



CALIFORNIA GOVERNMENT CODE SECTION 54953(E)(3) SUMMARY AND RECOMMENDATIONS

Action: Findings

Purpose: Adopt Findings Per California Government Code Section 54953(e)(3) for the CMFA/CFSC/CFPF/SFA

Background:

Under the current provisions of California Government Code Section 54953(e)(3), if a state of emergency remains active, or state or local officials have imposed or recommended measures to promote social distancing, meetings of the Board of Directors may continue to be held by teleconference without compliance with certain agenda, quorum and other requirements of California Government Code Section 54953(b)(3), but the Board must make the following findings not later than 30 days after teleconferencing for the first time after October 1, 2021, and every 30 days thereafter, by majority vote:

- (A) The Board of Directors has reconsidered the circumstances of the state of emergency.
- (B) Any of the following circumstances exist:
 - (i) The state of emergency continues to directly impact the ability of the members to meet safely in person.
 - (ii) State or local officials continue to impose or recommend measures to promote social distancing.

For the purposes of these findings, “state of emergency” means a state of emergency proclaimed pursuant to Section 8625 of the California Emergency Services Act (Article 1 (commencing with Section 8550) of Chapter 7 of Division 1 of Title 2).

Recommendation:

The Executive Director recommends that the CMFA Board of Directors adopt the findings stated above in this staff report.

**CITY OF SOUTH GATE
JEFFERSON AT SOLA APARTMENTS SUMMARY**

Project Sponsor: Standard Companies

Action: Final Resolution

Amount: \$188,000,000

Purpose: Finance Middle Income Multi-Family Rental Housing Facilities Located in the City of South Gate, Los Angeles County, California

Activity: Middle Income Housing

Meeting: January 7, 2022



Missing Middle Market:

Prior to the dissolution of redevelopment in 2012, affordable housing programs in California focused on households earning up to 120% of area median income. Since the dissolution of redevelopment, affordable housing programs in the state are largely limited to those earning no more than 60% of area median income. With rapidly increasing housing costs in the state, many California communities - our members - have market rate rental housing for higher-income residents and subsidized rental housing for lower-income residents but exclude middle-income

households who cannot afford the former and do not qualify for the latter. Those households are often referred to as the “missing middle.”

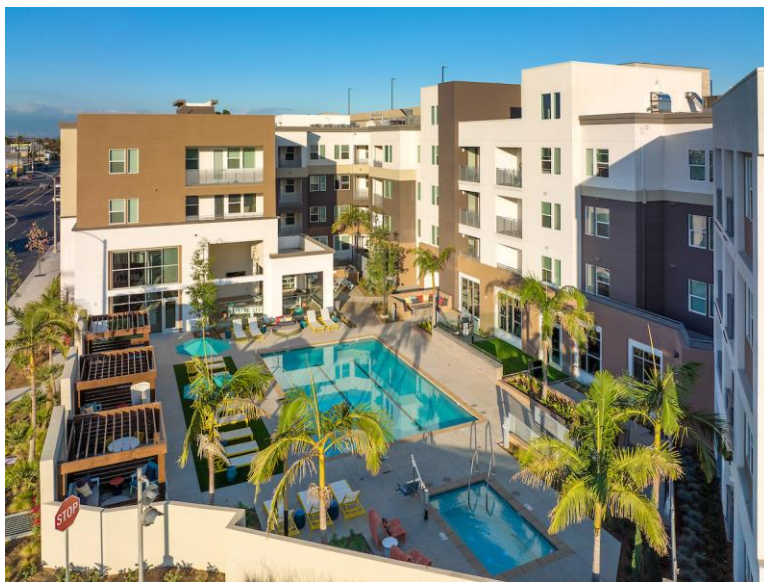
The missing middle includes workers who are critical to California’s economy and critical to California’s individual communities. They provide health care, public safety and services needed in every community.

Proposed Middle-Income Solution:

The proposed project would provide public benefit by using tax-exempt bonds, issued by the CMFA Special Finance Authority (an affiliated “mini-JPA” or the “Agency”) to acquire a market-rate apartment facility and convert it to middle income/workforce housing with affordability tiers at 80%, 100% and 120% of AMI. Rents would be restricted to 35% of the applicable rent to income tier. No tenants would be evicted. Any tenants above the applicable income limits would be allowed to stay in their units indefinitely but at market rents. Because ownership is governmental, the property would be exempt from property tax. This operating expense savings is enough to restrict rents at the levels described above.

Virtually all of the CMFA public benefit programs enjoy some subsidy or benefit. Compared to the CMFA affordable housing projects, this is a much leaner subsidy. Virtually all of the CMFA’s affordable housing projects are exempt from property taxes and use other federal, state and local subsidies.

The Agency will own the project. Neither the CMFA nor the municipality would be liable for the liabilities of the Agency.



General:

The Project Administrator's bid of \$135,000,000 on a multifamily rental housing facility consisting of a total of 244 units and related improvements, personal property and equipment known as the Jefferson at SoLA (the “Facilities”) was selected by the current owner. The Project Administrator has entered into the Purchase and Sale Agreement with the current owner of the Project pursuant to which the current owner agrees to sell and convey the Project to the Agency.

The Agency is acquiring a fee simple interest in the Facilities and the land and real property constituting the Facilities located in the City of South Gate, California, legally described in the Regulatory Agreement (together with the Facilities, the “Project”) pursuant to the Purchase and Sale Agreement as assigned under the Assignment and Assumption Agreement between the Agency and the Project Administrator.

Prior to the acquisition of the Facilities by the Agency, the units are being rented as market rate apartments. While the Facilities are currently operated as a market-rate rental community, in connection with the purchase thereof, the Agency will restrict the Facilities to households earning less than 80% of area median income (“AMI”), 81-100% of AMI and 101-120% of AMI.

As of December 28th, 2021, the Facilities were 19% occupied.

The Facilities:

The Facilities consist of a 244-unit multifamily residential rental community located at 10920 Garfield Avenue, South Gate, CA. The property just recently finished construction and received a final certificate of occupancy in December 2021 and currently operates as a market-rate apartment complex. The Facilities have a 300,359 square foot gross building area and a 221,355 square foot net rentable area. The Regulatory Agreement to be executed on the closing date for the 244 units determines AMI adjusted for household size, as published annually by HUD and utilized by the California Tax Credit Allocation Committee (“TCAC”).

Of the 244 apartment units, 129 are one-bedroom, 91 are two-bedroom units, and 24 are three-bedroom units. Site amenities include a swimming pool, spa, cabanas, community BBQ grills, indoor/outdoor seating, clubhouse, package locker service, bicycle center, gated access, fitness center, yoga/spin room, business center, coffee lounge, dog park, dog wash station, outdoor courtyards, and outdoor fireplaces/fire pits.

The Facilities are situated on approximately 4.41 acres and consist of two four-story residential buildings with 461 parking spaces in a wrap building.

The Project:

The proceeds of the Series 2022 Bonds will be applied by the Agency for the purpose of: (i) paying the acquisition costs of the Project; (ii) funding deposits and reserves for the payment of debt service and certain other uses as set forth herein; (iii) funding a portion of Operating Expenses for the Project into the Operating Account under the Property Management Agreement; (iv) funding the payment of the first year property taxes through a deposit to the Temporary Operating Account; and (v) paying the costs and expenses incidental to the issuance of the Bonds.

Concurrently with the issuance of the Series 2022A and Series 2022B Bonds or Mezzanine Bonds, the Agency is issuing its Series 2022C Bonds. The Series 2022C Bonds will be issued and secured on a subordinate basis to the Series 2022A and 2022B Bonds under the Indenture.

The Series 2022C Bonds will be directly issued to Standard Faring Essential Housing VI (“Standard”), in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the Project, a business plan for the Agency, and certain intellectual property created by Standard for the Agency. Standard JSL Administrator LLC is the Project Administrator for the Facilities. The Project Administrator is an affiliate of Standard Companies.

The City of South Gate:

The City of South Gate became a member of the CMFA SFA and approved the transaction and form of Public Benefit Agreement on November 9, 2021. Upon closing, the City is expected to receive approximately \$125,000 as part of the CMFA's sharing of Issuance Fees. Additionally, local non-profits will also benefit through similar charitable donations.

The Project Administrator:

The Project Administrator (the "Project Administrator") is Standard JSL Administrator LLC ("SJSJL"). The Project Administrator will be responsible for the operation of the Facilities pursuant to a Project Administration Agreement dated as of January 1, 2022 (the "Project Administration Agreement") between the Agency and SJSJL. The Project Administrator's Principals (the "Principals"), through affiliates, including Standard Property Company Inc., collectively referred to as Standard Companies and Standard Communities, have been actively engaged in institutional multifamily investment, acquisition, development financing, and asset management since 2008. They have completed more than \$2.6 billion of housing transactions across 17 states, including more than 30 separate transactions using Tax-Exempt Bonds and Low-Income Housing Tax Credits ("LIHTC"), to acquire and preserve over 6,000 affordable housing units. Standard Communities has been recognized as one of the 50 largest affordable housing owners in the nation (according to Affordable Housing Finance, May 2020) and one of the top 10 companies completing affordable housing project renovations in 2019 (according to Affordable Housing Finance, May 2020). They have received a Tax Credit Excellence Award from The Affordable Housing Tax Credit Coalition in 2019 for a 549-unit LIHTC project in Washington, D.C., have been recognized by the Urban Land Institute as finalists for the Excellence in Affordable and Workforce Housing Awards, and have been finalists for the Affordable Housing Finance Reader's Choice Awards (2018, 2019, & 2020). Standard Communities is experienced in administering rent and occupancy restrictions similar to those imposed on the hereinafter-defined Project and currently is responsible for compliance with over 80 regulatory agreements across its portfolio. Standard Companies operates out of six offices nationwide with departments including asset management, compliance, property accounting, data, legal, acquisitions, construction, and development.

The Property Manager:

AMC-CA, Incorporated, dba Apartment Management Consultants, a Utah corporation (the "Property Manager"), will be responsible for managing the Facilities pursuant to a Property Management Agreement between the Agency and the Property Manager pursuant to which the Agency will engage the Property Manager to conduct the day-to-day operations of the Facilities, including, among other things, marketing and advertising for dwelling unit rentals, renting the dwelling units, collecting rent, managing the payment of Operating Expenses for the Facilities, maintaining and repairing the Facilities, and managing on-site employees. The Property Management Agreement also allows for the engagement of the Property Manager to provide construction management services in relation to the renovations planned for the Facilities (the "Capital Improvements"). The Property Manager is engaged in and will continue to engage in the management of similar types of housing projects, and may also be financially interested in, as officers, partners or otherwise, and devote substantial time to, business and activities that may be inconsistent or competitive with the interests of the Facilities.

The Property Manager is a privately owned, exclusive third party, multifamily property manager. The Property Manager has been actively engaged in multifamily property management since

2000 and currently serves markets in 20 states across the country. The Property Manager has a portfolio of approximately 99,300 units as of 2020, ranging from conventional, mixed use, affordable, and renovation/value add products including other middle-income projects. The Property Manager will be involved in preparing annual operating budgets, marketing and leasing the Facilities; collecting rent, including from dwelling units and other rental facilities; managing the payment of operating expenses for the Facilities; maintaining and repairing the Facilities; and managing on-site employees.



Insurance Consultant:

Woodruff Sawyer has been engaged as an independent insurance consultant to recommend prudent liability and casualty coverage and Business Interruption Insurance policies and other insurance policies and coverages maintained with respect to the Project or the Agency pursuant to the Indenture.

Estimated Financing:

Sources of Funds:

Senior A-1 Bonds:	\$ 16,045,000
Series A-1 Discount:	(\$ 1,870,847)
Senior A-2 Bonds:	\$ 113,790,000
Series B Mezzanine:	\$ 40,740,000
Series B Discount:	(\$ 6,866,319)
Senior C Subordinate Bonds:	<u>\$ 5,000,000</u>
Total Sources:	\$ 166,837,834

Series C Bonds: (\$5,000,000, 8% coupon)

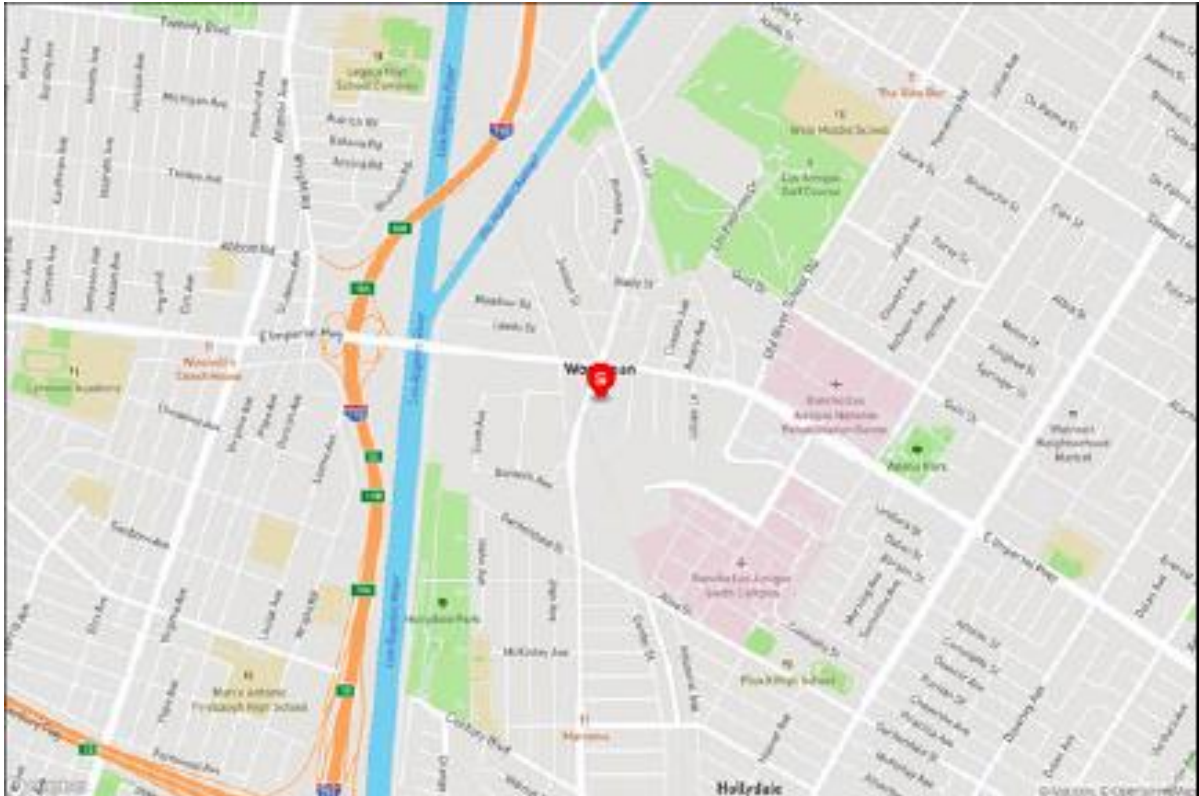
Uses of Funds:

Project Acquisition:	\$ 135,337,500
Senior Capitalized Interest Account:	\$ 4,200,000
Mezzanine Capitalized Interest Account:	\$ 5,400,000
Capital Expense Fund:	\$ 1,220,000
Operating Reserve Fund:	\$ 407,500
Coverage Reserve Fund:	\$ 1,333,000
Senior Debt Service Reserve Fund:	\$ 5,032,950
Mezzanine Debt Svc Reserve Fund:	\$ 1,629,600
Extraordinary Expense Fund:	\$ 500,000
Operating Account:	\$ 407,500
Insurance & Tax Escrow Fund:	\$ 238,397
Upfront Payment to Project Admin.:	\$ 2,000,000
C Bonds to Project Admin:	\$ 5,000,000
Costs of Issuance:	\$ 4,113,513
Additional Proceeds:	<u>\$ 17,874</u>
Total Uses:	\$ 166,837,834

Terms of Transaction:

Amount:	\$188,000,000 (Not-to-exceed)
Maturity:	35 years
Rating:	Unrated
Collateral:	Deed of Trust on property
Bond Purchasers:	Institutional & Sophisticated Investors
Estimated Closing:	January 2022

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE SOLELY FROM THE TRUST ESTATE UNDER THE INDENTURE. NEITHER THE AGENCY, ANY OF ITS MEMBERS, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE AGENCY'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE AGENCY HAS NO TAXING POWER.



The CMFA has served as the issuer of tax-exempt multifamily housing bonds in over 450 issues. This is the 9th middle income housing project with an ownership structure, the CMFA has also acted as the owner of an asset from its first transaction in 2004. The transaction adheres to the Agency Bond Issuance Policies and Procedures.

Agency Risks include default risk, operational risks and optical risks. The Preliminary Limited Offering Memorandum (“PLOM”) clearly outlines that the purchase and ownership of Series 2022A Bonds involves investment risks that are discussed throughout the memorandum. Risks include: operations, legal, potential conflicts of interest, repayment risk, the nature of limited obligations, Covid-19 related risks, uncertain revenues and expenses, forecast uncertainties, third party report uncertainties, real estate risks, competition, damage and destruction and other risks.

Public Benefit:

In general, the income distribution is a bell curve, not a straight line, and those earning between 61% - 120% of AMI are in the “fat” part of that distribution. There are perhaps millions of California households who are not in the market to buy a home, for whatever reason, but are nevertheless unable to afford quality rental housing in or near the cities in which they work. The missing middle is a very large segment of the population and, since 2012, largely underserved population. This is clearly a societal problem in California. Providing public benefit to California communities means providing benefits to all residents and workers, not solely those who are able to utilize low-income housing, hospitals, universities, and private schools.

It’s important to recognize that low-income is defined by HUD as 80% of area median income (“AMI”), and below adjusted for family size. As requested by the City of South Gate and outlined in the Regulatory Agreement, the proposed transaction will ensure that at least 40% of the units are reserved for low-income residents, 20% of the units reserved for those earning not more than

100% of AMI and the balance not more than 120% AMI. When the Series 2022 Bonds are issued and the Agency acquires the Facilities, existing tenants will not be displaced regardless of their income category. A total of 244 middle income households will be able to enjoy high quality, independent, affordable housing in the City of South Gate for at least as long as any of the bonds are outstanding.

2021 LOS ANGELES COUNTY MAXIMUM INCOME LIMITS
California Tax Credit Allocation Committee
Revised per HUD Notice Effective April 1, 2021

Household Occupancy	Low Income 80% AMI	Median Income 100% AMI	Moderate Income 120% AMI
1	\$ 66,240	\$ 82,800	\$ 99,360
2	75,680	94,600	113,520
3	85,120	106,400	127,680
4	94,560	118,200	141,840
5	102,160	127,700	153,240

2021 MAXIMUM RESTRICTED RENTS
 (Assumes 35% rent to income ratio)

Unit Type	Low Income 80% AMI	Median Income 100% AMI	Moderate Income 120% AMI
1BR	\$2,207	\$2,759	\$3,311
2BR	2,483	3,103	3,724
3BR	2,758	3,448	4,137
Average	\$2,391	\$2,989	\$3,586

Market Rents

Unit Type	Market Rent
1 BR	\$2,456
2 BR	\$3,127
3 BR	\$3,525

Unit Type	AGENCY RENTS ¹		
	Low Income 80% AMI	Median Income 100% AMI	Moderate Income 120% AMI
1BR	\$2,207	\$2,456	\$2,456
2BR	2,483	3,103	3,127
3BR	2,758	3,448	3,525
Average	2,363	2,795	2,811
Discount to Market Rents	-16%	-1%	-0%

1) Blended restricted rents if the Facilities were hypothetically in full compliance with the Regulatory Agreement on the date of closing.

Finance Team:

Underwriter: Stifel, Nicolaus & Company, Incorporated
 Bond Counsel: Orrick, Herrington & Sutcliffe LLP
 Issuer Counsel: Jones Hall APLC
 Real Estate Counsel: Orrick, Herrington & Sutcliffe LLP
 Underwriter Counsel: Tiber Hudson LLC
 Property Tax Counsel: Meyers, Nave, Riback, Silver & Wilson LLP
 Project Administrator: Standard JSL Administrator LLC
 Project Administrator Counsel: Rutan & Tucker LLP
 Property Manager: Greystar California, Inc.
 Insurance Consultant: Woodruff Sawyer
 Trustee: Wilmington Trust, National Association
 Rebate Analyst/ Dissemination Agent: BLX
 Investment Agreement Bidding Agent: BLX

Recommendation:

The Executive Director recommends that the CMFA Board of Directors approve a Final Resolution of \$188,000,000 for the Jefferson at SoLA Apartments multi-family housing facility located in the City of South Gate, Los Angeles County, California.