

**CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY (the “Authority” or “CHFFA”)**

No Place Like Home (“NPLH”) Program

Resolution No. 2017-05

August 24, 2017

Executive Summary

PURPOSE OF THE REQUEST

As the first part of a multi-step process, the California Department of Housing and Community Development (“HCD”) is requesting the Authority approve the issuance of up to \$2 billion of bonds as well as the execution and delivery of certain bond documents for the NPLH Program.

AUTHORITY’S ROLES & RESPONSIBILITIES

- Enter into a service contract with HCD
- Authorize monthly payments (not to exceed \$140 million per year or such greater amount as authorized by law) to HCD for substantial performance of HCD’s obligations under the service contract
- Issue bonds under the Master Indenture and Supplemental Indentures
- Loan proceeds of the bonds to HCD under the Loan Agreement

DOCUMENTS FOR APPROVAL

Service Contract (CHFFA and HCD)

Under a service contract between CHFFA and HCD (the “Service Contract”), HCD is responsible for providing services described in the NPLH Act, including developing, administering and operating the NPLH Program. In consideration for providing these services, CHFFA will pay HCD on a monthly basis (“Service Contract Payments”) with funds from certain tax proceeds under Proposition 63. Proposition 63 established the Mental Health Services Act, which imposes a 1% tax on the portion of a taxpayer’s taxable personal income that exceeds \$1 million (the “Tax”). The Tax funds are deposited in the Supportive Housing Program Subaccount within the Mental Health Services Fund, as provided in California Welfare and Institutions Code, section 5890(f). CHFFA’s obligation to pay HCD for providing services under the Service Contract is contingent upon HCD’s substantial performance of the services under the Service Contract.

Master Indenture (CHFFA as Issuer and State Treasurer’s Office as Trustee)

The Master Indenture governs the terms of the bonds, including the conditions for issuing additional bonds, the security for the bonds, the events of default and remedies.

Form of Supplemental Indenture

A Supplemental Indenture will be entered into for each series of bonds.

Loan Agreement (CHFFA and HCD)

Under the Loan Agreement, CHFFA loans the proceeds of the bonds to HCD and HCD agrees to make payments sufficient for the full payment of the principal of and interest and premium on the bonds and certain related costs and expenses. HCD's obligations to make payments to CHFFA under the Loan Agreement are limited obligations payable solely from Service Contract Payments HCD receives from CHFFA under the Service Contract.

BOND STRUCTURE & SECURITY

Statutory Limits

- Maximum par amount: \$2 billion (or such greater amount as authorized by law)
- Maximum annual debt service: \$140 million (or such greater amount as authorized by law)

Security

- Revenues primarily consist of loan payments from HCD to CHFFA under the Loan Agreement
- Loan payments required under the Loan Agreement are payable from Service Contract Payments from CHFFA to HCD under the Service Contract
- Debt service will be pre-funded at least six months prior to payment dates

Source of Repayment

- Service Contract Payments are payable from NPLH's share of the Tax
- The Tax has historically averaged over \$1.2 billion annually since inception

Structure

- Federally taxable, State tax-exempt
- Fixed rate

Indicative Ratings

- Fitch Ratings, Inc.: A+
- Moody's Investors Service, Inc.: IND A1
- Standard & Poor's Financial Services, LLC: AA-

Fitch Ratings, Moody's Investors Service, and Standard & Poor's have provided indicative ratings for the NPLH Program. These indicative ratings are private and provided at a point-in-time with certain assumptions being made regarding issuance of the bonds as well as an analysis of the structure of the program and the Tax revenue stream. The ratings also assume a successful validation of the program. Public ratings will be requested at the time of the initial issuance and each successive issuance. Public ratings could differ if any of the factors used to obtain the indicative ratings change in the future.

NEXT STEPS

Assuming a successful validation action, HCD will begin implementing the NPLH Program in accordance with its published Program Guidelines. HCD will issue an annual Notice of Funding Availability for at least four consecutive years. HCD will receive project applications and approve awards for eligible projects. HCD will request the Authority to issue bonds from time-to-time in an amount necessary to fund permanent supportive housing projects, Capitalized Operating Subsidy Reserves, and certain other eligible uses under the NPLH Program.

RECOMMENDATION

Staff recommends the Authority approve Resolution Number 2017-05 authorizing the issuance of one or more series of revenue bonds from time to time in an amount not to exceed two billion dollars (\$2,000,000,000) (exclusive of refunding bonds) related to the NPLH Program and certain other actions in connection therewith, including authorizing the execution and delivery of the Master Indenture, Supplemental Indentures, the Loan Agreement, and the Service Contract.

FINANCING TEAM
FOR
NO PLACE LIKE HOME PROGRAM

Borrower: California Department of Housing and
Community Development

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Trustee California State Treasurer's Office ("STO")

Issuer's and STO's Municipal Advisor: Montague DeRose and Associates, LLC

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel: Nixon Peabody LLP

Underwriters: Citigroup Global Markets Inc.
Raymond James & Associates, Inc.

Rating Agencies: Moody's Investors Service, Inc.
Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.

RESOLUTION NO. 2017-05

RESOLUTION OF
THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE BONDS
FROM TIME TO TIME IN AN AMOUNT NOT TO EXCEED
TWO BILLION DOLLARS (\$2,000,000,000) (EXCLUSIVE OF REFUNDING BONDS)
RELATED TO THE NO PLACE LIKE HOME PROGRAM AND
CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the California Health Facilities Financing Authority (the “Authority”) is a public instrumentality of the State of California created by the California Health Facilities Financing Authority Act (as amended from time to time, the “CHFFA Act”);

WHEREAS, in 2004, the people of the State of California passed Proposition 63, which established the Mental Health Services Act (as amended from time to time, the “MHS Act”) imposing a 1% tax on that portion of a taxpayer’s taxable personal income that exceeds \$1,000,000 (the “Tax”);

WHEREAS, consistent with, and to further the purposes of, the MHS Act, in 2016, the State Legislature enacted Part 3.9 of Division 5 of the California Welfare and Institutions Code (as amended from time to time, the “NPLH Act”), creating the No Place Like Home Program (the “NPLH Program”);

WHEREAS, under the NPLH Act, the Authority and the Department of Housing and Community Development (“HCD”) are authorized to enter into a service contract for HCD to provide certain services described in the NPLH Act, including developing, administering and operating the NPLH Program pursuant to the NPLH Act to provide permanent supportive housing for the target population;

WHEREAS, pursuant to Section 15463 of the CHFFA Act, the Authority is authorized to issue up to two billion dollars (\$2,000,000,000) of bonds (exclusive of refunding bonds) from time to time for the purpose of (a) financing permanent supportive housing pursuant to the NPLH Program, (b) funding necessary reserves for principal and interest, capitalized interest, credit enhancement or liquidity costs, costs of issuance, and administrative expenses under Section 5849.4 of the California Welfare and Institutions Code, (c) reimbursing loans under Section 5849.14 of the California Welfare and Institutions Code, and (d) refunding bonds previously issued for the purposes described in (a), (b) and/or (c) or for the purpose of refunding such bonds (collectively, the “Financing Purposes”);

WHEREAS, pursuant to Section 15463 of the CHFFA Act, the Authority may make secured or unsecured loans to HCD from the proceeds of such bonds for the Financing Purposes;

WHEREAS, HCD has requested that the Authority issue one or more series of its revenue bonds (the initial series of Bonds are referred to herein as the “Initial Bonds” and all additional bonds issued from time to time are referred to as “Additional Bonds,” and collectively, the Initial Bonds and the Additional Bonds are referred to herein as the “Bonds”) in an aggregate principal amount not to exceed \$2,000,000,000 (exclusive of refunding bonds), and make one or more loans of the proceeds thereof from time to time to HCD to provide funds for all or any of the Financing Purposes;

WHEREAS, the Authority proposes to enter into a master indenture (as amended or supplemented from time to time, the “Indenture”) with the Treasurer of the State of California (the “Treasurer”), as trustee (the “Trustee”) relating to the issuance of the Bonds and one or more supplemental indenture(s) to the Indenture for each series of the Bonds;

WHEREAS, the Authority proposes to enter into a loan agreement (as amended or supplemented from time to time, the “Loan Agreement”), with HCD, specifying the terms and conditions of a loan or loans by the Authority to HCD of the proceeds of the Bonds for the Financing Purposes and providing for the payment by HCD to the Authority of amounts sufficient for the full payment of the principal of and interest and premium on the Bonds and certain related costs and expenses;

WHEREAS, the Authority proposes to enter into a service contract for the development, administration and operation of the NPLH Program (as amended or supplemented from time to time, the “Service Contract”), with HCD, pursuant to which HCD provides services for the NPLH Program and the Authority pays Service Contract Payments (as defined in the Service Contract) to HCD as consideration for the provision of these services;

WHEREAS, the Service Contract is designed to provide for Service Contract Payments that reflect the value of the Services (as defined in the Service Contract) performed over time under the Service Contract;

WHEREAS, the Authority’s sole source of moneys to pay the Service Contract Payments to HCD under the Service Contract will be the proceeds of the Tax on deposit in the Supportive Housing Program Subaccount within the Mental Health Services Fund, as provided in California Welfare and Institutions Code Section 5890(f), and the Authority’s obligation to make such Service Contract Payments is limited to the proceeds of the Tax on deposit in the Supportive Housing Program Subaccount;

WHEREAS, under the Loan Agreement, HCD proposes to pledge and assign, among other things, all Service Contract Payments and its rights to receive Service Contract Payments under the Service Contract to the Authority to secure HCD’s obligations under the Loan Agreement;

WHEREAS, under the Indenture, the Authority proposes to pledge to the Trustee for the benefit of the Holders from time to time of the Bonds the Trust Estate (as defined in the Indenture); and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

SECTION 1. Pursuant to the Act, Bonds (including the Initial Bonds and any Additional Bonds) of the Authority designated as the “California Health Facilities Financing Authority No Place Like Home Revenue Bonds” in a total aggregate principal amount not to exceed \$2,000,000,000 (exclusive of refunding bonds), are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in any indentures or supplemental indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the Financing Purposes.

SECTION 2. The proposed forms of the following documents:

- (i) Master Indenture;
- (ii) Supplemental Indenture relating to each series of Bonds (each, a “Supplemental Indenture”);
- (iii) Loan Agreement; and
- (iv) Service Contract;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, and the Executive Director of the Authority is hereby authorized and directed to execute each such document (in the case of the Supplemental Indenture, a Supplemental Indenture for each series of Bonds), for and in the name of and on behalf of the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein as may be required by any credit facility provider or rating agency) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Master Indenture, each Supplemental Indenture, the Loan Agreement and the Service Contract (each, a “Bond Document” and collectively, the “Bond Documents”). The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 3. The Bonds of each series shall be substantially in the form set forth in the governing Supplemental Indenture, with such insertions, deletions or changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery of such Bonds. The dated dates, maturity dates (not exceeding 40 years from such series’ date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption or purchase, whether such Bonds are senior bonds or subordinate bonds (including bond anticipation notes), whether such Bonds are secured by a debt service reserve account and provisions relating thereto, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility from time to time, shall be as provided in the governing Supplemental Indenture, as finally executed.

SECTION 4. Bonds approved by the Authority shall be executed by the manual or facsimile signature of the Chairperson or any deputy to the Chairperson, and the seal of the Authority may be affixed thereon (or a facsimile reproduced thereon) by the Executive Director in the form set forth in and otherwise in accordance with, and to the extent required by, the Supplemental Indenture pursuant to which the Bonds are issued.

SECTION 5. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the underwriter or underwriters thereof in accordance with written instructions executed on behalf of the Authority. Said instructions shall provide for the delivery of the Bonds to or upon direction of the underwriter or underwriters, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 6. The Treasurer is hereby authorized to enter into one or more bond purchase agreement(s), each in a form to be submitted for approval to the governing board of the Authority at one or more future meeting(s), to sell the Bonds in one or more series, on one or more sale dates from time to time, at public or private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of HCD and the Attorney General, may determine.

SECTION 7. The underwriter or underwriters are hereby authorized to distribute one or more preliminary official statement(s) related to one or more series of the Bonds, each in a form to be submitted for approval to the governing board of the Authority at one or more future meeting(s), to persons who may be interested in the purchase of such Bonds offered in such issuance. The underwriter or underwriters are hereby directed to deliver one or more final official statement(s) to all actual purchasers of such Bonds.

SECTION 8. The Authority hereby delegates to the Executive Director the power to execute and the power to deliver any amendment to any Bond Documents provided that such amendment (A) is made in accordance with the terms of the applicable agreement or other document being amended, (B)(i) does not require bondholder consent pursuant to the terms of the agreement or any other agreement to which the Authority is a party, if applicable, or (ii) any required consent has been acquired or (iii) such amendment, by its own terms, shall become effective only upon acquiring such consent, (C) does not provide for any additional material duties of or costs to the Authority, other than costs that will be reimbursed no later than the effective date of the amendment, (D) does not modify any provision for indemnification of the Authority or any members, directors, officers, employees or agents of the Authority, and (E) does not modify any provision for payment to the Authority except for payments that are assigned by the Authority to the Trustee or any other third party pursuant to the Bond Documents.

SECTION 9. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things, which they may deem necessary or advisable to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Master Indenture, any Supplemental Indenture, the Loan Agreement and the Service Contract. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

SECTION 10. The Chairperson of the Authority or any deputy to the Chairperson, acting singly, is hereby authorized to execute and deliver each and every document the Executive Director has been delegated the power to execute and deliver pursuant to this Resolution. The Chairperson may act by and through a deputy in connection with the delegations and authorizations under this Resolution.

SECTION 11. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

SECTION 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____