



GOLDEN STATE FINANCE AUTHORITY MULTI-FAMILY HOUSING BOND PROGRAM

Section 4 – PROGRAM GUIDELINES

I. Program Description

The Authority is a duly constituted joint exercise of powers Authority, organized and existing under and by virtue of the laws of the State of California (the “State”). The Authority is authorized to issue bonds to finance multi-family housing projects in California pursuant to and in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code. The State of California Debt Limit Allocation Committee (the “CDLAC”) allocates tax-exempt private activity volume cap granted to the State by the Federal Government (the “Volume Cap”). The Authority will support successful applicants in their pursuit of Volume Cap, their coordination with other available State and Federal housing programs and may provide an Authority subsidy in the form of a grant or loan.

II. Use of the Authority Funds

The Authority subsidy funds awarded through this program may be used for any eligible activity.

III. Eligible Applicants

The Authority will only act as the Issuer of multi-family housing bonds in cases where the Applicant or a principal of the Applicant has experience in constructing and/or developing multi-family rental units in the State of California.

IV. Uses of Program Funds

Multi-family housing bonds may be used to finance the acquisition, construction, reconstruction, and/or rehabilitation of qualified multi-family rental housing developments for persons or families of low and moderate income. Tax exempt and/or taxable financing may be issued for those qualified multi-family rental housing projects that meet the overall goals of the Authority business plan and which comply with applicable Federal and State laws.

V. Eligible Properties

All properties receiving multi-family housing bonds must be located in eligible counties or cities.

VI. Terms and Conditions

**GOLDEN STATE FINANCE AUTHORITY
MULTI-FAMILY HOUSING BOND PROGRAM**

The Authority will only provide financing for projects that are in compliance with the provisions of Section 142(d), Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, and the provisions of California Statutes (the "Act") and the regulations promulgated thereunder, including but not limited to regulations of CDLAC. The Authority may also provide financing for projects on which the interest is taxable under the Code.

The Authority will issue obligations for financing only if the project is in an area where the Applicant has demonstrated, to the Authority's satisfaction, that a need exists for a project as proposed. In order to qualify for financing, a project must, at a minimum, meet the following requirements:

1. The project must provide safe, sanitary, and decent multi-family residential housing for low or moderate income persons or families.
2. The project must be owned, managed, and operated as a project to provide multi-family residential property comprised of a building or structure, or several approximate buildings or structures each containing one or more dwelling units and functionally related facilities in accordance with Section 142(d) of the Code.
3. Ninety-five percent or more of the net proceeds of the bonds must be used to provide exempt facilities such as residential rental property.
4. Each dwelling unit in the project shall contain complete facilities for living, sleeping, eating, cooking, and sanitation for a single person or family.
5. None of the units in the project may be used on a transient basis, nor shall they knowingly be leased for a period of less than six months, nor shall they be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, or trailer park.
6. None of the units in a structure of four units or less may, at any time, be occupied by the owner of the project or an individual related to the owner as such terms are defined by the Code.
7. At least 20% of the dwelling units in the project must be rented to persons or families whose gross incomes, as determined in accordance with the Section 8 requirements of the United States Housing Act of 1937, do not exceed 50% of the County Median Income, or 40% of the dwelling units must be leased to families with gross incomes at or below 60% of the County Median Income. Under the Code, the term of these restrictions will end on the latest of:
 - a. Fifteen years after the date on which 50% of all units in the projects are occupied.
 - b. The first date on which no tax-exempt bonds issued with respect to the project are outstanding, but in no case, less than ten years from the issuance or reissuance of the bonds, or
 - c. The term of any contract pursuant to Section 8 of the United States Housing Act of 1937.

**GOLDEN STATE FINANCE AUTHORITY
MULTI-FAMILY HOUSING BOND PROGRAM**

In addition, under current CDLAC regulations, for a project receiving Volume Cap under CDLAC's open application process the term of any bond regulatory agreement will terminate in 55 years, and for a project receiving Volume Cap under CDLAC's competitive application process the term of any bond regulatory agreement will terminate in 30 years, from the date 50% occupancy is achieved or the commencement of the CDLAC Qualified Project Period, whichever date is earlier. See Section 5, Post-Issuance Compliance Procedures for Tax-Exempt Bonds (Multi-Family Housing).

8. After satisfying the applicable requirement in paragraph VI.7, the remaining units of the project must be rented to eligible persons of low- or moderate -income persons as determined by the Authority and as defined in the Act, irrespective of race, creed, national origin, religion, familial status or sex, and to special needs persons as provided for in paragraph X. Eligibility of Beneficiaries.
9. The owner of the project will obtain and maintain a file on income certification from each tenant prior to said tenant's occupancy of a unit and will submit copies of such income certification to the Authority or its designated agent on an annual basis. A unit occupied by an individual or family who, at the commencement of the occupancy, was of low or moderate income shall be treated as having been occupied by an individual or family of low or moderate income, as the case may be, during their tenancy even though they may subsequently cease to be of low or moderate income unless the income of the individual or family exceeds 140% of the applicable income limit.
10. The Applicant agrees to comply with the conditions set forth in Exhibit A to the CDLAC Resolution relating to the Project, if any.
11. For projects receiving Volume Cap before December 31, 2016, the Applicant agrees to prepare and submit to the Authority, annually not later than each March 1, until the end of the Qualified Project Period, a Certificate of Compliance, in substantially the form attached to the CDLAC Resolution or as otherwise required by CDLAC.
12. For projects receiving Volume Cap after December 31, 2016, the Applicant agrees to prepare and submit to the Authority, not later than February 15 annually until project completion and every three years thereafter until the end of the Compliance Period, a Certificate of Compliance II, in substantially the form required by CDLAC.
13. For projects receiving Volume Cap after December 31, 2016, the Applicant agrees that the CDLAC Resolution will be incorporated into the bond regulatory agreement by reference and as an attachment.
14. The Applicant agrees to comply with all post-issuance compliance requirements as required by the Code, the Act and the CDLAC regulations, as summarized in the Post-Issuance Compliance Procedures set out in Section 5 of these Program materials or as the same may hereafter be modified.

VII. Application Process

Applications will be accepted on an ongoing basis until all funds are exhausted.

**GOLDEN STATE FINANCE AUTHORITY
MULTI-FAMILY HOUSING BOND PROGRAM**

Applicants must submit the description of their proposal in sufficient detail to permit the Authority to identify the location of the development and describe the proposal to the public and the media. This description must include the following types of information as requested in the application:

1. The proposed name of the development.
2. The physical address of the development and a map showing the location of the development.
3. The proposed owner of the development, including the telephone number of the contact person who could answer questions about the proposal from the public or the media.
4. Whether the development is new construction or rehabilitation.
5. The total number of housing units proposed.
6. The total number of buildings to be constructed or rehabilitated.
7. The number of floors and the number of units in each building.
8. The proposed rent for each multi-family unit type as determined by the number of bedrooms.
9. Whether the development will be for the elderly or families.
10. The name of the local jurisdiction in which the development will be located.
11. A proposed site plan and an example of an exterior elevation.
12. The experience of the development team constructing multi-family projects for low or moderate-income individuals or families.
13. The proposed amenities that will be offered to residents.
14. A market study showing the need for the development, if available.
15. Any other information that the Applicant feels will assist in describing the development to the public and the media.

VIII. Evaluation Process

Applicants and their project will be selected or rejected by the Authority. Applications will be evaluated using a two-part process, as follows:

Part I – Bond Counsel and Structuring Agent/Financial Advisor used by the Authority will review and make a written evaluation on each of the proposed developments. The bonds for this Program will be issued by the Authority. The Authority will have the ability to review the application to ensure that it meets the guidelines of the Authority.

Part II – The Board will receive the information from Authority staff and the professional advisors. Presentations from some or all of the Applicants will be scheduled, if deemed necessary. The Board will select the Applicant, if any, that will be eligible to receive multi-family housing bonds if approved by the Authority. The Board shall not be obligated to approve the issuance of multi-family housing bonds to any Applicant.

IX. Appeals Process

The decision of the Board is final and may not be further appealed.

The submission of an application and the decision of the Board does not give rise to any entitlement to the ultimate issuance of multi-family housing bonds. The approval of a project for multi-family housing bond funding is solely within the discretion of the Board. Applicants shall

have no cause of action seeking to compel the approval of a project for multi-family housing bond funding or otherwise challenge the discretionary decision of the Board.

X. Eligibility of Beneficiaries

The Applicant will select the beneficiaries that will lease the units using its written criteria, provided it is consistent with the requirements of the Code.

XI. Reduction or Termination of Award

It is the desire of the Authority to ensure that each funded development is successful in meeting the needs of the residents of the community. However, if the Applicant is unable to meet the timeline for the use of funds or use the funds for eligible activities, the Authority may require that allocations be returned to CDLAC. Prior to terminating any funding, written notice must be provided to the Applicant and the Authority and the Applicant given a period of time to correct the problem.

XII. Administration of the Program

The Authority will administer the Program consistent with these policies.

XIII. Conflicts with Federal and State Law

In the event these policies are found to conflict with Federal and/or State law, now or in the future, Federal and/or State law will take precedence. The Authority will amend these policies to the extent necessary to make the policies consistent with Federal and/or State law.

XIV. Readiness to Proceed and Financing Approval Review

1. The Applicant has the responsibility of securing a lender/credit facility or bond purchaser to credit underwrite/enhance or purchase (and not for the purpose of re-offering) the bond financing for the project. The Authority's Structuring Agent/Financial Advisor will assist the Applicant where possible.
2. If the project is deemed ready to proceed and the financing structure is acceptable to the Board, the project will be submitted to CDLAC for bond allocation.
3. Each Applicant that is selected for inducement by the Authority shall provide the Authority with a proposed development timeline and a monthly update as to how the development process is proceeding until closing.
4. The CDLAC application for an allocation of Volume Cap is initiated through the filing of a notice of intent to issue such bonds and submission of the CDLAC Application. Such notice of intent to issue bonds shall include a certification as to the public approval, the amount of the bonds proposed to be issued, and the fee required by CDLAC.
5. Written confirmation of allocations is issued by CDLAC subject to the availability of a sufficient amount of Volume Cap. The confirmation will state the amount of the allocation made for such bonds.

Bond Sale and Bond Closing:

There are a variety of bond financing structures with or without credit enhancements that may be utilized by the Applicant such as letters of credit, mortgage insurance surety bonds, etc. The Applicant is required to execute the bond purchase agreement awarding the sale of the Authority's bonds to its underwriter or other investment banker (if applicable) or to an institutional purchaser through a private placement which obligates the Applicant to the payment of the costs of issuing such bonds as more fully described herein. The Authority, at the expense of the Applicant, will retain an independent Structuring Agent to assist in determining the economic viability of a project. The Authority will require in connection with the issuance of the bonds, a guarantee of recourse obligations and an environmental indemnity agreement in form and substance satisfactory to the Authority, its counsel, and its Bond Counsel from such persons or entities identified in the application, which guarantees shall be required regardless of the credit enhancement utilized. The form and substance of all financing documents shall be subject to the satisfaction of the Authority, its counsel and its Bond Counsel.

1. Any and all material changes to the financing structure, ownership of the project, scope of the project or materials to be used in the proposed project from that set forth in the application, must be disclosed immediately in writing by notification to the Authority's Bond Counsel and its Structuring Agent/Financial Advisor and approved by the Authority. The Applicant should show an expected ability to close, including receipt of all required permits, within the time limits proscribed by CDLAC. The Authority has no provision for "escrowed closings." In the event that an issue does not close within the time frame established by CDLAC, the Authority will no longer be authorized to issue the bonds and the allocation will revert to CDLAC.
2. Bond sale offering and transaction documents must be finalized and necessary ratings if any obtained prior to the sale of the bonds.
3. Final documents should be executed and bonds issued within the appropriate time period required by law from the notification of allocation of tax-exempt Volume Cap. At least one day prior to closing, all required funds other than bond proceeds must be transferred to the trustee and outstanding bond issuance expenses provided for.
4. Prior to the sale of the bonds, the Applicant will be required to conduct a Phase I environmental audit by an engineering firm acceptable to the Authority. At bond closing, the Applicant will be required to provide an environmental indemnity in favor of the Authority from a financially responsible person or entity in the form to be provided by Bond Counsel.
5. The underwriter(s) and remarketing agent(s), if any, for the Authority's multi-family housing revenue bond issues will be paid a negotiated fee.
6. If the obligations are to be publicly sold, whether by competitive bid or negotiated sale, the bond issue must be structured so as to receive an investment grade rating of "A" or higher by Standard & Poor's Ratings Group, and/or Moody's Investors Service. In such cases where a credit enhancement is used, the application must indicate the type and nature of the proposed credit enhancement or surety, and the name and telephone number of a contact person (if known at time of application) at such institution.
7. If the bonds are to be privately placed, the Authority may require a different rating or permit, at its sole discretion, the issuance of the bonds without a rating. In order for a private

**GOLDEN STATE FINANCE AUTHORITY
MULTI-FAMILY HOUSING BOND PROGRAM**

placement transaction to be considered by the Authority, the placement must comply with the following minimum requirements: (1) the sale must be made to either a QIB or an accredited investor (the "Purchaser") and cannot be an underwriting or purchase with an intent to immediately resell any portion of the bonds, (2) the bonds must be issued in minimum denominations of not less than \$100,000, (3) at such time as the bond financing is presented to the Authority for financing approval, the Applicant (or placement agent, if applicable) must (a) identify the Purchaser of the bonds and (b) provide a written commitment from the Purchaser in form and content customarily used by real estate lending institutions outlining the terms and conditions of such commitment to purchase the bonds, (c) the Purchaser must represent that it is in the business of originating or acquiring and owning for its account, tax-exempt bonds or mortgage loans on multi-family rental housing projects, (d) there shall be no offering statement of the Authority, and (e) there will be one bond issued for each maturity, and the initial and any subsequent purchaser(s) of such bond shall be an accredited investor as defined herein. In the case of a private placement transaction, Applicant or placement agent, upon delivery of the bonds, shall provide the Authority with an executed investment letter from the investor purchasing the bonds substantially to the effect that: (1) it is engaged in the business, among others, of investing in tax-exempt securities or is an "accredited investor" as defined in Regulation D, Rule 501(a) promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933; (b) it has made an independent investigation into the financial position and business condition of the applicant and therefore waives any right to receive such information; and (c) it has received copies of the financing documents pursuant to which such obligations are issued. The Authority's Bond Counsel will provide a form of such investment letter.

8. In the event that the Applicant requests a tax credit certification from the Authority pursuant to Section 42 of the Code, such certification will be given based solely on the independent analysis conducted by a duly qualified independent analyst, which analysis shall be at the expense of the Applicant. Payment of the outstanding bond issuance expenses, the transfer of funds and the execution of final documents shall occur at closing. Under the Code, only two percent (2%) of the proceeds from a "new money" tax-exempt bond issue can be used to pay "Costs of Issuance". The Applicant is responsible at the closing to pay any costs of issuance not payable from bond proceeds. Costs of Issuance include but are not limited to underwriters discount (or placement fee), the fees and expenses of Bond Counsel, Authority Counsel and Structuring Agent/Financial Advisor, printing of the official statement/limit offering memorandum for the sale of bonds, printing of the bonds, Trustees and the Authority fees, Letter of Credit fees, Credit Underwriter Fee, Rebate Analyst fee, Auditor fee, Tax Credit Analyst Fee, and closing expenses, bond ratings, and a reserve for contingencies, to the extent applicable.

9. After authorization of the issue by the Authority, approval by the Board and receipt of evidence of a volume cap allocation, the bond closing may be scheduled at such time and location acceptable to the Authority.

Applicants are responsible for the timely submission of the material required to proceed through each step of the financing process.