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Expanding the breadth of "Middle Income" Housing in California

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"Workforce/Middle Income" Housing Bonds can provide rental housing without Private Activity Volume Cap

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- The Federal Low Income Housing Tax Credit ("LIHTC") Program is successful, though not without limitations
- For 4% LIHTC multifamily deals, a property's tenants must earn on average below 60% AMI
- LIHTC are matched with Mortgage Revenue Bonds, a type of Private Activity Bond ("PABs") in limited supply and subject to annual volume cap allocations
- Existing affordability programs do not address the needs of middle-income families working in more affluent areas

"Workforce/Middle Income" Housing Bonds are only a part of the housing solution

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- Tax abatement housing structures have been around for decades
- California's "Joint Powers Authority" structure grants tax abatement by virtue of local government ownership
- In addition to saving on property tax expenses, the structure allows for the tax exempt financing for acquisition of the target property
- Rents will be capped per the Public Benefits Agreement with the local municipal participant

CMFA Special Finance Agency I – The Mix at CTR City

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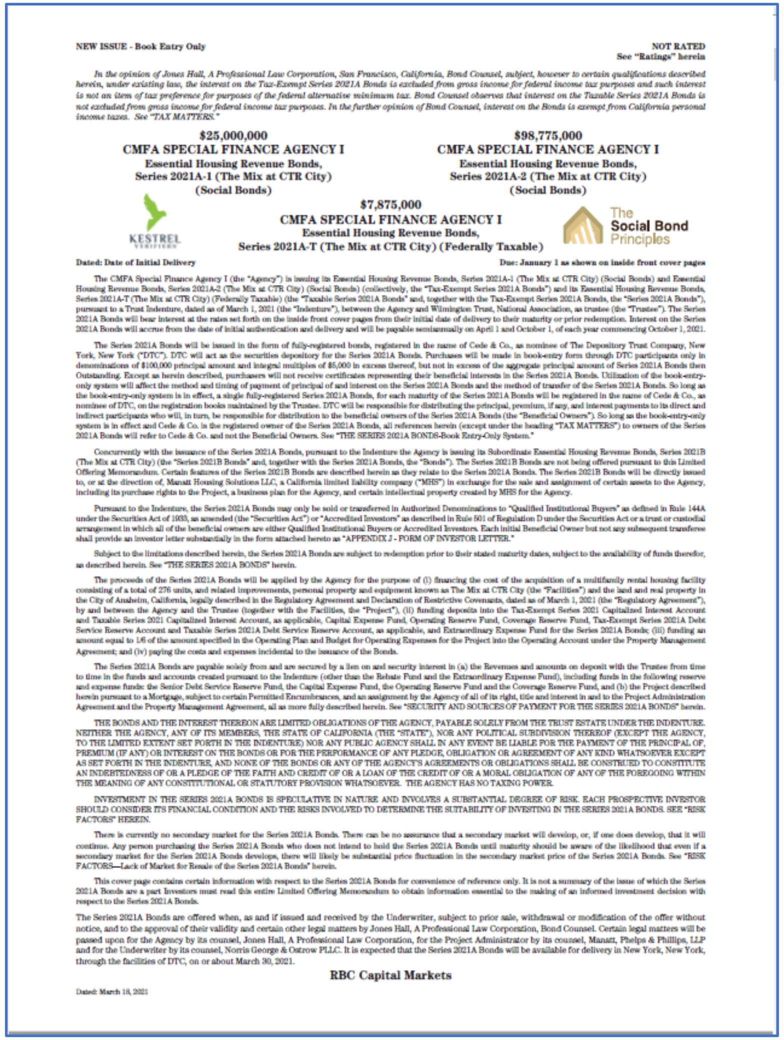
$131,650,000 Essential Housing Revenue Bonds (The Mix at CTR City)
Series 2021A-1, Series 2021A-2 and Series 2021A-T (Federally Taxable)

RBCCM Role: Sole Manager
Sale Date: March 18, 2021
Ratings: NR / NR / NR
Structure: Three term bonds sold to estimated average lives
$7,875,000 A-T; $25,000,000 A-1; $98,775,000 A-2

- Proceeds of the bonds will be utilized as the sole funding source for the acquisition of The Mix at CTR City apartment buildings in Anaheim, CA.
  - The Facilities were developed from 2006-2008 with 276 market rate units.
  - The property also contains approximately 23,350 square feet of retail space
- The security for the bonds includes a first mortgage lien on the Facilities, as well as funds, accounts, and reserved held under the indenture, including but not limited to:
  - Sr. Debt Service Reserve Fund sized to 1 year MADS
  - Capitalized interest Account sized to 6 months of interest
  - Coverage Reserve Fund sized to 20% MADS
  - Capital Expense Fund and Operating Reserve
- On the day of the sale, six institutional investors participated and final pricing for Series 2021A-2 Bonds was a 4.00% coupon to yield 3.55%, generating a price of 103.760 on a YTC basis. Series 2021A-1 and Series 2021A-T were priced at par with 3.30% and 5.00% coupons, respectively
- Second party Social Bond designation from Kestrel Verifiers



Source: Limited Offering Memorandum dated March 18, 2021

Preservation and Recycling PABs in California

The IRS has permitted the recycling of multifamily volume cap since 2008

- Preservation term of 6 months (Bill in Congress proposes to change this to 12 months)
- Preserved Issues must be less than 4 years old (Bill in Congress proposes to change this to 10 years)
- The new tax exempt bonds issued with recycled PAB Cap must mature no later than 34 years after the original tax exempt bonds were issued
- The purpose for which the volume will be used must remain the same (i.e. only Multi-family Housing Bonds can be recycled)
- Recycled bonds do not come with LIHTC

California has transitioned from a State with excess PAB Allocation to facing a substantial shortage

- CA receives $4.15 billion of PAB volume per year
- Per the California Debt Limit Allocation Committee, the first round of 2021 applications for new PAB cap received $1.24 Billion of allocation versus requests for ~$3.3 Billion, a 2.6:1 ratio. Based on a CDLAC market survey, 2021 demand for multifamily PABs is estimated to be in excess of $9 Billion

80/20 Bonds can supplement development of "Middle Income" Projects – considerations

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- Works for new construction and acquisition/rehabilitation projects (ability to obtain guaranties from well capitalized developers)
- Lower leverage when compared to JPA Housing structures
- Equity from experienced and well capitalized developers provides a credit positive
- Typically, local support less critical vs JPA Housing program (no JPA based property tax exemption)
- Eligible to be financed using FNMA's MTEB execution (non LIHTC forward) for certain middle income projects

The Bosco – A Multifamily PAB Recycling Case Study

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- $15,995,000 California Municipal Finance Authority – The Bosco apartments in the City of Berkeley, CA
- Bonds Sold via Institutional Placement - Unrated – Flexible execution
- Financed using recycled Tax Exempt Bond Allocation (No LIHTC) preserved using RBC Balance Sheet Lending Product
- Project includes 15 units – 12 market rate and 3 affordable (with a total of 59 bedrooms)
- 20% of Units set aside for households at or below 50% AMI (with one 40% Unit)
- Expected to achieve green point rated platinum (Leed equivalent)
- Housing concept primarily for "Missing Middle" professionals
- RBC is currently structuring a Line of Credit with CMFA to preserve future multifamily volume cap for new projects