Multifamily Housing Bonds

San Diego-CalHFA Conduit Issuer and Bond Recycling Program

Term sheet effective for applications submitted after January 1, 2022

The Housing Authority of the City of San Diego and the San Diego Housing Commission (collectively "San Diego" or "SD") and CalHFA have worked together to create the SD-CalHFA Conduit Issuer and Bond Recycling Program ("SD-CalHFA Bond Program"), which is designed to preserve and recycle prior year(s) tax-exempt private activity bond volume cap that was originally issued by SD, and would otherwise expire upon repayment of its related construction financing ("Original Bonds"). The SD-CalHFA Bond Program is designed pursuant to a Memorandum of Understanding ("MOU") between CalHFA and SD. This program facilitates access to tax-exempt bonds by using preserved private activity bond volume cap ("Recycled Bonds"). The use of these Recycled Bonds may reduce the need for current year private activity bond volume cap managed by the California Debt Limit and Allocation Committee ("CDLAC"). This program is for developers seeking construction and/or rehabilitation financing for eligible projects located in the City of San Diego that provide affordable multifamily rental housing for individuals, families, seniors, veterans, or special needs tenants.

Qualifications

Available to for-profit, nonprofit or public agency sponsors.

Rules of Recycling

- New loans to finance an Eligible Project (as defined in this Term Sheet) utilizing Recycled Bonds must be closed and funded within 6 months of the effective date of the preservation ("Preservation Date") of the Original Bonds.
- The issuance of the Recycled Bonds ("Bond Refunding") must occur within 4 years of the issuance of the Original Bonds.
- Typically, the Preservation Date of the Original Bonds occurs at the earlier of repayment of the construction loan or conversion of construction financing to permanent financing (at which time the bonds funding the original construction debt will be preserved vs. redeemed/repaid).
- Maturity of any loans to Eligible Projects funded with Recycled Bonds must be within 34 years of the Original Bond issuance date.
- Recycled Bonds are subject to public notice requirements (TEFRA) by CalHFA.
- Recycled Bonds cannot be used to qualify for 4% federal LIHTCs.
- Volume cap cannot be recycled more than once.
- Recycled Bonds can only be used for multifamily housing.
- Recycled bonds may fund new construction or Existing Projects (defined below). For Existing Projects, rehabilitation expenditures must meet or exceed 15% of the portion of the acquisition cost of the property and fixtures, financed by the tax- exempt bonds for the project.

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San Diego Bond Recycling Program

Eligible Projects

The SD-CalHFA Bond Program may provide Recycled Bonds to new construction multifamily projects ("New Construction Project") and/or existing multifamily projects ("Existing Project") with the following financing structures:

1. New Construction Projects that are 100% affordable projects financed pursuant to CDLAC's regulatory requirements.
   a) Recycled Bonds may be provided to finance any amount up to 45% of the New Construction Project's total development costs.
   b) The New Construction Project may apply to CDLAC for a new bond cap allocation sufficient to fund any portion of the remaining 55% of total development costs. Recycled Bonds are not eligible for inclusion in the New Construction Project's 50% aggregate basis test.
2. Acquisition, Refinance, and/or Rehabilitation of existing multi-family projects ("Existing Projects") which will either preserve or increase, by a minimum of 20%, the number of units subject to affordable regulatory restrictions.
   a) The SD-CalHFA Bond Program may refinance affordable Existing Projects which are extending the affordability restrictions of up to 100% of total units (excepting any onsite manager's unit). The SD-CalHFA Bond Program will provide loan proceeds for up to 100% of the Existing Project's total development costs. However, any intent to include new bond cap for purposes of 4% federal tax credits, must be for at least 55% of the financing.
   b) The SD-CalHFA Bond Program may provide the acquisition and substantial rehabilitation of market-rate Existing Projects which are converting existing units to an affordability structure which meet the Minimum Occupancy Requirements outlined below. The SD-CalHFA Bond Program will provide loan proceeds for up to 100% of the Project's total development costs.

Note: *Recycled Bonds under the SD-CalHFA Bond Program are subject to availability.*

Minimum Occupancy Requirements

Either

A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or

B) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI (i.e., 30%@60% AMI; 10%@50% AMI).

Any units restricted by CalHFA pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by a current market study or an appraisal current within 6 months.

San Diego Bond Recycling Program

Affordability Period

The affordability period shall be 55 years from the Recycled Bond closing. Borrower will be required to enter into a Regulatory Agreement which will be recorded against the Project for the Qualified Project Period (as defined in the CalHFA Regulatory Agreement for the issuance of the conduit bonds). This includes the later of the federally-required qualified project period, repayment of the Bond- funded loan, redemption of the Bonds, termination of Section 8 assistance, as applicable, the full term of the CDLAC Resolution requirements or 55 years.

Fees *(subject to change)*

Negative Arbitrage: Borrowers accessing Recycled Bonds under the SD-CalHFA Bond Program will be required to draw down the entirety of the Recycled Bonds within 6 months from the date the Original Bonds were preserved ("Bond Preservation Effective Date").

Bond Recycling Transaction Fee: $25,000, due at bond closing.

Annual Monitoring Fee: For bonds issued pursuant to this term sheet, 12.5 bps of the total bond issuance amount due at construction loan closing and due annually thereafter until permanent loan conversion. After permanent loan conversion, billed annually in advance, 12.5 bps of principal amount of the CalHFA issued Bonds outstanding at permanent financing conversion regardless of any later reductions of the outstanding principal of the CalHFA issued Bonds. Minimum Annual Monitoring Fee shall be $10,000 for the entire term of the CalHFA Regulatory Agreement, which includes both the Qualified Project Period and the CDLAC compliance period, if applicable.

For all other applicable fees, (exclusive of the Annual Monitoring Fee), including upfront Issuer Fee, refer to San Diego Housing Commission (SDHC) BOND ISSUANCE AND POST-ISSUANCE COMPLIANCE POLICY:

https://www.sdhc.org/wp-content/uploads/2019/04/Bond-Policy-300.301.pdf

If used in conjunction with a CalHFA permanent loan product, the annual monitoring fee outlined on the CalHFA permanent loan program term sheet will not be charged in addition to the Annual Monitoring Fee set forth herein.

The Borrower shall be responsible for all other costs of Bond issuance including fees of the underwriter, trustee, rating agencies, lender, compliance administrator, all Bond counsel legal fees, and any other parties required to complete the transaction. ■

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities. Not printed at taxpayer expense.