

Date: February 10, 2020

To: ACFA Governing Board
ACFA Credit Committee

From: Brad Paul
Deputy Executive Director, Local Government Services

Subject: **Update on ACFA Marketing Efforts**

This memo serves as an update on ACFA's outreach efforts since onboarding a marketing lead, Max Lelu, in September 2018. Since then staff have been building relationships with potential borrowers to develop a pipeline of new projects through a series of meetings (see attachment) that have also provided valuable insights on the challenges and opportunities ACFA faces.

Key Findings

After presenting ACFA to over 90 organizations, staff significantly improved name recognition for ABAG's conduit issuer, which was virtually unknown after four years of inactivity (2015-2018). ACFA still has considerable ground to make up though, as the "marketplace" for conduit issuers is quite competitive.

Three main types of conduit issuers operate in the Bay Area. Several cities and counties now operate as conduit issuers themselves for affordable housing projects. They require borrowers who use their traditional financing and subsidy programs to select them as their conduit issuer. The state Treasurer's office also requires borrowers who leverage their affordable housing loans to select the state as conduit issuer.

The other main conduit issuers are statewide JPA's, entities typically sponsored by municipal associations (e.g. League of Cities) and some counties (e.g. Kings County) but operated by for profit companies. These JPA's have highly efficient processes and established relationships with borrowers and their advisors. Some JPA's split fee revenue with host jurisdictions. Borrowers frequently cited ease of issuing via these JPA's as a key to their success.

In fact, when selecting a conduit issuer, borrowers almost always cited cost and procedural efficiency as their main criteria. Based on our assessment of the marketplace for issuers, staff think it will be important for ACFA to consider some procedural and pricing changes as well as cross marketing ACFA with other ABAG local government services in order to succeed and grow.

Streamlining the Process

For most projects, conduit debt is just one of several funding sources, so speed and efficiency are critical factors in selecting an issuer. Per ACFA's policies and procedures, new issuances require approval from two bodies (the Credit Committee and Governing Board) which meet monthly and every two months, respectively. By comparison, all other conduit issuers have only one approving body and meet as frequently as twice a month. As FAN completes handing off the management of its portfolio to a successor agency (ACFA), this creates an opportunity for ACFA to streamline its approvals process to better serve prospective clients. More specifically, the dissolution and

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retirement of FAN's Executive Committee could eliminate ACFA's Credit Committee. As the sole approving body, the ACFA Governing Board can maintain a thorough vetting of all new issuances, in partnership with staff and our consultants (Nixon Peabody, PFM, Sperry). The Governing Board could also decide to schedule meetings during those months that ABAG's Executive Board and Finance Committee don't meet, meetings that can easily be canceled in advance if not needed.

Pricing

Staff recently brainstormed partnership opportunities with a County that directly subsidizes affordable housing. Upon further discussion, however, the County noted that ACFA's affordable housing fees are higher than those of their historic conduit issuer partner, the California Municipal Finance Authority (CMFA). They observed:

- Application fee: CMFA is lower by \$2.5K,
- Issuance fees: CMFA is lower by 1.25 bps for deals under \$20M, by \$2.5k for deals over \$20M,
- Annual Administration + Technology Fee: CMFA minimum is lower by \$2K,

Based on our conversations with potential borrowers, even small price differences can play a significant role in the selection of one conduit over another. Over the coming months, staff recommend the ACFA Governing Board evaluate a slightly lower fee schedule and consider conducting a one year trial at lower rates to open doors for new business and referrals.

Strategic Partnerships

ABAG's Bay Area Regional Energy Network (BayREN) programs have lowered energy costs in housing across the region by 15-20% and lowered water use by 20-25% in pilot cities. Combining these popular BayREN programs with ACFA refinancings could help cities reduce the need for operating subsidies for older housing or new rehab projects. For instance, San Francisco's Local Operating Cost Subsidy Program spends millions each year to cover escalating operating deficits at affordable housing developments, deficits driven in large part by rising energy and water costs.

Staff have found a great deal of interest in this more comprehensive approach that would combine ACFA financing with lowering monthly energy and water costs through BayREN's programs. Cross promoting ACFA and BayREN would help increase the region's affordable housing stock while lowering GHG as well as reducing energy and water use, thus leveraging ABAG's local government services programs to give ACFA a competitive advantage among conduit issuers.

Looking Forward

With over a year of outreach and market research complete - and as FAN completes the final steps to installing a successor agency - now is a strategic time for ACFA to consider opportunities to differentiate itself. Staff have identified some challenges to building out a pipeline of projects. Nevertheless, ACFA has the potential to add value to borrowers as a program of the Council of Governments with access to complementary ABAG local government services programs such as BayREN. Staff looks forward to discussing this update with the ACFA Governing Board.

Attachment

Attachment-ACFA Presentations

To date, staff have presented ACFA to:

- County Housing Agencies / Local Conduits:
 - San Francisco Mayor's Office of Housing and Community Development
 - San Jose Department of Housing
 - Santa Clara County Office of Supportive Housing
 - Alameda County Housing & Community Development Department
 - San Mateo County Department of Housing
 - Marin County Community Development Agency
 - Sonoma County Community Development Commission
 - Napa County Housing & Intergovernmental Affairs
 - Santa Clara County Housing Authority
- Municipalities
 - Redwood City- City Manager
 - South San Francisco- CFO
 - Portola Valley- Mayor & Town Manager
 - Vacaville- Housing Department
 - Concord- Community & Economic Development Director / Naval Base Reuse
 - Suisun City- City Manager
 - San Bruno- City Manager
 - San Carlos- Housing & Economic Development Director
 - Walnut Creek- Housing Department Director
 - Santa Rosa- Department of Housing / Housing Authority Director
 - Petaluma- City Manager & CFO
 - Vallejo- Department of Housing and Community Development Director
 - Brentwood Economic Development Manager
 - Union City- City Manager
 - Tiburon- City Manager
 - Belvedere- City Manager
 - Monte Sereno- City Manager
 - Town of Woodside- City Manager
 - Cloverdale- City Manager
 - City/County Association of Governments of San Mateo County (C/CAG)
 - Alameda County Mayors Conference- 30 officials present
- Municipal Finance Officers Professional Gatherings
 - California Society of Municipal Finance Officers chapter meetings (East Bay, Peninsula, North Bay. Cumulative 50 municipal finance staff present.)
 - San Mateo Municipal Finance Officers Group (SAMFOG)

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- Affordable Housing Developers
 - BRIDGE Housing
 - Eden Housing
 - EAH
 - MidPen Housing
 - Tenderloin Neighborhood Development Corporation
 - Mission Housing
 - Chinatown Community Development Corporation
 - East Bay Asian Local Development Corporation
 - Mission Economic Development Association
 - Satellite Affordable Housing Associates
 - Abode Housing
 - Community Housing Partnership
 - Community Development Partners
 - The Unity Council
 - Tabernacle community Development Corporation
 - PEP Housing
 - Christian Friendship Center
 - CORE Communities
 - Charities Housing
 - Sonoma CAP
 - Habitat for Humanity- SF/Marin/Peninsula
 - Brilliant Corners
 - Affordable Housing Access
 - San Francisco Community Land Trust
 - Two mixed-income developers and previous FAN borrowers, Panoramic Interests and Equity Community Builders
- Funders
 - Local Initiatives Support Coalition (LISC)
 - Low Income Initiatives Fund (LIIF)
 - Enterprise Community Partners
 - Community Vision (previously NCCLF)
 - Corporation for Supportive Housing (CSH)
 - Opportunity Fund
 - Community Housing Capital (CHC)
 - Housing Trust Silicon Valley
 - Silicon Valley Bank Community Lending
 - Episcopal Impact Fund
 - Marin Community Foundation
 - Sonoma County Housing Trust
 - HEART San Mateo County
 - Rebuild Northbay Foundation

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- Affordable Housing Developer Trade Associations / Advocates
 - East Bay Housing Organizations
 - Council of Community Housing Organizations
 - San Mateo County Economic Development Association (SAMCEDA)
 - Bay Area Council
 - Silicon Valley Leadership Group
- Financial / Municipal Advisors specializing in Tax Exempt Bonds
 - Western Solutions (advisor to many FAN education facilities deals)
 - California Housing Partnership Corporation
 - Community Economics
 - Stifel
 - Pacific West Bank
 - DCG Strategic Consulting
 - American Campus Communities
- ULI Housing the Bay Conference (exhibitor May 2019- 500 attendees)
- Community Arts Stabilization Trust
- Alameda County Water District Financing Authority
- Bay Area Clean Water Agencies
- Bay Area Water Supply & Conservation Agency
- Peggy Caruso- previously FAN staff
- Oakland Museum of California
- John Muir Health- Treasury Department
- NPH Housing Conference- (exhibitor September 2019- 500 attendees)
- Bond Buyer California Municipal Finance Conference
- San Jose State

Staff will continue a robust schedule of meetings to market ACFA in 2020 including:

- EPA CAN DO
- Burbank Housing
- Mercy Housing