CMFA
California Municipal Finance Authority

HERITAGE VILLAGE ANAHEIM APARTMENTS
SUMMARY AND RECOMMENDATIONS

Applicant:	Standard Property Company, Inc.
Action:	Resolution
Amount:	$100,000
Purpose:	Affordable Multi-Family Rental Housing Facilities Located in the City Anaheim, Orange County, California
Activity:	Affordable Housing
Meeting:	April 15, 2022

Background:

Standard Property Company ("Standard") is a full-service, multi-family real estate investment and management firm investing in primary U.S. markets across five major geographic locations: New York, San Francisco Bay Area, southern California, Chicago and Washington, D.C. metro area.

Standard has participated in the development of over 4,500 residential housing units, including approximately 2,300 affordable units. Standard's property management company has the management capacity to maintain quality standards and community responsiveness in nearly 4,500 rental units and 50 retail spaces across the U.S.

Since 2008, Standard has acquired a portfolio of over $525 million in property and distressed loans. Much of the portfolio is made up of affordable multi-family housing facilities throughout California. Standard is committed to helping California cities overcome the steadily growing deficit of high-quality affordable housing throughout the state.

The Project:

The proposed financing will preserve and extend the affordability of two existing projects. The existing two multifamily properties, all built in the late 1980s, are restricted to seniors 55 or older. The projects have available parking and amenities catered to the demographic. Deferred maintenance items will be addressed upon acquisition.

Heritage Village Anaheim is a 196-unit multifamily apartment project. Amenities include clubhouse with kitchenette, fitness center, pool/spa and BBQ area. The City of Anaheim has a preexisting regulatory agreement recorded that restricts 49 units or 25% of the project to households making 50% of Area Median Income.

The City of Anaheim:

The City of Anaheim is a member of the CMFA and per Section 4 of the JPA Agreement, the City must give local approval. Upon closing, the City is expected to receive $16,850 as part of the CMFA's sharing of issuance fees.

Proposed Structure:

The CMFA has proposed to make a loan to a California limited partnership expected to be formed by Standard Property Company, Inc., in an aggregate principal amount not to exceed $100,000 and the borrower will use the net proceeds of the loan to fund a portion of the cost of the acquisition, development, construction, equipping or operation of a 196-unit affordable rental housing facility to be located in the City of Anaheim.

The proposed structure will record a subordinate CMFA regulatory agreement that has 80% of the units (157) restricted to households earning 80% of Area Median Income for at least 15 years that can be extended to 30 years. The existing Anaheim regulatory agreement will stay in place until the regulatory period expires.

Terms of Transaction:

Maturity:	15 years
Rate:	1% Annually
Payment Priority:	Residual receipts, unpaid interest is capitalized
Collateral:	Subordinate deed of trust on property
Estimated Closing:	April 2022

Public Benefit:

A total of 157 households will continue to be able to enjoy high quality, independent, affordable housing in the city of Anaheim for another 15-30 years.

Percent of Restricted Rental Units in the Heritage Village Anaheim Project: 80%

Anaheim - 25% (49 Units) restricted to 50% or less of area median income households;

CMFA - 80% (157 Units) restricted to 80% or less of area median income households. (The 49 units at 50% AMI per the Anaheim Regulatory Agreement above are included in the total 157 units. A total of 80% of the total units will be restricted.)

Unit Mix: 1- & 2-bedroom units

Term of Restriction: 15-30 years

Finance Team:

Lender Counsel:	Jones Hall, APLC
Issuer Counsel:	Jones Hall, APLC
Borrower Counsel:	Rutan & Tucker, LLP

Recommendation:

The Executive Director recommends that the CMFA Board of Directors approve a Resolution of for a loan in the amount of $100,000 for Heritage Village Anaheim, located in the City of Anaheim, County of Orange, California.

HERITAGE PARK ESCONDIDO APARTMENTS
SUMMARY AND RECOMMENDATIONS

Applicant:	Standard Property Company, Inc.
Action:	Resolution
Amount:	$100,000
Purpose:	Affordable Multi-Family Rental Housing Facilities Located in the City of Escondido, San Diego County, California
Activity:	Affordable Housing
Meeting:	April 15, 2022

Background:

Standard Property Company ("Standard") is a full-service, multi-family real estate investment and management firm investing in primary U.S. markets across five major geographic locations: New York, San Francisco Bay Area, southern California, Chicago and Washington, D.C. metro area.

Standard has participated in the development of over 4,500 residential housing units, including approximately 2,300 affordable units. Standard's property management company has the management capacity to maintain quality standards and community responsiveness in nearly 4,500 rental units and 50 retail spaces across the U.S.

Since 2008, Standard has acquired a portfolio of over $525 million in property and distressed loans. Much of the portfolio is made up of affordable multi-family housing facilities throughout California. Standard is committed to helping California cities overcome the steadily growing deficit of high-quality affordable housing throughout the state.

The Project:

The proposed financing will preserve and extend the affordability of two existing projects. The existing two multifamily properties, all built in the late 1980s, are restricted to seniors 55 or older. The projects have available parking and amenities catered to the demographic. Deferred maintenance items will be addressed upon acquisition.

Heritage Park Escondido is a 196-unit multifamily apartment project. Amenities include clubhouse with kitchenette, fitness center, pool/spa and BBQ area. The City of Escondido has a preexisting regulatory agreement recorded that restricts 39 units or 20% of the project to households making 60% of Area Median Income.

The City of Escondido:

The city of Escondido is a member of the CMFA and approved a TEFRA hearing on December 15, 2021. Upon closing, the city is expected to receive up to a $15,766 as part of the CMFA's sharing of Issuance Fees.

Proposed Structure:

The Authority has proposed to make a loan to a California limited partnership expected to be formed by Standard Property Company, Inc., in an aggregate principal amount not to exceed $100,000; and the borrower will use the net proceeds of the loan to fund a portion of the cost of the acquisition, development, construction, equipping or operation of a 196-unit affordable rental housing facility to be located in the City of Escondido.

The proposed structure will record a subordinate CMFA regulatory agreement that has 80% of the units (157) restricted to households making 80% of Area Median Income for at least 15 years that can be extended to 30 years. The existing Escondido regulatory agreement will stay in place until the regulatory period expires.

Terms of Transaction:

Maturity:	15 years
Rate:	1% Annually
Payment Priority:	Residual Receipts, unpaid interest is capitalized
Collateral:	Subordinate Deed of Trust on property
Estimated Closing:	April 2022

Public Benefit:

A total of 157 households will continue to be able to enjoy high quality, independent, affordable housing in the city of Escondido for another 15-30 years.

Percent of Restricted Rental Units in the Heritage Park Escondido Project: 80%

Escondido - 20% (39 Units) restricted to 60% or less of area median income households;
CMFA - 80% (157 Units) restricted to 80% or less of area median income households.
(The 39 units at 60% AMI per the Escondido Regulatory Agreement above are included in the total 157 units. A total of 80% of the total units will be restricted.)
Unit Mix: 1- & 2-bedroom units

Term of Restriction: 15-30 years

Finance Team:

Lender Counsel:	Jones Hall, APLC
Issuer Counsel:	Jones Hall, APLC
Borrower Counsel:	Rutan & Tucker, LLP

Recommendation:

The Executive Director recommends that the CMFA Board of Directors approve a Resolution for a loan in the amount of $100,000 for the Heritage Escondido Apartments affordable multi-family housing facility located in the City of Escondido, San Diego County, California.

REVOLVING CREDIT FACILITY FOR THE PRESERVATION OF PRIVATE ACTIVITY BOND VOLUME CAP SUMMARY AND RECOMMENDATIONS

Action:	Resolution
Purpose:	Approve an Increase in Bank Warehouse Credit Line for the CMFA Multifamily Housing Bond Volume Recycling Program
Activity:	Revolving Credit Facility for the Preservation and Recycling of Private Activity Bond Volume Cap
Meeting:	April 15, 2022

Amending Resolution:

The CMFA Board previously approved a Resolution for a $100,000,000 warehouse credit facility on April 30, 2021. The Board is being asked to approve an increase the existing facility to $400,000,000 for the purpose of recycling bond allocation.

Background:

In recent years, California has used 85% or more of its $4.1 billion of annual private activity bond volume for tax-exempt multifamily rental housing bonds and loans to produce thousands of units of desperately needed affordable apartment units each year. In the last two years, the demand for private activity bond volume for this purpose has grown to be more than twice the State's annual volume allocation, creating a severe shortage of this low rate debt financing for these projects.

The CMFA is the largest issuer of such bonds in California in recent years and in the current year. Since its formation in 2004 the CMFA has served as the issuer of tax-exempt multifamily housing bonds in over 450 issues. 122 tax-exempt private activity bond applications were filed with the California Debt Limit Allocation Committee ("CDLAC"), the State bond volume allocator, in early February of this year. Of the 122 volume applications aggregating $3,256,555,428, the CMFA accounts for 67 or 55% of these. All of the other issuers in the state accounted for less than half.

The 2008 Housing and Economic Recovery Act ("HERA") added Section 146(i)(6) to the Internal Revenue Code which authorizes the reuse or "recycling" of private activity bond volume cap for use to finance new affordable multifamily rental housing projects under certain conditions. Such "recycled" bond volume does not entitle the new project to which it is allocated to qualify for 4% low income housing tax credits, but it produces a much lower borrowing rate on the debt side of the new project financing, which can be a critical factor in the feasibility of these financings.

The CMFA is working with RBC Capital Markets, LLC ("RBCCM" or the "Bank") to establish its Tax-Exempt Multifamily Housing Bond Recycling Program.

How the CMFA's Bond Volume Recycling Program Will Work:

The CMFA multifamily bond volume recycling program involves two steps. The CMFA is asking the Bank to establish a warehouse credit line facility on which it will draw to fund the first step described below.

Step 1: The CMFA will enter into a "Funds Exchange Agreement (Prepayment)" with the trustee or fiscal agent or the holder of the prior tax-exempt debt which is being paid off or paid down. On the date of the pay down or pay off, the CMFA will draw the warehouse credit line in an amount equal to the amount of the pay down or pay off. This Funds Exchange Agreement will recite that the funds from the CMFA's warehouse credit line draw are deemed to have been advanced to the prior tax-exempt debt trustee or fiscal agent or to the holder of the prior tax-exempt debt and have been used by that transferee to retire pay down or pay off the prior tax-exempt debt. This Funds Exchange Agreement will further recite that the prior tax-exempt debt trustee or fiscal agent or tax-exempt debt holder shall be deemed to have simultaneously transferred to the CMFA the loan prepayment which has been made by the borrower on the prior tax-exempt issue in an amount equal to the CMFA's credit line draw to reimburse the CMFA for transferring the proceeds of its credit line draw to pay down or pay off the prior tax-exempt debt.

The funds drawn on the warehouse credit line will be deposited into a special segregated the CMFA account and pledged to the Bank to secure the CMFA's obligation to repay to the Bank the principal of the warehouse credit line draw. The pledged funds will be invested in liquid, high quality investments as agreed by the Bank and the CMFA and held under a Deposit Account Control Agreement or other arrangement acceptable to the Bank. Each warehouse credit line draw is will therefore be 100% each collateralized as to repayment of principal.

These arrangements create a "borrowing" by the CMFA which federal tax law requires during the period on which the bond volume is "carried" by the CMFA before being applied by the CMFA to provide financing for a new qualified multifamily residential rental housing project. Under current federal tax law, the volume so carried forward by the CMFA must be allocated to finance a new qualified residential rental housing project under Section 142(d) of the Code within six months of the pay-down or pay-off, or the tax-exempt bond volume will expire.[1]

Step 2: Prior to the issuance by the CMFA of the tax-exempt debt under Section 142(d) of the Code to provide funding for another qualified residential rental housing project, the CMFA will enter a new "Funds Exchange Agreement (New Loan)" with the trustee or fiscal agent on the new tax-exempt issue or, in the absence of the forgoing, the proposed purchaser of the new tax-

[1] Under current federal tax law, the volume carried forward must also be reallocated to the new qualified multifamily residential rental housing project no later than four years after the prior tax-exempt debt was issued. Moreover, the tax-exempt debt on the new qualified multifamily residential rental housing project to which the carried forward volume is reallocated must mature no later than 34 years after the original tax-exempt debt was issued.

exempt issue. This second Funds Exchange Agreement will recite that on the closing date of the new issue, the recycled bond volume carried by the CMFA will be transferred to the trustee, fiscal agent or other new tax-exempt debt purchaser against the simultaneous transfer by that party to the CMFA of a like amount of proceeds of the new tax-exempt issue, which the CMFA will use to retire that amount of its credit line borrowing.

At the time of reallocation, the CMFA will simply retire that portion of its credit line draw from the pledged funds in the segregated account.

Revolving Credit Agreement:

The Revolving Credit Agreement is the legal document that provides the terms and conditions of the Credit Facility to CMFA for use in its efforts to preserve and recycle Private Activity Bond Volume Cap. The Bank requires indemnification for offering the Credit Facility.

Brokerage Account Required:

Citi National is a subsidiary of RBC and able to get into a cost-effective, flexible Fidelity money market mutual fund.

Recommendation:

The Executive Director recommends that the CMFA Board of Directors approve an increase to the Revolving Credit Facility Agreement for the Preservation of Private Activity Bond Volume Cap between the CMFA and Royal Bank of Canada.