

LACAHSA

The Affordable Solutions Agency

Presents:
**Social Bond Update &
Sales Tax Bonding Analysis**

Presented by:
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Social Bond Process: November Focus

Board Meeting	11/19	12/17	1/14	2/18	3/18	4/15
Board Approvals		Approval to Bond (conceptual only) & Negotiate a Housing Finance Consortium Entity		Approve Housing Finance Consortium Entity structure	Approve Bond amount and structuring	Seek final board resolution authorizing bond issuance
Discussion Points	<ul style="list-style-type: none"> Update on Social Bond Process Sales Tax Bonding Capacity Analysis Update on Learning Sessions 	<ul style="list-style-type: none"> Present Social Bond Concept-legal structure, core components, estimated costs) Present "Housing Finance Consortium" concept 	<ul style="list-style-type: none"> Update on Social Bond Process Housing Finance Consortium Updates Early NOFA themes 	<ul style="list-style-type: none"> Update on Social Bond Process Present HFC entity structure for board approval Discuss NOFA results & bond sizing considerations 	<ul style="list-style-type: none"> Update on Social Bond Process Present Final good faith estimates on bond issuance & interest costs Present Credit Rating decision 	<ul style="list-style-type: none"> Final Review of resolution details that include legal & disclosure documents, and good faith estimates on bond issuance and interest cost Present final investment projects from NOFA



Los Angeles County Affordable Housing Solutions
Agency (“LACAHSAs”)

Bond Structuring Discussion

November 2025

Today's Presentation

Provide an overview of: (i) preliminary bond structure alternatives and key indenture terms for the Spring 2026 Social Bond, and (ii) estimates of overall Programmatic Bonding Capacity and Pay-Go dollars available for projects for sales tax program.

- **The optimal bond structure and indenture terms will balance the following objectives:**

1. High credit ratings
2. Low cost of capital
3. Strong investor reception
4. Future financing optionality and flexibility
5. Optimization of overall programmatic bonding capacity

- **Key variables include:**

1. Debt Service Coverage and Additional Bonds Test
2. Tax Status
3. Bond Term
4. Pledged Revenues
5. Call Features

Executive Summary

LACAHSA's finance team has prepared pro forma debt service numbers for the following alternative scenarios.

- **Structures Evaluated**

- Initial Issuance Date: Spring 2026 following completion of NOFA Process
- Bond Size: \$200 million, \$300 million, \$330 million in proceeds for projects
- Tax Status: 100% tax-exempt and 90% tax-exempt/10% taxable
- Additional Bonds Test: 1.75x and 2.0x
- Tenor/Term: 30 years.
- Interest Rate Mode: Fixed
- Pledge: Bonds secured solely by a share (6.435%) of LACAHSA's Measure A revenues

- **Future Issuance Assumptions**

- 2028 and 2030
- 2% annual growth in sales tax

Debt Service Coverage and ABT

Debt service coverage measures the ratio of pledged revenues to annual debt service, and serves as an important metric for credit rating agencies, investors and LACAHSAs ability to issue debt.

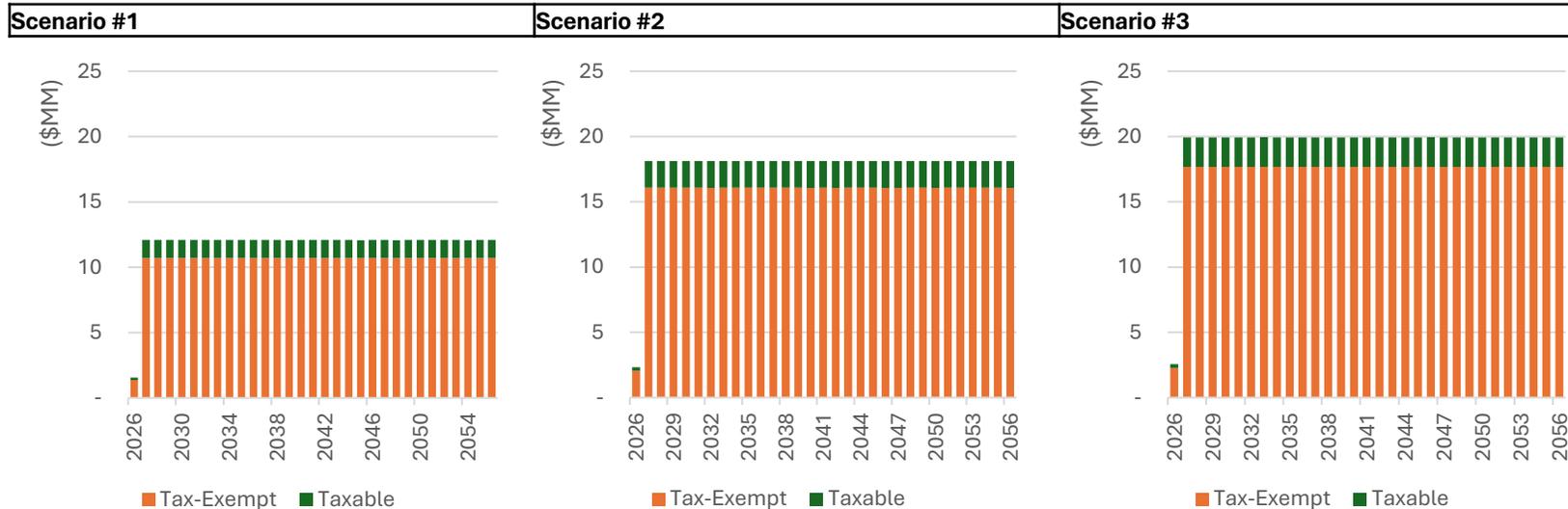
- **Debt Service Coverage**
 - The ratio of pledged revenues to annual debt service; as an example, 2.0x debt service coverage means annual revenues are double annual debt service; revenues can drop by up to 50% before they are insufficient to cover debt service
 - Rating agencies and investors look to strong coverage when analyzing an issuer's credit
 - Higher coverage can give an issuer room to layer on future debt without risking financial pressure and/or negative credit action;
- **Additional Bonds Test**
 - Governs when new parity debt can be issued, typically requiring that historical and/or projected revenues cover Maximum Annual Debt Service on existing **and** proposed bonds by a certain multiple (i.e. 1.75x or 2.00x)
 - A stringent ABT (i.e., higher) reassures investors that an issuer won't overleverage a revenue stream . . . but limits overall programmatic bonding capacity
 - A weak ABT can undercut confidence even if current debt service coverage is strong
- **Pay-Go Revenues**
 - Excess sales tax revenues (above annual ds) available for Pay-Go funding of projects

Illustrative Series 2026 Results

Illustrative Issuance Summary

	Scenario #1	Scenario #2	Scenario #3
Delivery Date	03/01/26	03/01/26	03/01/26
Total Par (\$)	184,930,000	277,390,000	305,130,000
Tax-Exempt / Taxable Par (\$MM)	\$164.725 / \$20.205	\$247.085 / \$30.305	\$271.795 / \$33.335
Total Project Fund (\$)	200,000,000	300,000,000	330,000,000
Tax-Exempt / Taxable Project Fund (\$MM)	\$180.000 / \$20.000	\$270.000 / \$30.000	\$297.000 / \$33.000
Blended All-In TIC (%)	4.372%	4.372%	4.372%
Tax-Exempt / Taxable All-In TIC (%)	4.250% / 5.432%	4.250% / 5.432%	4.250% / 5.432%
Total Debt Service (DS) (\$)	363,997,187	545,986,029	600,598,445
Max Annual DS (MADS) (\$)	12,086,035	18,125,935	19,939,200
Minimum Coverage on Annual DS	5.94x	3.96x	3.60x

Illustrative Proforma Debt Service



Additional Bonds Test

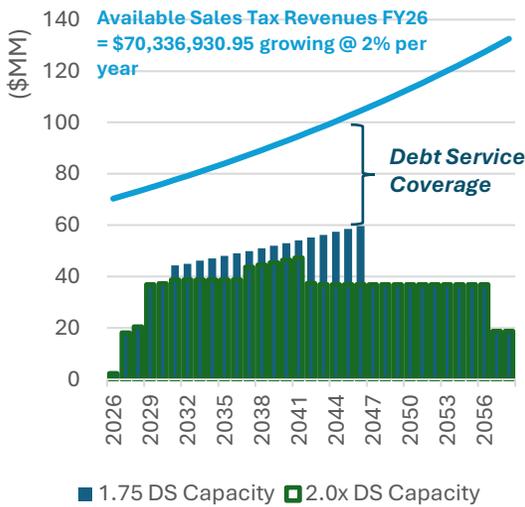
- **Additional Bonds Test and Future Capacity Considerations**

- Our base assumption is a 1.75x ABT (meaning Net Revenues at the time of a future issuance must be 1.75x maximum annual debt service at the time of issuance)
- Adjusting the base assumption ABT from 1.75x to 2.00x ABT would not affect the initial issuance but would result in approximately \$122.5 million less in overall project fund capacity versus the 1.75x ABT.
- Both ABT's are consistent with high sale tax program ratings.

Illustrative ABT Comparison

	1.75x ABT Capacity	2.00x ABT Capacity	Difference
Par (\$)	\$712,155,000	\$601,205,000	\$110,950,000
Project Fund (\$)	\$765,010,550	\$642,515,669	\$122,494,881
All-In TIC (%)	4.419%	4.482%	(0.06%)
Total Debt Service (DS) (\$)	\$1,350,490,797	\$1,168,680,213	\$181,810,584
Max Annual DS (MADS) (\$)	\$59,723,304	\$47,328,862	\$12,394,442
Minimum Coverage on Agg. Annual DS	1.75x	2.00x	+0.25x

Illustrative Proforma Debt Service



Additional Factors that Impact Results and Capacity

- **Revenue Pledge**

- Increasing revenue pledge beyond 6.435% of Measure A receipts would increase debt service coverage, bolster underlying credit and increase total programmatic bonding capacity
- Bonds could still be sized carefully so that debt service doesn't exceed 6.435% of Measure A revenues

- **Credit Ratings**

- Investors will demand more yield (in the form of increased credit spread) for bonds that are lower-rated
- Although for credits in the 'AA' category, that pricing differential can typically be negligible between ratings (i.e. 5 bps for AAA vs. AA+, 5 bps for AA+ vs. AA as of current market conditions)

- **Market-Based Factors**

- Changes in interest rates and credit spreads
- Shape of yield curve

Additional Bond Structuring Alternatives

Interim financing instruments could be useful to address potential uncertainty around timing and amount of project loan agreements to be determined by the NOFA process.

- Interim financing instruments such as Bank Revolving Facilities and Commercial Paper Notes are tools that could allow LACAHSa to draw funds as needed to fund Project loan agreements as they are completed, with a long-term bond takeout later in the year. Such instruments typically are structured using a subordinate lien.
- Long-term sales tax bonds are typically structured with a 10-year par optional call provision, which would allow LACAHSa to refinance or pay-down debt after 10 years. To provide greater call flexibility, some or all of the bonds could be structured with a shorter call (i.e., 7 year), at additional expense.
- Another short-term financing option is the use of fixed rate put bonds, which are long-term securities issued with a fixed coupon rate that give investors the right to sell back the bonds to the issuer at par on certain future dates (typically in 3 or 5 years). These securities combine long-term amortization with short-term investor optionality.

Morgan Stanley

APPENDIX

Additional Financing Results

Tax Status

- **Taxable Bonds**

- Proceeds for a portion of LACAHSAs debt may be required to be funded on a taxable basis
- If LACAHSAs debt is issued on a taxable basis, future financing capacity is reduced compared to an all tax-exempt or split scenario
- Administratively, issuing taxable debt would provide more expenditure flexibility with respect to use of proceeds

Illustrative Series 2026 Comparison

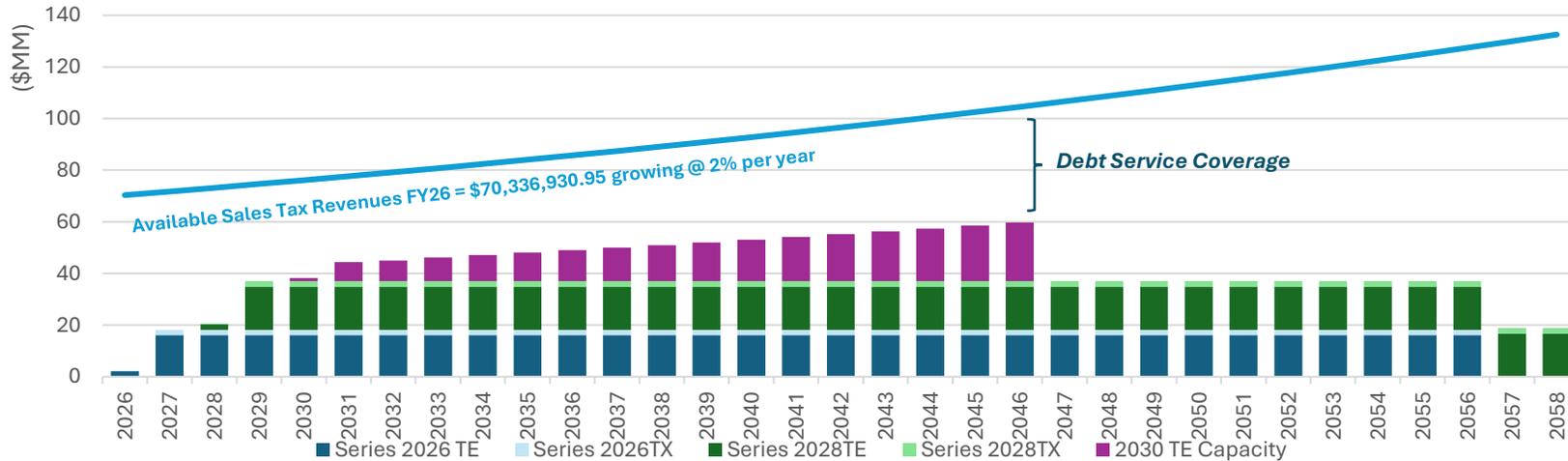
	Series 2026: 90% Tax-Exempt / 10% Taxable	Series 2026: Tax-Exempt	Series 2026: Taxable
Delivery Date	03/01/26	03/01/26	03/01/26
Total Par (\$)	277,390,000	274,540,000	303,035,000
Tax-Exempt / Taxable Par (\$MM)	\$247.085 / \$30.305	TE Only	TX Only
Total Project Fund (\$)	300,000,000	300,000,000	300,000,000
Tax-Exempt / Taxable Project Fund (\$MM)	\$270.000 / \$30.000	TE Only	TX Only
All-In TIC (%)	4.372%	4.250%	5.432%
Total Debt Service (DS) (\$)	545,986,029	538,062,583	617,431,581
Max Annual DS (MADS) (\$)	18,125,935	17,861,500	20,496,523
Minimum Coverage on Aggregate Annual DS	3.96x	4.01x	3.50x

Series by Series Results for 1.75x ABT

Illustrative Issuance Summary

	Series 2026	Series 2028	Series 2030	Total
Delivery Date	03/01/26	03/01/28	03/01/30	-
Total Par (\$)	277,390,000	286,885,000	147,880,000	712,155,000
Tax-Exempt / Taxable Par (\$MM)	\$247.085 / \$30.305	\$256.580 / \$30.305	TE Only	\$651.545 / \$60.610
Total Project Fund (\$)	300,000,000	300,000,000	165,010,550	765,010,550
Tax-Exempt / Taxable Project Fund (\$MM)	\$270.000 / \$30.000	\$270.000 / \$30.000	TE Only	\$705.011 / \$60.000
Blended All-In TIC (%)	4.372%	4.707%	3.770%	4.419%
Tax-Exempt / Taxable All-In TIC (%)	4.250% / 5.432%	4.565% / 5.941%	TE Only	4.298% / 5.674%
Total Debt Service (DS) (\$)	545,986,029	568,148,934	236,355,833	1,350,490,797
Max Annual DS (MADS) (\$)	18,125,935	18,861,410	22,748,250	59,723,304
Aggregate MADS	18,125,935	36,985,778	59,723,304	59,723,304
Minimum Coverage on Aggregate Annual DS	3.96x	2.02x	1.75x	1.75x

Illustrative Proforma Debt Service





LACAHS
THE AFFORDABLE
SOLUTIONS AGENCY

Thank You!