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Century Housing Announces Unique Bond Deal.

The transaction will help finance thousands of affordable homes in California.

Century Housing announced plans to become the first Community Development Financial Institution (CDFI) to go to market with a municipal bond CUSIP (Committee on Uniform Securities Identification Procedures).

Officials involved in the deal expect to issue up to \$100 million in ESG (environmental, social, and governance) municipal bonds to raise money to support their affordable housing efforts. The bonds will be underwritten by sole senior manager Wells Fargo Securities.

Most CDFIs are nonprofit organizations, and they usually utilize corporate CUSIPs, the system that identifies different securities, including bonds. However, in this case, Century Housing decided on a municipal CUSIP, according to Peter Cannava, managing director at Wells Fargo Securities.

"We thought that issuing a muni CUSIP and going through a conduit municipal agency like the California Municipal Finance Authority would provide additional buyers for Century to market their bonds to," says Cannava. "It would also give them some flexibility that they wouldn't be able to get in the corporate market because corporate CUSIPs are somewhat unique as to what type of investors can buy them."

The transaction is also the first CDFI bond deal to be rated by two rating agencies, Fitch Ratings and S&P Global Ratings, with AA and AA-, respectively, according to Cannava.

This step was to provide another set of eyes to look at the deal under their criteria and reaffirm the rating the other agency provided, especially with some of the volatility seen this year as a result of the COVID-19 pandemic. "We feel the second rating would help place Century in the best position from a marketing perspective," Cannava says. "Often in the muni market, a lot of deals come with two ratings so it would be more in line with the municipal marketplace."

Led by president and CEO Ronald M. Griffith, Century Housing focuses on funding affordable housing in California. The CDFI has invested more than \$2 billion in financing and has helped create approximately 45,000 affordable homes throughout the state.

"This offering will accelerate our ability to serve our mission and deliver financing exactly where it is needed most," he says.

The bonds will be federally taxable and state tax-exempt. Century Housing will use the proceeds to provide early-stage financing, including acquisition, bridge, and construction loans, which has become the organization's specialty.

The early financing is critical because most affordable housing is ultimately financed by low-income housing tax credits (LIHTCs), and developers must have site control even before they can apply for the housing credits, says Alan Hoffman, senior vice president and CFO at Century Housing.

As a result, acquisition loans are vital, but they're also in short supply because many depository institutions cannot make these loans, explains Hoffman.

He says he expects the bond transaction to raise at least \$50 million and as much as \$100 million. At the larger end, the financing would help in the construction or preservation of more than 2,000 affordable housing units.

Officials point out that LIHTC properties in the state have strong green and social components. To highlight these features, the transaction has a third-party opinion by Sustainalytics that attests to both the environmental and social benefits that will be created by the housing made possible by the bonds. It's one more move to try to draw buyers to the bonds.

Affordable Housing Finance

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June 19, 2020

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