

CORPUS CHRISTI HOUSING FINANCE CORPORATION
(Organized in 1979 by Corpus Christi City Council)

The CCHFC's board of directors is comprised of the nine members of the City Council. It meets on an as-needed basis in order to assist in meeting local housing needs.

Past Bond Activities

In the 1980's, the CCHFC issued over \$100 million in single family mortgage revenue bonds which provided financing at affordable interest rates (market rates exceeded 10%) for over 2,000 first-time homebuyers. When conditions changed in the bond markets, the CCHFC ceased issuing bonds and refocused its efforts in originating mortgage credit certificates which assisted over 3,000 first-time homebuyers during the period from 1987 through 2009 when that program concluded.

In the 1980's, the CCHFC also issued multi-family housing revenue bonds to finance the construction of five market-rate apartment projects. Due to changes in federal tax laws and the local market occupancy, that program was terminated.

In 2005, the CCHFC issued \$15 million in multi-family housing revenue bonds to finance the first phase of the Costa Tarragona Apartments located at N.P.I.D. and I-H 37. In 2011, the second phase was constructed without using revenue bonds, but both phases qualified for low-income housing tax credits. In that project, the CCHFC also owns the land which is leased for the development and was a co-developer and received development fees.

Outline of a Bond Financing and Key Terms

Under federal and state laws, the CCHFC can issue revenue bonds which are tax-exempt under federal tax laws when required conditions are satisfied. When the project is owned or managed by a private company, they are called "private activity bonds."

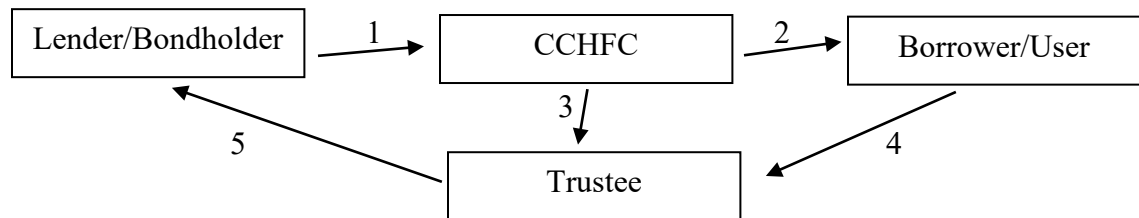
Private Activity Bonds. Under federal law, only a limited amount of private activity bonds may be issued in each state each year that will be tax exempt. The Texas Bond Review Board (BRB) operates an allocation system that gives authority to issue bonds for different types of projects including housing, port facilities, hospital facilities, etc. When it receives more requests for a year than the State allocation in a particular category, it conducts a lottery in that category.

State Allocation System. The BRB has a deadline of October 20 for issuers seeking an allocation for issuing bonds in the next year. If the CCHFC gets an allocation for a bond issue, it is permitted to issue multifamily housing revenue bonds that will be tax exempt. The State performs no other role in the system other than the BRB allocating the annual amount for private activity bonds in the State each year to different issuers.

No Impact on City Bonds. A bond issued by the CCHFC is not an obligation of the City of Corpus Christi and in no way impacts the City's bond rating or its ability to issue bonds or certificates of obligations. City bonds and certificates of obligation are not private activity bonds so they are not

subject to any of these rules. The CCHFC has no ability to levy taxes, and no taxing authority or credit of the City is involved in any of the CCHFC's financings.

Bonds Are "Conduit Financing". Bonds issued by the CCHFC are considered a conduit financing in that the borrower obtains a lender, based solely on the credit underwriting of the borrower. Once the lender approves the loan to the borrower, the lender agrees to purchase bonds from the CCHFC in the amount of the loan and the CCHFC loans the funds to the borrower. The CCHFC's bonds are repayable solely from the loan payments received from the borrower. The loan typically also is secured by real estate and may have personal guaranties of the borrower's principals as required by the lender. Although technically the CCHFC makes the loan, the terms are determined by the lender, and the terms of the bonds issued are the same as the loan terms for the borrower.



Steps in Transaction.

- Step 1. CCHFC issues bonds to lender to obtain funds for loan.
- Step 2. CCHFC loans funds to borrower on same terms as specified in bonds.
- Step 3. CCHFC assigns all rights to loan to Trustee for Lender/Bondholder.
- Step 4. Borrower makes required loan payments to Trustee.
- Step 5. Trustee pays funds received to Lender/Bondholder.

Limited Obligation of CCHFC. The bonds are not general obligations of the CCHFC but are revenue bonds payable from the revenues generated by the loan to the borrower. The existing funds and assets of the CCHFC are not pledged to secure the bonds and are not at risk if the borrower defaults in payment of the loan. The CCHFC assigns its rights under the loan documents to a trustee for the bonds, so if the borrower defaults on the loan, the trustee would conduct whatever foreclosure would be necessary in order to liquidate the remaining assets securing the loan for the lender.

Footnote on City CAFR. The financial reporting standards for the City, GASB requires that all conduit debt issued by issuers affiliated with the City be reported as a footnote on the City's comprehensive annual financial report. The bonds are not in any way a liability of the City, but since the CCHFC is affiliated with the City they are noted on the financial statements in that manner.