

MOHCD Bond Process Improvement Resolution

What kind of bonds are we talking about here?

- These are conduit issuances of tax-exempt bonds for affordable housing, which means they put the city under no obligation to make payments of any kind.
- These bonds just create a tax-exemption for the interest on the loans the affordable housing developer gets from a bank. They also qualify the projects for tax credits.
- In order to make the bonds tax-exempt, the City serves as the issuer and brings the bond resolutions before the Board of Supervisors for approval.

What is an inducement?

- Inducement resolutions say that the City is considering issuing bonds for a project – they create no obligations and cannot be acted upon without an Issuance Resolution.
- Inducements just set an initial clock of when bond proceeds can be spent. However, since affordable housing projects have many sources – this not a limiting factor.
- Currently, MOHCD brings inducement resolutions before the board separately from issuance resolutions only because it is a requirement for applications to CDLAC, the state bond agency.

The current process:

- Currently projects bring inducement resolutions to the board before applying to CDLAC. Projects must come to MOHCD at least four months before the CDLAC deadline to apply since we prepare the resolution with the City Attorney and confirm the project meets our standards.
- Projects go to Budget and Finance Committee and then the full Board.
 - This is a procedural item and MOHCD brought **nine** inducement resolutions through this process last year alone.
 - This past year board members asked no questions at any hearing on inducements because these are such procedural items.
- This process uses significant amounts of staff time at MOHCD, the Board, the Mayor's Office and the City Attorney's Office.
 - It can also delay projects by as much as 7 months if they miss a deadline, since the CDLAC applications are competitive and there are only a few rounds a year.
 - These delays could cost a project as much as \$3-4 million in additional costs because of rapidly increasing construction and financing costs.

Proposed process:

- The Board would approve a new resolution that allows the Mayor or MOHCD Director to sign off on these procedural items via an inducement certificate.
- The Board would still have approval over all Issuance Resolutions, which come when the project is actually moving forward. Projects can go through inducement but are ultimately not awarded bonds or developed.
- This new system would speed up the affordable housing development process, reduce project costs, and allow staff to focus on moving our affordable housing pipeline forward faster, while maintaining a clear mechanism for Board review.