San Diego Housing Commission (SDHC)
Workshop: Recycled Multifamily Housing Revenue Bonds
Presentation to the SDHC Board of Commissioners
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• Tax-exempt Multifamily Housing Revenue Bonds, also known as private activity bonds, are an essential resource to finance the creation and preservation of affordable housing.
  – Bond issuance does not create financial liability to SDHC, Housing Authority, nor City.

• The 1986 Federal Tax Reform Act determines how much tax-exempt private activity bond debt a state can issue (Annual State Ceiling) in a calendar year.
  – State Ceiling, also known as a volume cap, for California: $4.1 billion
  – Private Activity Bonds are used for a number of programs in California, not just affordable housing.

• Beginning in 2020, demand for tax-exempt bonds exceeded annual bond allocation.
  – Previously noncompetitive tax-exempt bonds became competitive.

• Authorization for Memorandum of Understanding (MOU) between City of San Diego, SDHC, the Housing Authority and California Housing Finance Agency (CalHFA) to participate in a tax-exempt bond recycling program.
  – SDHC Board of Commissioners: September 9, 2021
  – Housing Authority: October 5, 2021
**Bond Recycling:**

- Allows for the use of bond capacity that is normally lost, and recycles private activity bonds into a new project, without the use of tax credits.

- Allows the re-use of volume cap allocations without counting against the State’s annual $4.1 billion limit, which is over-subscribed.

- Re-used volume cap authority would otherwise be lost after completion of construction.

- Financing vehicle that eases pressure on volume cap without requiring additional state or local investment by:
  - Creating a mechanism for projects to request smaller allocations
  - Giving 80/20 projects an alternative to California Debt Limit Allocation Committee (CDLAC) and new tax-exempt Multifamily Housing Revenue Bonds
  - Creating innovative financing vehicles that do not use volume cap: Recycled bonds can be paired with soft sources to create an alternative to bond and 4% financing.
• Requires new loan to an eligible project within 6 months of the effective date of the prepayment.
• Subject to public notice requirements (Tax Equity and Fiscal Responsibility Act).
• Recycled bonds are not eligible for Low-Income Housing Tax Credits.
• Same household income affordability rules as other tax-exempt bonds.
• Recycled bonds cannot be re-recycled.
• Recycled bonds can only be used for multifamily housing.
SDHC – Recycled Multifamily Housing Revenue Bonds
Preserving and Re-using Volume Cap
Total Bonds Recycled
$75,338,983

- Mariner’s Village: $19,300,000
- Keeler Court: $17,442,782
- St. Teresa of Calcutta Villa: $38,596,201

Keeler Court apartments
Projects that have applied to the California Debt Limit Allocation Committee (CDLAC) using the SDHC/CalHFA Recycled Bond Program

<table>
<thead>
<tr>
<th>Application</th>
<th>New Bonds Requested</th>
<th>Recycled Bonds Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vista Lane Family</td>
<td>$21,907,321</td>
<td>$4,471,086</td>
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<tr>
<td>Mt. Etna – Modica</td>
<td>29,200,000</td>
<td>10,442,768</td>
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<tr>
<td>Mt. Etna – Taormina</td>
<td>42,700,000</td>
<td>11,646,388</td>
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<tr>
<td>5256 Naranja</td>
<td>26,500,000</td>
<td>12,000,000</td>
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<tr>
<td><strong>Subtotal Preliminary award</strong></td>
<td><strong>$48,407,321</strong></td>
<td><strong>$38,560,242</strong></td>
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<tr>
<td>Alvarado Creek</td>
<td>69,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Crest on Imperial</td>
<td>21,664,845</td>
<td>4,673,157</td>
</tr>
<tr>
<td>San Ysidro Seaward</td>
<td>29,017,929</td>
<td>5,918,377</td>
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<tr>
<td>Epoca</td>
<td>23,660,161</td>
<td>4,856,230</td>
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<tr>
<td>Aero Drive</td>
<td>62,968,291</td>
<td>12,728,584</td>
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<tr>
<td>Navajo Family</td>
<td>13,951,229</td>
<td>6,125,989</td>
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<tr>
<td><strong>Subtotal Requested not awarded</strong></td>
<td><strong>$191,244,526</strong></td>
<td><strong>$39,629,180</strong></td>
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<tr>
<td><strong>TOTAL Request to CDLAC</strong></td>
<td><strong>$239,651,847</strong></td>
<td><strong>$78,189,422</strong></td>
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