

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

No Place Like Home (NPLH) Program

Resolution No. 2022-01

March 9, 2022

Executive Summary

PURPOSE OF THE REQUEST

The California Department of Housing and Community Development (HCD) is requesting the Authority approve the issuance of the 2022 Bonds as well as the execution and delivery of certain bond documents for the NPLH Program.

NPLH OVERVIEW

To help address the problem of homelessness among the state's mentally ill population, the Legislature authorized the creation of the NPLH Program in 2016 through Assembly Bills 1618 and 1628, which were then approved by the California electorate under Proposition 2 in 2018 (collectively, the NPLH Act). In brief, the NPLH Act authorizes HCD to establish and administer the NPLH Program. The NPLH Program is designed to help accelerate the supply of permanent supportive housing and build on existing programs to combat homelessness among persons who are in need of mental health services. The NPLH Act authorizes HCD to make awards to California counties to assist them in preventing and addressing homelessness by investing in the development of permanent supportive housing for persons who are experiencing homelessness, chronic homelessness or who are at risk of chronic homelessness, and who are in need of mental health services. The NPLH Act also authorizes the Authority to issue up to \$2 billion in revenue bonds from time to time and to enter into a service contract with HCD to provide certain services pursuant to the NPLH Program, including developing, administering and operating the NPLH Program.

SUMMARY OF THE AUTHORITY'S ROLES & RESPONSIBILITIES

- Make monthly payments (not to exceed \$140 million per year or such greater amount as authorized by law) to HCD for providing services under the Service Contract between HCD and the Authority
- Issue bonds under the Master Indenture and Supplemental Indentures from time to time as requested by HCD
- Loan proceeds of the bonds to HCD under the Loan Agreement (and amendments thereto)

PRIOR ACTIONS

At the August 24, 2017 board meeting, the Authority approved Resolution No. 2017-05 (the Original Resolution), authorizing, among other actions, the issuance of up to \$2 billion in bonds as well as the execution and delivery of certain bond documents for the NPLH Program, including the Original Service Contract, the Master Indenture, a First Supplemental Indenture, and the Loan Agreement.

With the passage of Proposition 2 in November 2018, which ratified the NPLH Act and the issuance of bonds by the Authority, HCD began implementing the NPLH Program. The Authority approved Resolution No. 2019-05 on August 29, 2019, authorizing the issuance of the first tranche of bonds (the 2019 Bonds) in an amount not to exceed \$500 million. Subsequently, the Authority approved Resolution No. 2020-05 on September 24, 2020, authorizing the issuance of the second tranche of bonds (the 2020 Bonds, together with the 2019 Bonds, the Bonds) in an amount not to exceed \$450 million. Both Resolutions also authorized among other actions, the execution and delivery of certain bond documents for the NPLH Program, including a revised Service Contract, a Bond Purchase Agreement, and a Preliminary Official Statement.

Due to the nature of the use of the bond proceeds, the Authority designated the Bonds as “Social Bonds.” Social Bonds are bonds whose proceeds are applied toward new and existing projects with positive social outcomes. Social Bonds may follow the Social Bond Principles promulgated by the International Capital Market Association and are framed by four core components: (1) use of proceeds; (2) process for project evaluation and selection; (3) management of proceeds; and (4) reporting.

Due to the additional need of funds to make awards to counties for the purpose of funding permanent supportive housing projects, HCD is requesting the Authority authorize the issuance of a third tranche of bonds (the 2022 Bonds) in a principal amount not to exceed \$1,050,000,000. Similar to the 2019 Bonds and the 2020 Bonds, the 2022 Bonds also will be designated as Social Bonds. Upon delivery of the 2022 Bonds, the full \$2 billion (exclusive of refunding bonds) currently authorized pursuant to the NPLH Act will be exhausted.

DOCUMENTS FOR APPROVAL

Third Supplemental Indenture (CHFFA and California State Treasurer, as Trustee)

Under the Original Resolution, a form of the Master Indenture between CHFFA and the California State Treasurer was approved. The Third Supplemental Indenture will supplement the Master Indenture and sets forth certain terms related to the 2022 Bonds.

Second Supplemental Loan Agreement (CHFFA and HCD)

Under the Original Resolution, a form of the Loan Agreement between CHFFA and HCD was approved. The Second Supplemental Loan Agreement will supplement the Loan Agreement and sets forth certain terms related to the 2022 Bonds.

Bond Purchase Agreement (CHFFA as Issuer, California State Treasurer, as Agent for Sale, and the Underwriters)

The Bond Purchase Agreement provides for the sale of the 2022 Bonds to the Underwriters, specifies terms for payment of the purchase price, contains representations and warranties of CHFFA, and contains conditions precedent to the Underwriters’ obligation to purchase the bonds at closing.

Preliminary Official Statement

The Preliminary Official Statement provides disclosure to potential bond investors.

RECOMMENDATION

Staff recommends the Authority approve Resolution Number 2022-01 authorizing the issuance of the 2022 Bonds and the execution and delivery of the Third Supplemental Indenture, the Second Supplemental Loan Agreement, a Bond Purchase Agreement, and a Preliminary Official Statement, among other matters.

Financing Team
for
No Place Like Home Program

Borrower: California Department of Housing and
Community Development

Borrower's Counsel: Office of the Attorney General

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Trustee: California State Treasurer

**Issuer's and California State Treasurer's
Municipal Advisor:** Montague DeRose and Associates, LLC

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel: Nixon Peabody LLP

Joint Senior Managing Underwriters: Raymond James & Associates, Inc.
RBC Capital Markets

Co-Senior Managing Underwriter: Loop Capital Markets

Co-Managers: American Veterans Group, PBC
Backstrom McCarley Berry & Co., LLC
Blaylock Van, LLC
BofA Securities, Inc.
Citigroup Global Markets Inc.
Goldman Sachs & Co. LLC
Great Pacific Securities
Piper Sandler & Co.
Rice Financial Products Company
Siebert Williams Shank & Co., LLC
TD Securities (USA) LLC
UBS Financial Services Inc.
U.S. Bancorp Investments, Inc.

Underwriter's Counsel: Norton Rose Fulbright US LLP

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

RESOLUTION NO. 2022-01

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS AND THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENTAL INDENTURE, A SECOND SUPPLEMENTAL LOAN AGREEMENT, A BOND PURCHASE AGREEMENT AND CERTAIN OTHER DOCUMENTS 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 (“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 through the date hereof and as it may be further amended, the “NPLH Act”), creating the No Place Like Home Program (the “NPLH Program”);

WHEREAS, following the original enactment of the NPLH Act in 2016 and subsequent amendments in 2017, the State Legislature enacted the No Place Like Home Act of 2018, and the voters of the State of California approved Proposition 2 in November 2018, which ratified the NPLH Act as being consistent with and in furtherance of Proposition 63 and approved all of the provisions of the NPLH Act, as well as the issuance by the Authority of the hereinafter referenced Bonds, for purposes of Section 1 of Article XVI of the California Constitution;

WHEREAS, pursuant to the NPLH Act, the Authority and the Department of Housing and Community Development (“HCD”) previously entered into a service contract, dated as of November 1, 2019 (the “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, by Resolution No. 2017-05 (the “Original Resolution”) adopted by the Authority on August 24, 2017, the Authority authorized, among other actions, the issuance of one or more series of Bonds (as defined in the Original Resolution) in an aggregate principal amount not to exceed \$2,000,000,000 (exclusive of refunding bonds), and the execution by the Authority of the Indenture, a Supplemental Indenture, the Loan Agreement and the Service Contract, all as provided in the Original Resolution;

WHEREAS, by Resolution No. 2019-05 (the “2019 Resolution”) adopted by the Authority on August 29, 2019, the Authority authorized a revised form of the Service Contract;

WHEREAS, pursuant to the authorizations contained in the Original Resolution and the 2019 Resolution, the Authority previously issued its California Health Facilities Financing Authority No Place Like Home Senior Revenue Bonds, Series 2019 (Social Bonds – Federally Taxable) (the “Series 2019 Bonds”) in the aggregate principal amount of \$500,000,000 pursuant to an Indenture, dated as of November 1, 2019 (the “Master Indenture”), as supplemented by the First Supplemental Indenture, dated as of November 1, 2019 (the “First Supplemental Indenture”), each between the Authority and The Treasurer of the State of California, as trustee (the “Trustee”) and loaned the proceeds of the Series 2019 Bonds to HCD pursuant to a Loan Agreement, dated as of November 1, 2019 (the “Original Loan Agreement”), between the Authority and HCD and executed the Service Contract with HCD;

WHEREAS, pursuant to the authorizations contained in the Original Resolution and Resolution No. 2020-05 (the “2020 Resolution”) adopted by the Authority on September 24, 2020, the Authority previously issued its California Health Facilities Financing Authority No Place Like Home Senior Revenue Bonds, Series 2020 (Social Bonds – Federally Taxable) (the “Series 2020 Bonds”) in the aggregate principal amount of \$450,000,000 pursuant to the Master Indenture, as supplemented by the Second Supplemental Indenture, dated as of November 1, 2020 (the “Second Supplemental Indenture” and, together with the Master Indenture and the First Supplemental Indenture, the “Indenture”), between the Authority and the Trustee and loaned the proceeds of the Series 2020 Bonds to HCD pursuant to the Original Loan Agreement, as supplemented by the First Supplemental Loan Agreement, dated as of November 1, 2020 (the “First Supplemental Loan Agreement” and, together with the Original Loan Agreement, the “Loan Agreement”), between the Authority and HCD;

WHEREAS, HCD has requested that the Authority issue a third series of additional Bonds (the “Series 2022 Bonds”) under the Indenture in an aggregate principal amount not to exceed \$1,050,000,000, and make a loan of the proceeds thereof to HCD to provide funds for all or any of the Financing Purposes;

WHEREAS, the Authority proposes to enter into a third supplemental indenture (the “Third Supplemental Indenture”) with the Trustee relating to the issuance of the Series 2022 Bonds;

WHEREAS, the Authority proposes to enter into a second supplemental loan agreement (the “Second Supplemental Loan Agreement”) with HCD, specifying the terms and conditions of a loan by the Authority to HCD of the proceeds of the Series 2022 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 Series 2022 Bonds and certain related costs and expenses; and

WHEREAS, the Authority also proposes to approve a form of bond purchase agreement and preliminary official statement and related matters;

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

SECTION 1. Pursuant to the CHFFA Act and in furtherance of the authorization to issue Bonds provided in the Original Resolution, the Series 2022 Bonds in a total aggregate principal amount not to exceed \$1,050,000,000 are hereby authorized to be issued, with such name as designated in the Third Supplemental Indenture. The proceeds of the 2022 Bonds shall be used for any or all of the Financing Purposes.

SECTION 2. The proposed forms of the following documents:

(i) Third Supplemental Indenture;

(ii) Second Supplemental Loan Agreement;

(iii) Bond Purchase Agreement, including the exhibits thereto, relating to the Series 2022 Bonds (the "Purchase Agreement"), among Raymond James & Associates, Inc. and RBC Capital Markets, LLC, on behalf of the underwriters named in the Purchase Agreement as finally executed (the "Underwriters"), the Treasurer of the State of California, as agent for sale, and the Authority, and approved by HCD; and

(iv) Preliminary official statement relating to the Series 2022 Bonds (the "Preliminary Official Statement");

are hereby approved in substantially the forms on file with the Authority prior to this meeting, and the Executive Director of the Authority (the "Executive Director") and the Deputy Executive Director of the Authority (the "Deputy Executive Director") are each hereby authorized and directed to execute each such document, 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 or liquidity 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 Third Supplemental Indenture, the Second Supplemental Loan Agreement and the Purchase Agreement, and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director or the Deputy 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 Series 2022 Bonds shall be substantially in the form set forth in the Third 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 Series 2022 Bonds. The dated dates, maturity dates (not exceeding 40 years from the 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 Series 2022 Bonds are senior bonds or subordinate bonds, whether such Series 2022 Bonds are secured by a debt service reserve account and provisions relating thereto,

provisions governing transfer and other terms of the Series 2022 Bonds, including provisions for a credit facility from time to time, shall be as provided in the Third Supplemental Indenture, as finally executed.

SECTION 4. The Series 2022 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 Third Supplemental Indenture.

SECTION 5. The Series 2022 Bonds, when executed pursuant to the Third Supplemental Indenture, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Series 2022 Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Series 2022 Bonds, when duly executed and authenticated, to or upon direction of the underwriter or underwriters or purchaser thereof in accordance with written instructions executed on behalf of the Authority. Said instructions shall provide for the delivery of the Series 2022 Bonds to or upon direction of the underwriter or underwriters or purchaser, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 6. The Authority is authorized to designate the Series 2022 Bonds as "Social Bonds" funding "Social Projects" within the meaning of such terms in the Social Bond Principles promulgated by the International Capital Market Association, updated as of June 2021.

SECTION 7. The Underwriters are hereby authorized to distribute a Preliminary Official Statement for the Series 2022 Bonds to persons who may be interested in the purchase of such Series 2022 Bonds offered in such issuance. The Executive Director and the Deputy Executive Director are each hereby authorized and directed to deliver in connection with the Preliminary Official Statement a certificate in a form acceptable to the signatory thereof, to the effect that the Preliminary Official Statement is deemed final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (which may be based on various certificates from other State departments or agencies). The Underwriters are hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Series 2022 Bonds.

SECTION 8. The Authority hereby delegates to the Executive Director and the Deputy Executive Director the power to execute and the power to deliver any amendment to the Indenture, the Third Supplemental Indenture, the Loan Agreement and the Second Supplemental Loan Agreement provided that such amendment (A) is made in accordance with the terms of the Indenture and Loan Agreement, (B)(i) does not require bondholder consent pursuant to the terms of the Indenture and Loan 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, and (D) 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 Indenture and Loan Agreement.

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 Series 2022 Bonds or in any way related to or in connection with the Series 2022 Bonds and otherwise to effectuate the purposes of this Resolution and the Third Supplemental Indenture, the Second Supplemental Loan Agreement, the Purchase Agreement and the Official Statement. 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 Series 2022 Bonds and one or more investment agreements, guaranteed investment contracts, forward delivery agreements or other investment vehicles for moneys in any of the funds or accounts held by the Trustee under the Indenture.

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 and the Deputy Executive Director have 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: _____