

From: CHC <info@calhsng.org>
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To: Ana Gamiz
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CHC's Industry Insight

A Note from our Executive Director

This week's leadership change in the State Capitol is felt personally by many of us in the affordable housing community. Monday, our longtime housing champion Speaker Toni Atkins handed the reins over to a new Assembly Speaker, Anthony Rendon (D- Paramount).

While term limits restricted her stint as Speaker to less than two years, Ms. Atkins made a meaningful impact in her leadership role by spotlighting housing insecurity, advancing the dialogue over a permanent funding source, and securing landmark cap and trade investments for affordable homes that reduce greenhouse gases. On behalf of CHC, I am grateful for Ms. Atkins' service as Speaker and the decades she's dedicated to championing housing solutions. We look forward to continuing to work with her to expand affordable housing opportunities as she finishes her term in the Assembly and, hopefully, returns to the State Capitol as a Senator this fall.

California's affordable home builders are encouraged that Speaker Rendon has made a public commitment to tackle the interrelated challenges of poverty and housing affordability. The new Speaker and projected multi-billion budget surplus afford housing advocates new opportunities to push for bold, strategic investments in proven, affordable housing programs. We are also keenly aware that Governor Brown and legislators face many competing interests seeking attention to the state's many challenges.

As CHC members pack your bags for our annual lobby day next week, remember that the most valuable thing you bring to Sacramento is your track record of success in in deploying state financing to build affordable homes that move Californians out of poverty, create jobs, and enhance our economic competitiveness. I look forward to seeing you in the Capital City and sharing your success stories with California's leaders.



Sincerely,

Ray Pearl
CHC Executive Director

In Case You Missed It...

- On February 29, the U.S. Supreme Court declined to hear the building industry's appeal of a ruling last year by the California Supreme Court upholding San Jose's affordable housing law that would require developers to offer 15 percent of units in new projects of 20 or more units at below-market rates.
- Newly sworn-in Speaker Rendon [announced his leadership team](#) on March 10.
- CHC Boardmembers Rick Gentry, Carol Galante, and Linda Mandolini and CHC Board of Governor Kevin Zwick testified before the Senate Transportation and Housing informational hearing "Innovative Solutions to Build Affordable Housing" on March 9. Committee background paper and other materials are [available on the committee website](#).

'CalHFA's Exciting New Multifamily Programs' Guest Column by Tony Sertich, Director of Multifamily Programs, CalHFA

The California Housing Finance Agency's mission is to "Create and finance progressive housing solutions so more Californians have a place to call home." We have always been dedicated to that mission, and have recently reentered the first lien lending market with several acquisition/rehabilitation loans. We are excited and ready to rebuild our partnerships, assist in bridging the financing gap for developers, and ultimately increase the stock of affordable housing for Californians.

One program that kept us active during the past few years was the administration of the multifamily development financing for the Mental Health Services Act Housing Program (MHSA). MHSA has been successful in providing permanent supportive housing to thousands of individuals with mental illness and their families who are homeless or at risk of homelessness. Due to its success, CalHFA is currently finalizing terms of our new program, the Special Needs Housing Program (SNHP), which replaces and improves upon MHSA while serving the same vulnerable population through capital loans and capitalized operating subsidies. We expect to formally announce SNHP this spring.

The overall low production of multifamily housing and the recent housing crisis, however, has called for us to examine how we can better serve California's multifamily development market.

First we looked at what CalHFA's strengths are and what we can offer to develop programs that add value to the California marketplace:



- CalHFA's sole focus is housing, with no distractions or competing interests
- CalHFA has a statewide focus, serving urban and rural, north and south, coastal and inland
- CalHFA's organization, position and mission allows us to build and sustain strong relationships with other governmental entities at the local, state, and federal level

Second, we looked at market needs that were not always being met by other lending institutions or governmental programs:

- Small projects, or those less than \$3.5 million
- Loans outside of high CRA areas
- Below market rents for the so-called "missing middle" (households earning 60% - 80% AMI, who are rent-burdened by market-rate rents)

This analysis gave CalHFA's multifamily team helpful information to develop strong programs that serve your needs:

- Our **Conduit Issuance Program** provides competitive fees with a focus on local government collaboration, and is available now
- Our **HUD/HFA Risk-Sharing Program** provides significantly lower interest rates to preserve and increase affordable multifamily housing, and is available now
- The first **small loan** closes this month from our small loan pilot program for loans up to \$3.5 million with streamlined underwriting and closing processes
- A **"missing middle" loan program** is currently being developed to meet the needs of low income renters from 60-80% AMI

Exclusive Partnership with HUD & US Treasury

Our new Risk Share Refinance Loan Program truly sets CalHFA apart, by virtue of an exclusive partnership wherein the U.S. Treasury and HUD will partner with Housing Finance Agencies to provide significantly lower interest rates to preserve and increase affordable multifamily housing. Under the new program, the U.S. Treasury will use the Federal Financing Bank to participate in multifamily loans insured under FHA's HFA Risk-Sharing Program. Loans are underwritten by CalHFA, based on FHA pre-approved underwriting standards. Currently this program is available to projects completing non-substantial rehab under FHA insurance guidelines.

The program will provide permanent financing at a fixed rate of interest - 2.00% to 2.75% over the 10-year Treasury rate - for a fully amortizing term of 40 years. As with all CalHFA first lien loans, all CalHFA fees and monitoring costs are included in the loan rate. For-profit, non-profit and public agencies can use this program to refinance affordable housing developments to preserve long-term affordability, complete minor rehabilitation, and take out equity in cash, subject to restrictions.

HUD and the U.S. Treasury just announced that they have extended this program for three years. This allows us to pursue the next step in the partnership: making upgrades to the program to allow the combination of low permanent loan rates with substantial rehabilitation or new construction. Under the current program 4% tax credits cannot be used, however a key upgrade would allow the construction or rehabilitation to be funded with tax-exempt bonds allowing projects to use those 4% tax credits. We expect to release this expanded program in the spring of 2016.

CalHFA is excited to have the opportunity to better serve you and the multifamily housing market. Our new and developing programs will help CalHFA fulfill its mission and increase our impact as a lender with a purpose.

If you have any questions or would like to discuss how CalHFA can help you...LET'S TALK.
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Upcoming Events

CHC Advocacy Day	March 15, 2016 Sacramento REGISTER NOW!
CHC Policy Forum & CA Housing Hall of Fame Awards	May 12, 2016 Fairmont Miramar Hotel, Santa Monica Hall of Fame Nominations Now Accepted

Affordable Housing in the News

For all the talk about California's housing crisis, few news outlets have explored the hurdles developers face in taking an affordable development from concept to ribbon cutting. [Capital & Main](#) (Feb. 25) reports on the variety of roadblocks that can stall or derail development, "'There's probably a hundred challenges,' says Cynthia Parker, the president and chief executive officer of BRIDGE Housing, a nonprofit housing developer based in San Francisco."

Ray Pearl, Executive Director of the California Housing Consortium, challenged California leaders to restore state investment in affordable housing production in a [The Sacramento Bee op-ed](#) (Mar. 8). Pearl says, "while market forces are responsible for a big chunk of California's housing problem, state policy choices have hurt the lowest-income Californians even more."

The [San Francisco Chronicle](#) (Mar. 1) was among the many California outlets reporting on the U.S. Supreme Court's decision not to take up a challenge to San Jose's "inclusionary zoning" law - a victory for advocates who championed opportunities for low-income buyers to have access to below-market properties in new developments within that City's limits.

New Additions to the CHC Board of Directors



In connection with our 2015-2017 [Strategic Plan](#), we prioritized attracting additional industry leaders to our Board of Directors. With that goal in mind, we consulted with our major bank funders and created two dedicated Board positions for those financial institutions represented on our Board of Governors. Each bank term will last three-years and upon completion, that seat will be offered to different bank's representative.

With that decision, we are pleased to welcome two incoming members to the Board of Directors: **Alice Carr** from CHASE and **Jonathan Klein** from Union Bank. We look forward to their involvement on the Board!

CHC Member Spotlight: Housing Authority of the County of San Bernardino



Built in 1942, Valencia Grove was the first public housing site built in the County of San Bernardino. The original 115 public housing unit site was long overdue for a major revitalization. The revitalization of this public housing site consist of a three pronged innovative approach: 1) demolition through a deconstruction/construction program; 2) use of factory-built modular units; and 3) transitioned away from a traditional public housing site to a mixed-used community (eventually to include homeownership), with a multi-use educational and recreational facility.

For this endeavor the Housing Authority of the County of San Bernardino (HACSB) partnered with its affiliate non-profit developer, Housing Partners I, Inc. (HPI). The project development team also includes:

- Perera Construction - Construction manager
- Silver Creek Industries - Modular builder
- PNC Bank - Tax Credit Equity Investor
- JP Morgan Chase - Lender
- CSG Advisors
- City of Redlands
- Danny Fred - Financial Advisor



The modular construction, a first for HACSB and HPI, is a hybrid construction process, wherein the building exterior envelope and all interior finishes were completed at the Silver Creek Industries factory, then transported to the site and set by crane. Once in place, Perera Construction completed all exterior finishes and added various architectural components to complete the product, making it indistinguishable from traditional site built construction.

The first phase cost is approximately \$35 million and the funding sources consist of 4% Low Income Housing Tax Credits, Tax-exempt bonds, and conventional financing. During

the first phase, 62 of the original 115 units were demolished to make way for 85 new affordable housing units spread throughout thirteen (13) two-story buildings, complete with garages on the first floor.

Subsequent phases will result in a total of 228 units. HACSB provided 84 Project-Based Vouchers with one of the units set aside for the on-site manager. The units will target households with incomes ranging from 0-60% of AMI.

For the demolition process, an onsite deconstruction/construction training program was implemented to maximize the amount of salvaged material and provide valuable job training and experience for residents. Thirty low income residents completed the program. To increase green efforts, the Housing Authority donated the salvaged items from the deconstruction program to The ReUse People of America.

Phase one completion is anticipated for April of 2016.



STAY CONNECTED:



CHC is a non-partisan advocate for the production and preservation of housing affordable to low- and moderate-income Californians. We represent the development, building, financial, and public sectors united in their goal that every Californian has a safe, affordable place to call home.

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