TAX-EXEMPT BOND FINANCING FOR AFFORDABLE WORKFORCE HOUSING – CALIFORNIA & TEXAS

A Quick Comparison

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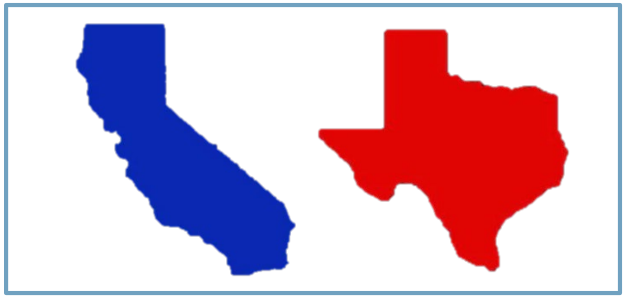
Typical Issuer/Owner



California

- A Joint Powers Authority – a separate political subdivision from the City or County in which the project is located
- City or County must join the JPA to create real estate tax relief
- City or County has option to acquire property in Year 15 for an amount sufficient to pay off bonds
- JPA charges an up-front fee of about 1% (plus or minus) and ongoing fees (generally about 10-12 basis points)

Texas

- Often a public Finance Corporation ("PFC") set up by a Housing Authority
- Is alter ego special purpose "subsidiary" entity of Housing Authority (same Board of Directors, etc.)
- Does not require consent of other political subdivisions
- 100% real estate tax relief for project owned by PFC (with income targeting as described in the next slide)
- Long history of PFC financings and real estate tax relief in Texas
- No later change of ownership required; PFC owns this project from Day 1
- Low or no separate fees of Authority or PFC, but may have separate financial adviser fees
- Housing Authority probably needs some prior ownership experience to pursue; may limit players
- PFC may or may not have small share in current cash flow

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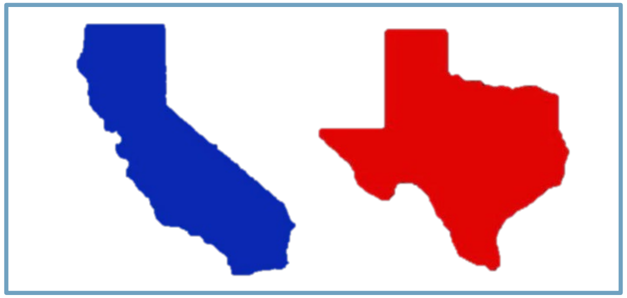

Income Level Targeting

California

- Typically 1/3 each, not to exceed 80%/100% and 120% of AMI (family of 4 adults)

Texas

- At least 50% at ≤80% of AMI, another 40% no greater than 140%-160% of AMI, 10% any income level

Fees/Compensation Allowed to "Project Administrator" / Other Private Participants

- Comparable in both markets; partially a matter of federal tax law

Limitation on Rents

California

- Generally, 30%-35% of AMI level (adjusted)
  - Most projects fairly new; no substantial rehab needs expected

Texas

- None, but projecting below market rents may be important to obtain Housing Authority approval
  - If project older, address rehab needs

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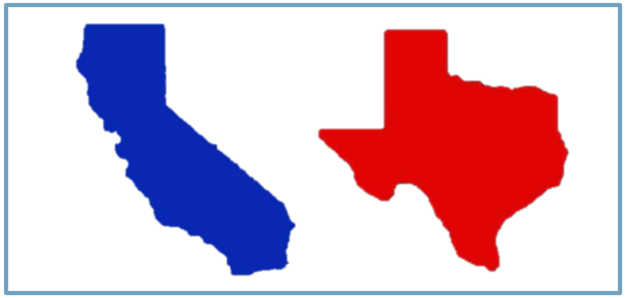
State Review/Constraints on Financing Structure



California

- Not applicable

Texas

- Subject to Attorney General review and approval; may limit some structural options

Opinion on Real Estate Tax Relief

California

- Relatively unqualified

Texas

- “More likely than not,” but market accepts

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Feasibility in Different Jurisdictions

- May vary greatly in different cities/counties in both states
- There are other significant differences and structuring options, which we would be glad to discuss with interested parties!

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