



BAHFA Business Plan Update

**ABAG Housing Committee &
BAHFA Oversight Committee**



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

January 12, 2023

Agenda

1. Legislation Review
2. Initial Funding Programs
3. Next Steps



1. Legislation Review

AB 1487: 3Ps Funding Guidelines

How will BAHFA fund **Production**, **Preservation**, and **Protections**?

The Legislation stipulates funding parameters for each P:

- A minimum of **52%** for the **production** of rental housing that will be deed restricted to be affordable to households up to 80% AMI for at least 55 years;
- A minimum of **15%** for the **preservation** of housing that will be deed restricted to be affordable to households up to 120% AMI for at least 55 years; and
- A minimum of **5%** for tenant **protections** for households up to 120% AMI.

Guidelines for County/City Funding:

- Must adhere to the same splits as above, but the uses are slightly more flexible.

AB 1487: Initial Revenue Sources

Regional Housing Revenue (RHR) – BAHFA’s **share of funds raised** through general obligation bonds, parcel taxes, special head taxes, gross receipts taxes, and linkage fees; for GO bonds, parcel taxes, and gross receipts taxes, **RHR is 20%**.

County/City Housing Revenue (CHR) – the **share of funds raised** through these measures that will be returned to the counties; for GO bonds, parcel taxes and gross receipts taxes, **CHR is 80%**.

The **initial revenue source** is **projected to be GO bond proceeds** because this source generates significant revenue and is most likely to be approved by voters in the current economic climate.

Therefore, funding programs must adhere to the **current GO bond requirements** as well:

- Currently, proceeds can only fund “bricks and sticks”-type (capital) costs
- Proceeds are drawn over time
- Proceeds are not able to fund Protections programs/services, operating or rental subsidies, capacity building/technical assistance, other non-capital expenditures

Pending Constitutional & Legislative Changes

What is BAHFA doing legislatively to meet its goals?

1. BAHFA is working in collaboration with stakeholders who are pursuing a **statewide constitutional amendment** in 2024 that would:
 - Lower the voter threshold; and
 - Expand the eligible uses of GO bond proceeds to allow funding of homelessness interventions and other protections for vulnerable residents.
2. BAHFA and MTC colleagues are **pursuing a clean-up legislative amendment for AB 1487** that would:
 - Allow application of the constitutional amendment described above;
 - Clarify the full range of BAHFA's lending authority; and
 - Other technical clean-ups.



2. Initial Funding Programs



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3Ps Funding Program Development

BAHFA's *initial* Funding Programs will help it **earn revenue** while also **building a track record within the region's housing ecosystem**.

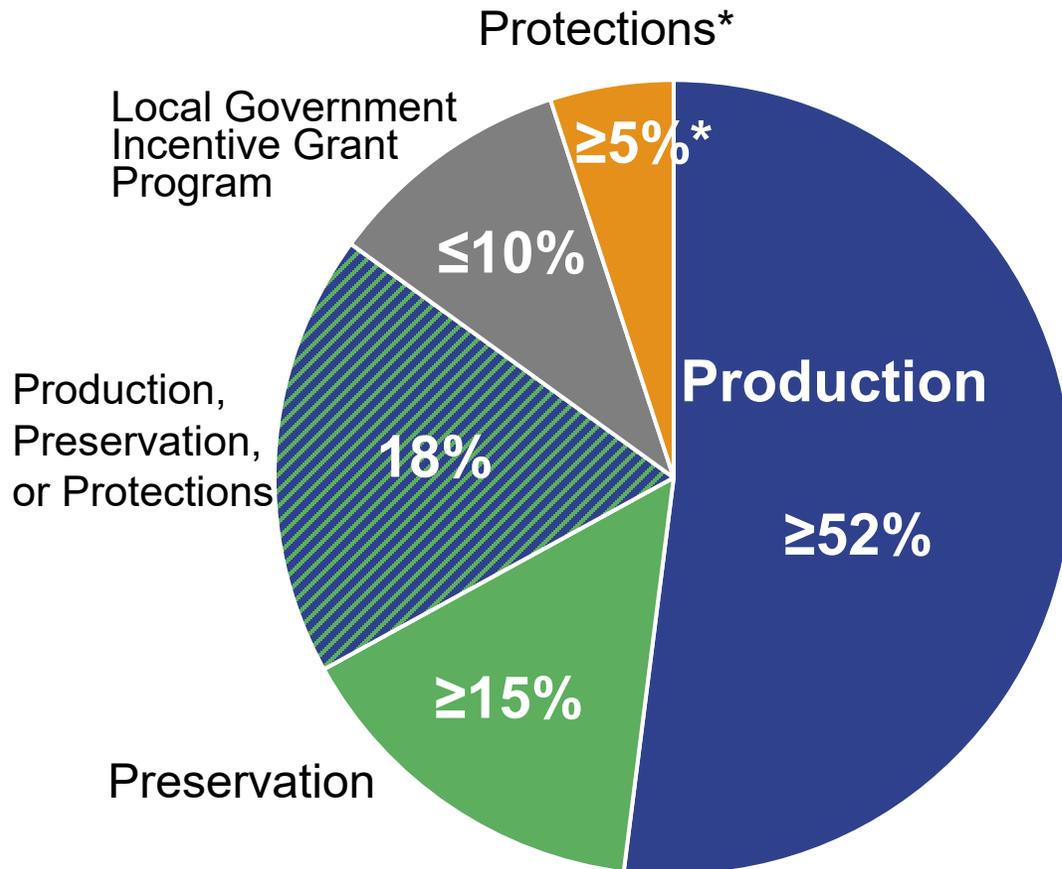
These Funding Programs must:

- Comply with the AB1487 legislation and the likely source of funding (e.g., GO bond proceeds);
- Advance social and racial equity; and
- Address the region's housing crisis at scale.

Over time, BAHFA will **expand and broaden the variety of Funding Programs it provides**, while also maintaining its readiness and ability to **quickly respond to new opportunities** as they arise.

Allocation of Regional Housing Revenue

Assuming that BAHFA's initial source of RHR is GO bond proceeds:



- Per the legislation, 5% of the total bond proceeds will be used to support BAHFA's administrative costs
- *Using GO bond proceeds to support Protections **will require a constitutional amendment**
 - Funding for Protections **may also come from alternative sources**, or the revenue BAHFA earns from its Funding Programs
- The Local Government Incentive Grant Program will include funding for housing and housing-related uses, e.g. infrastructure and parks.

Production | Description

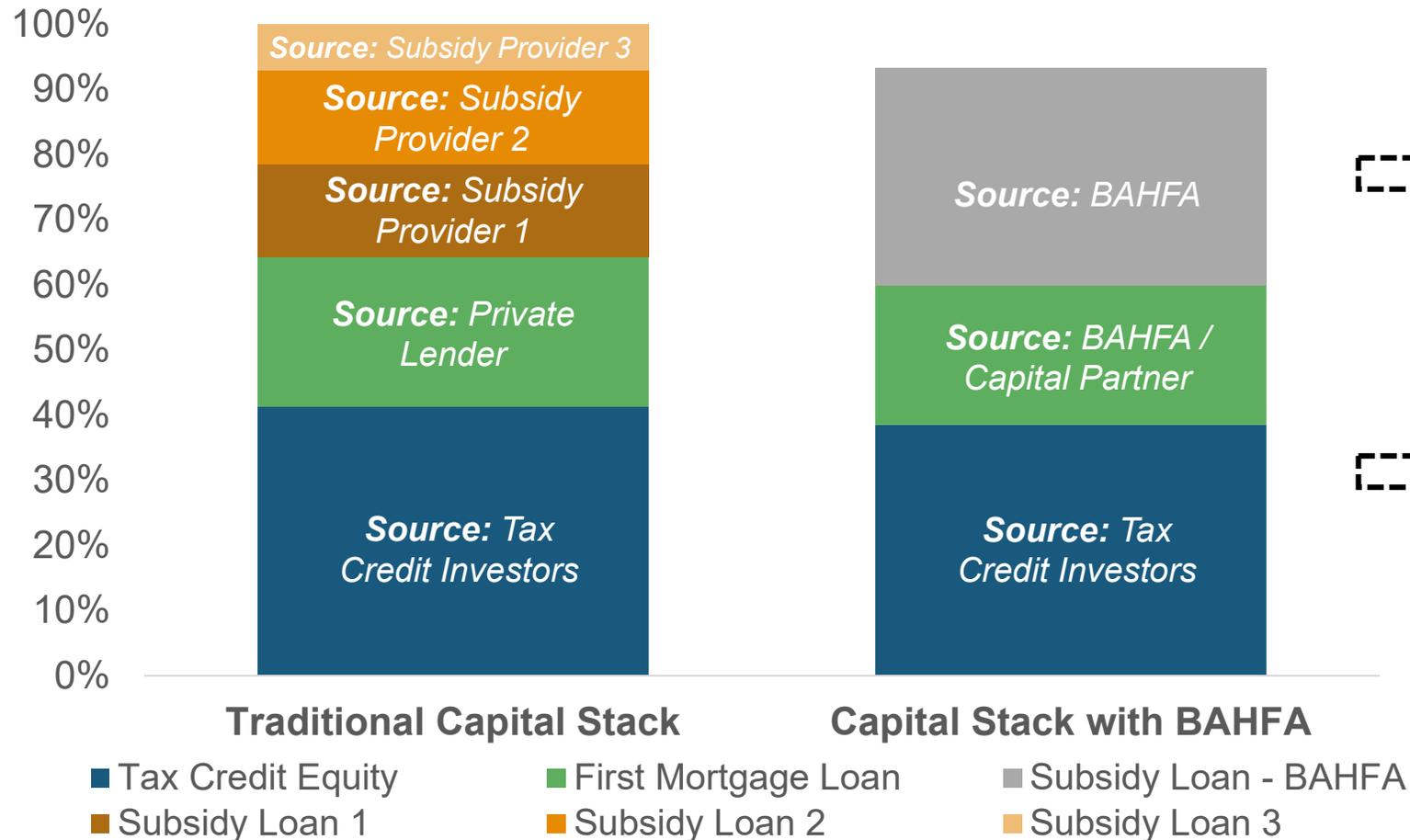
Overview

BAHFA's core **Production Program** will provide **first mortgage loans and subsidy loans** for the production of **large, Multifamily Rental projects**.

Goals

- **Streamline Financing:** Act as a coordinated source for first mortgage loans and all/or majority of a project's subsidy loan needs
- **Promote Scale:** Leverage additional financial resources when possible
- **Advance Equity:** Achieve objectives identified in the Equity Framework
- **Support BAHFA's Long-Term Financial Sustainability:** Generate revenue to fund Protections, additional subsidy loans, and for BAHFA's long-term financial sustainability

Production | Sample Capital Stack



Projects across the region require a low-cost, long-term **source of subsidy**



Revenue source (interest, fees) for BAHFA to support its Protections programming, build up additional subsidy loans over time, and to support organizational sustainability.

Innovation | Description

Overview

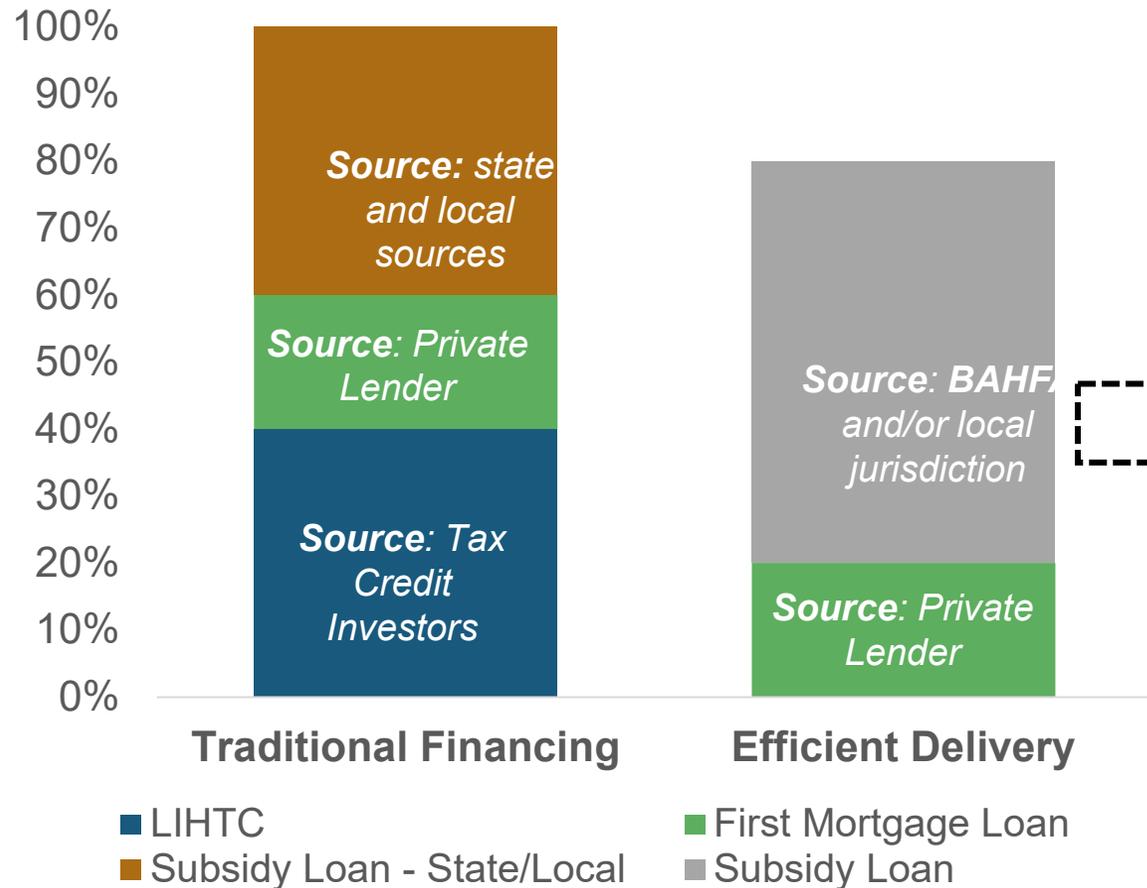
BAHFA's **Innovation Program** will fund projects:

- **“Efficient Delivery”** for PSH/ affordable housing projects that meet cost and timing goals;
- **“Affordable Unit Buy-Down”** will pay for the cost of adding additional affordable housing units in market rate projects; and
- **“Adaptive Re-Use”** to help fund the conversion of commercial buildings to residential.

Goals

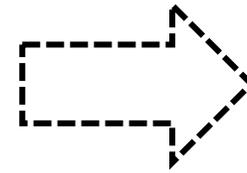
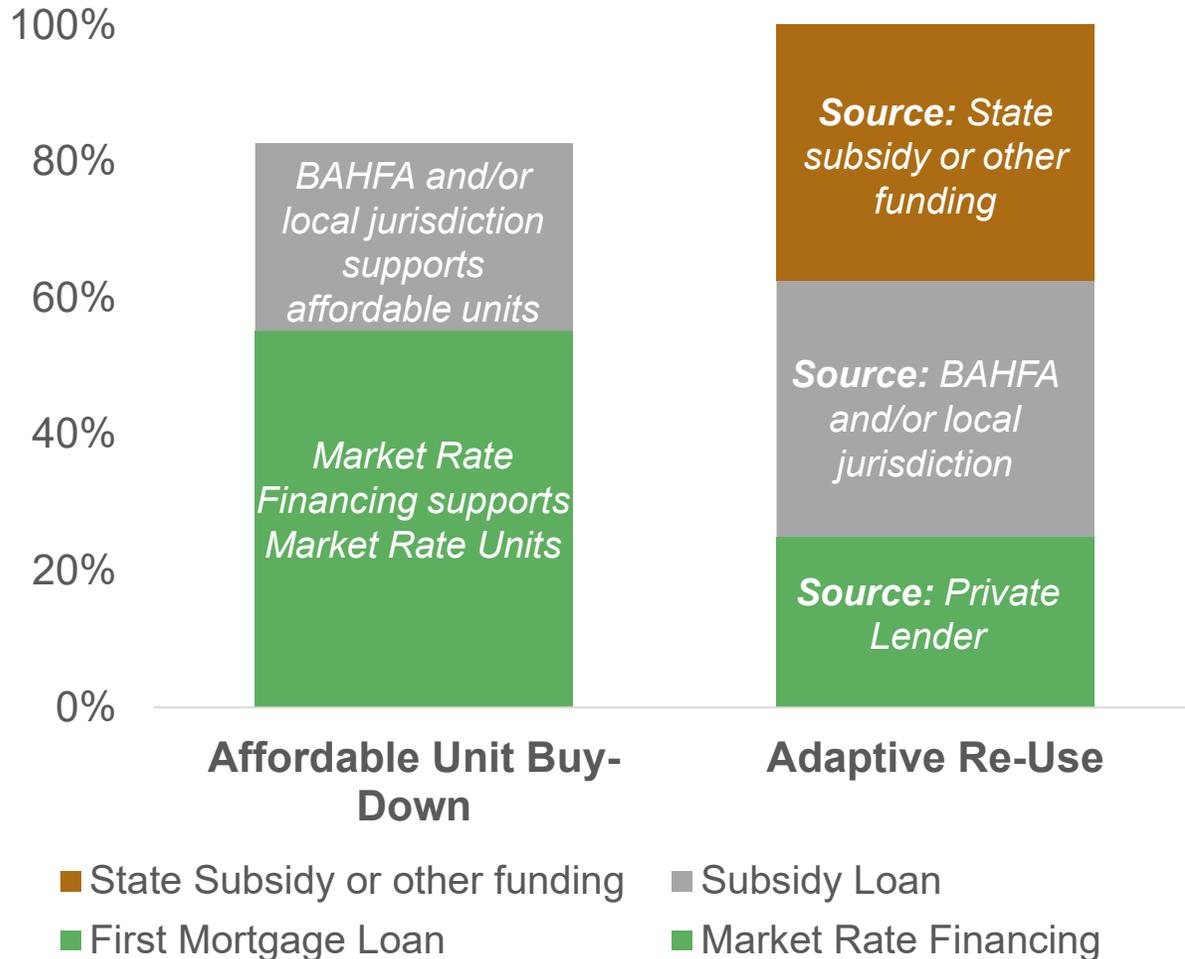
- Expand the **range of financeable projects**
- Achieve **faster, more cost-effective housing delivery**
- Pilot **alternative approaches** for delivering housing

Production | Innovation: Efficient Delivery



- **Lower development cost** than peers through faster pace of development, low cost/free land, innovative construction, etc.
- **Faster delivery of units** to market through streamlined financing, permitting and approvals, and innovative construction
- May support **PSH or affordable units up to 80% AMI**
- **Forgoing tax credits** may deliver units faster
 - BAHFA/MTC/ABAG are supporting efforts to change federal legislation that would expand the availability of bond and tax credit funding
- Prioritize projects with **local jurisdiction** subsidy loans and/or annual lease payments and/or operating subsidies

Production | Innovation: Alternative Delivery



Alternative methods to deliver units:

- **“Affordable Unit Buy-Down”** will pay for the cost of adding additional affordable housing units in market rate projects
- **“Adaptive Re-Use”** to help fund the conversion of commercial buildings to residential
- Will tend to support **higher AMIs up to 80%**

Preservation | Description

Overview

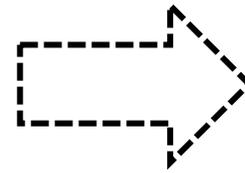
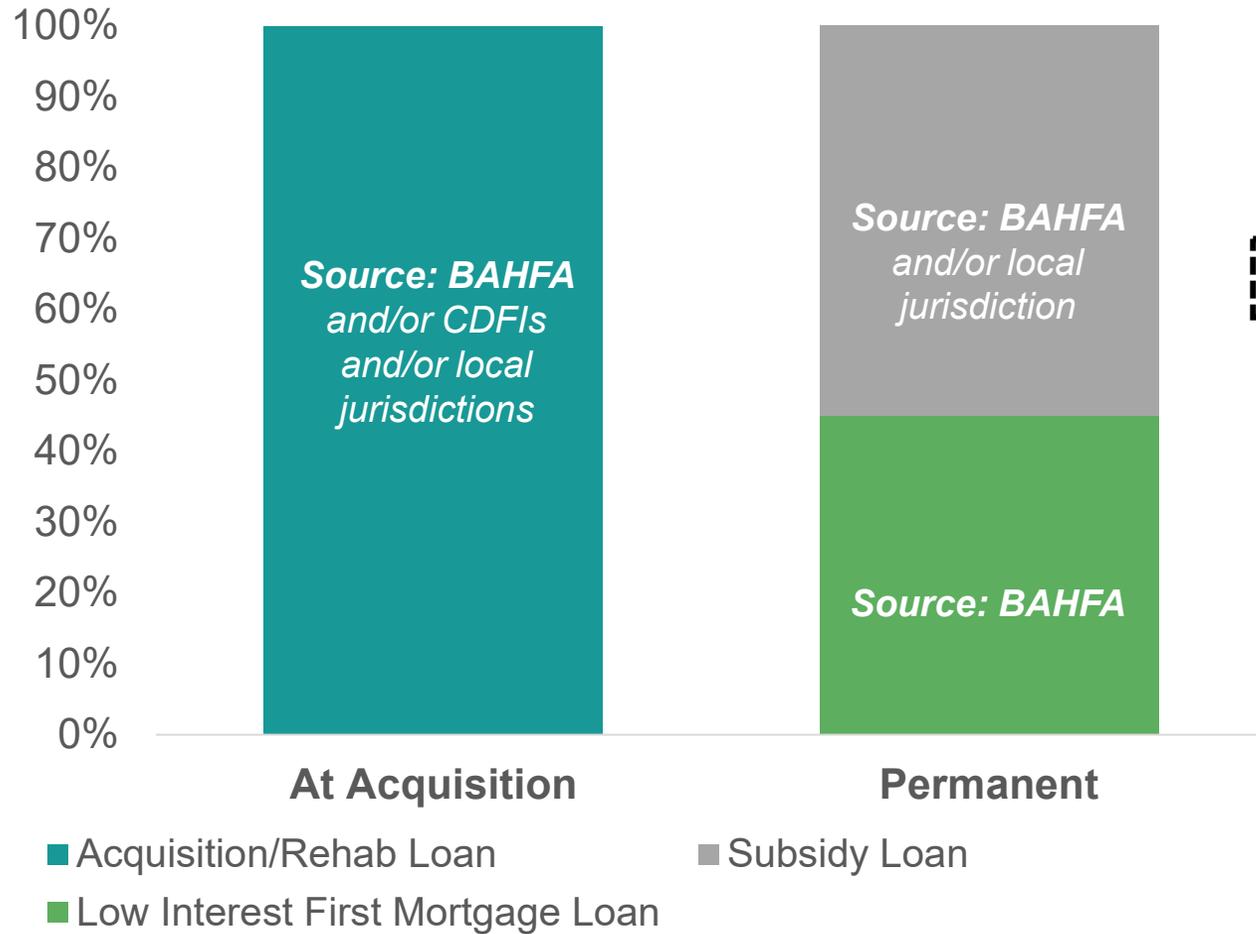
Provide **first mortgage loans and subsidy loans** to acquire, rehabilitate, and preserve affordability in existing buildings:

- **“Unregulated Properties”** naturally affordable to lower-income tenants with no current regulatory restrictions; and
- **“Expiring Use Properties”** at risk of losing their affordability restrictions and converting to market rate

Goals

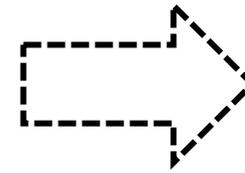
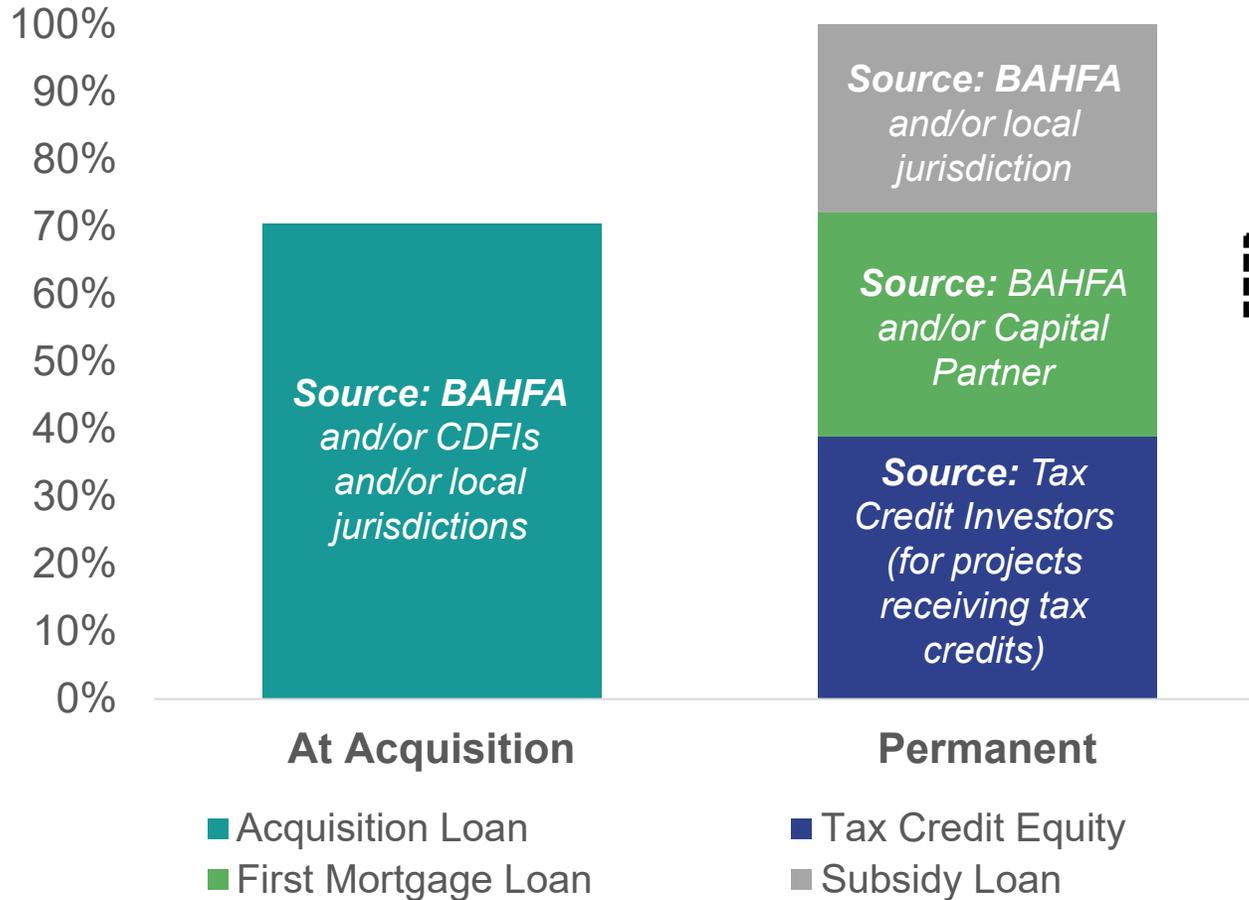
- **Prevent Displacement:** For low- and moderate-income households by acquiring properties and preserving their affordability
- **Streamline Financing:** Create a regional coordinated source for acquisition/ rehabilitation loans, first mortgage loans, and subsidy loans
- **Advance Equity:** Achieve objectives identified in the Equity Framework
- **Support BAHFA’s Long-term Financial Sustainability:** Generate revenue to fund Protections, additional subsidy loans, and for BAHFA’s long-term financial sustainability

Preservation | Unregulated Properties



- Building size: **5+ units**
- **Fast-acting** acquisition and rehabilitation funding to take properties off the speculative market and **keep properties affordable**
- **Coordinated** source of first mortgage loan and subsidy loan
- **Longer term, lower cost** first mortgage loan than traditional sources

Preservation | Expiring Use Properties



- Building size: **50+ units**
- **Fast-acting** acquisition (and if necessary, rehabilitation) funding to take properties off the speculative market and **keep properties affordable**
- **Coordinated** source of first mortgage loan and subsidy loan

Protections | Overview

Overview

BAHFA will provide **regional leadership** and **advocacy**, along with **technical and financial support** to create regional systems and services that **protect tenants** from displacement and **prevent homelessness**.

Funds may support programs and services including:

- Pre-eviction and eviction legal services, counseling, training and renter education
- Emergency rental assistance, relocation assistance
- Displacement and eviction tracking and data collection

Goals (Near Term)

- **Create regional support for Protections:** Facilitate regional collaboration, conduct research and provide technical assistance;
- **Support innovative tenant protections pilot programs:** alongside local jurisdictions to enable tenants to stay in their homes such as eviction diversion, right to counsel, and expanded tenant education programs; and
- **Collaborate with, and support local jurisdictions** to better integrate and grow **homelessness prevention programs**

Protections | Future Outlook

BAHFA is uniquely situated to play a critical role in expanding and enhancing regional protections measures, but this role is diminished by current GO bond regulations.

Therefore, BAHFA is working in collaboration with housing stakeholders who are pursuing a **statewide constitutional amendment** in 2024 that would expand the eligible uses of GO bond proceeds to allow funding of homelessness interventions and other protections for vulnerable residents. If this passes, the Protections landscape will be vastly transformed.

Goals (Longer Term)

- **Improve system capacity and infrastructure to implement and evaluate tenant protections across the region**
- **Provide funding for tenant protection services and/or direct rental and relocation assistance:** to fund legal services, counseling, renter education, etc. and emergency rental and relocation assistance



3. Next Steps



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Business Plan Timeline

2022

EQUITY FRAMEWORK: Background Research, Stakeholder Engagement: OBI Lead

Draft Equity Framework

FUNDING PROGRAMS: Background Research; Stakeholder Engagement; Incorporation of Equity Framework: Forsyth Street Lead

Draft Funding Program Concepts

2023

Equity Framework Adoption: Q2 2023

Draft Business Plan (*incorporating Equity Framework, Funding Programs, and operations/structure*): Forsyth Street Lead

Refined Funding Programs

Business Plan Adoption: Q4 2023

2024

Outreach, Ballot Measure Polling, Preparation for a November 2024 Election

3. Business Plan Next Steps

- **January-March:** Incorporate feedback and finalize Funding Programs
- **April:** Present proposed Final Funding Programs to BAHFA Advisory Committee
- **May:** BAHFA-O & ABAG Housing Committees recommend Final Funding Programs to BAHFA Board & ABAG Exec Board for adoption
- **Spring-Summer:** Finalize operations and financial sustainability analyses; incorporate components into draft combined Business Plan
- **Fall-Winter:** Committee feedback on Draft Business Plan and adoption of Final Business Plan

Thank You



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