homeowners. High interest rates and material costs combined with construction labor shortages introduce substantial additional costs. In addition, ADU construction projects are undertaken by individuals who may lack the expertise to navigate complex design and entitlement processes, as well as the actual construction process which can lead to unforeseen challenges and obstacles. Fortunately, innovation and creative local initiatives can help ease some of these challenges for homeowners through preapproved plans and other pro-housing policies that streamline the production of more housing.

Construction and renovation loans continue to be the predominant form of financing for ADU construction, but these vehicles are not attractive to homeowners who have locked in historically low interest rates on their first mortgage that would have to be refinanced to take advantage of this financing. Implementation of the ADU Grant Program underscored the importance of financing flexibility and having a variety of available financing products accessible to LMI borrowers to facilitate ADU construction. Individual borrower circumstances vary widely and there is no "one-size-fits-all" approach.

That said, several recurring themes emerged over the course of the ADU Grant Program that may inform future policy initiatives:

- **Low-Cost Construction Financing.** Construction lending is complex and risky, and subject to prevailing interest rates. Private sector actors must be responsive to current market circumstances, and are limited in their ability to offer low-cost, risk-tolerant financing products. Community Development Financial Institutions (CDFIs) have begun to move into this space, but significant additional funding is needed to build institutional capital and offer these options at scale.
- **Lack of Secondary Market Capital.** Private sector capacity to provide alternative financing options is limited by the absence of a robust secondary market. To the extent that lenders have offered products that expand access (e.g., allowing the use of prospective rental income in underwriting), those lenders generally must hold those loans on their own balance sheet. This limits an individual lender's ability to extend financing at a large scale.
- **Need for Additional GSE-Conforming Construction Lending Options.** Building on the above concept, additional options are needed for construction loans to be eligible for purchase by the Government Sponsored Entities (GSEs), namely Fannie Mae and Freddie Mac. For example, many lenders are seeking products like a one-time close construction loan that allows the borrower to take out a construction loan that rolls over into a permanent loan. If allowed by the GSEs, those products can be sold during the construction phase, helping to

mitigate lender risk and creating more liquidity in the construction lending market. The GSEs are actively working to expand options in this arena, and continued efforts will be important to expanding access to financing opportunities.

Conclusion/Next Steps

CalHFA will continue to process ADU grant reservation files and distribute grant funds over the coming months as ADU Grant Program participants submit files for review and recipients commence and complete work on ADU design, site improvements, and construction. CalHFA will also continue to work with participating lenders, credit unions, and nonprofits to monitor construction activity (including Program fallout) and ensure that the ADUs benefitting from CalHFA grant funding are constructed. Because permitting and construction timeframes can be protracted, this is expected to be a long-term, sustained effort spanning multiple years.

Cal HFA

MEMORANDUM

To: Board of Directors **Date:** February 5, 2025

From: Erwin Tam, Director of Financing
California Housing Finance Agency

Subject: Informational Report – Agency Bonds, Interest Rate Swaps and Financing Risk Factors Report

SUMMARY

Since our last report, CalHFA has issued an additional $107.6 million in bonds in November 2024. Two additional hedges totaling $20.4 million have been entered into with PNC as part of the Early Rate Lock option of the Mixed-Income Program.

The following report describes our bond and interest rate swap positions as well as the related risks associated with our financing strategies. The report is divided into sections as follows:

1) Outstanding Bonds
2) Interest Rate Swaps
3) Financing Risk Factors
   a) Termination Risk/Guarantor Risk
   b) Collateral Posting Risk

1) Outstanding Bonds

Below is the Agency's outstanding debt position. This table does not include any pass-thru or conduit financings which make up an additional $6.4 billion. For the purposes of this report, this conduit/pass-thru amount will not be included in the tables or calculations.

BONDS OUTSTANDING	
As of February 1. 2025	
	($ in millions)
Indenture	**Amount Outstanding**
Stand Alone (MF)	$39.9
AHRB (MF)	187.4

BONDS OUTSTANDING	
As of February 1. 2025	
	($ in millions)
Indenture	**Amount Outstanding**
Total	**$227.3**

2) Interest Rate Swaps

CalHFA's current hedging strategy includes new cash settled interest rate swaps to hedge multifamily loan commitments. Cash settled fixed-payer swaps involve one payment on the settlement date, at which time the swap then terminates. It is expected that the cash settlement would occur on the permanent loan conversion date, approximately 36 to 42 months after construction closing. As of the date of this report, CalHFA has 30 interest rate swaps under this strategy. The table below provides a summary of our swap notional amounts.

SWAPS	
	($ in millions)
Purpose	**Current Notional**
MF Loan Commitments	$469
Total	**$469**

3) Financing Risk Factors

A) Termination Risk / Guarantor Risk

Termination risk is the risk that, CalHFA's interest rate swaps must be terminated prior to their scheduled maturity. CalHFA's swaps have a market value that is determined based on current interest rates. When current fixed rates are lower than the fixed rate of the swap, CalHFA's swaps have a negative mark-to-market, and termination would result in a payment from us to our counterparty. Conversely, when current fixed rates are higher than the fixed rate of the swap, CalHFA's swaps have a positive value to us, and termination would result in a payment from the provider of the swap to us.

It should be noted that, in a termination event, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

On a historical basis, the highest negative mark-to-market value of CalHFA's swaps was $380 million in January 2012. Since September 30, 2022, CalHFA would be a net recipient of funds if it terminated all its interest rate swaps. Below is the current termination value of CalHFA's swaps. The table has been updated from last report to include the new swaps hedging our multifamily commitments.

TERMINATION VALUE	
	Termination Value
Date	**$ in millions**
06/30/2022	(24.2)
09/30/2022	3.3
12/30/2022	24.9
03/30/2023	20.5
06/30/2023	26.3
09/30/2023	55.3
12/30/2023	48.7
02/01/2024	32.8
07/31/2024	35.4
01/31/2025	63.0

Additionally, the following table provides information on how much each counterparty would owe CalHFA in the event of a swap termination.

SWAP COUNTERPARTIES	
	Mark-To-Market
Counterparty	**$ in millions**
Wells Fargo N.A	1.0
Bank of New York Mellon	18.5
PNC	0.6
Bank of America, N.A.	42.9
Total*	**63**

Guarantor risk is a type of termination risk where the Agency's swap guarantor defaults or has a significant decline in its credit rating that would cause the termination of the swap. This is in part mitigated by having a diversified group of swap guarantors

The following table shows the diversification of our fixed payer swaps among the 4 firms acting as our swap guarantors.

SWAP GUARANTORS				
	Credit Ratings		Notional	Number
Swap Guarantor	**Moody**	**S&P**	**$ in millions**	**of Swaps**
Bank of America, N.A.	Aa1	A+	333.1	24
Bank of New York Mellon	Aa2	AA-	107.9	3
PNC	A2	A	20.4	2
Wells Fargo N. A	Aa2	A+	7.6	1
Total*			**469**	**30**

B) Collateral Posting Risk

Some swap agreements have collateral posting requirements. Collateral posting requirements are a function of the mark-to-market, ratings, threshold amounts, independent amounts and any collateral already posted. Our swaps are valued weekly, and our collateral position is adjusted weekly based on those valuations. Failure to post the required collateral can result in a termination event. At its peak, CalHFA was required to post $132 million of collateral at the end of January 2012. Since February 2023, CalHFA has not held any swaps that require collateral posting.