

BAY AREA HOUSING FINANCE AUTHORITY
Regional Expenditure Plan – 2025-2030

Introduction: Statutory Requirements

The San Francisco Bay Area Regional Housing Finance Act (Gov. Code § 64500, *et seq.*) (**Act**) gives the Bay Area Housing Finance Authority (**BAHFA**) the power to raise, administer and allocate funding for affordable housing in the San Francisco Bay Area. Pursuant to this authority, BAHFA proposes placing a ballot measure for a \$ [REDACTED] billion affordable housing general obligation bond (**Bond**) on the ballots of the nine Bay Area counties in November 2024 (**Ballot Measure**). If the voters approve the Ballot Measure for the Bond, this Regional Expenditure Plan will govern the expenditures of the Regional Housing Revenue (defined below).

Pursuant to Government Code Section 64650, BAHFA will distribute 80% of the net bond revenue, referred to as **County Housing Revenue**, to counties of origin and several cities that will receive direct allocations (currently, Oakland, San Jose, City of Napa, and Santa Rosa). Those funds must be spent in a manner consistent with the expenditure plans adopted by the counties and direct-allocation cities.

BAHFA retains 20% of the net bond revenue, which is the **Regional Housing Revenue** or **RHR**). The Regional Housing Revenue must be spent according to the **Regional Expenditure Plan**, which is adopted by the Association of Bay Area Governments Executive Board, acting as the Executive Board to BAHFA (**Executive Board**), and the BAHFA Board, after consultation with the BAHFA Advisory Committee.¹

Required Elements

The Act requires these elements in the Regional Expenditure Plan:

- 1) Revenue Share and Estimated Funding Allocation Per Spending Category. The Regional Expenditure Plan provides the share of the Regional Housing Revenue and estimated funding amount to be spent for each category (**Spending Category**), so that such amounts achieve the minimum shares of funding listed below over the five-year period identified in the Regional Expenditure Plan.² The Spending Categories are:

¹ Section 64650(d)(5)(A)

² The minimum shares of funding per Spending Category are required to be achieved over the full expenditure of the bond proceeds, not necessarily in this time period or issuance.

- a. Production. A minimum of 52% of the Regional Housing Revenue to produce deed-restricted rental affordable housing.³
 - b. Preservation. A minimum of 15% the Regional Housing Revenue to preserve affordable housing.⁴
 - c. Tenant Protections. A minimum of 5% of the Regional Housing Revenue for tenant protection programs, as required by the Act. However, the California Constitution currently does not allow for the use of bond proceeds for tenant protection programs.
 - d. Local Government Programs. A maximum of 10% of the Regional Housing Revenue for a grant program for local governments based on funding guidelines adopted by the Executive Board and BAHFA Board, after consultation with the BAHFA Advisory Committee.
 - e. Flexible Funds. The funds remaining after the requirements of a-d are satisfied are referred to as “**Flexible Funds**” and represent 18% of the Regional Housing Revenue.
- 2) Households Served by Income Level. For each Spending Category, the income levels of households to be served.
 - 3) Unit Count. The estimated number of affordable housing units to be built or preserved and the number of tenants to be protected.
 - 4) Specific Programs or Projects. To the extent feasible, the Regional Expenditure Plan shall include a description of any specific project or program to receive funding, including the location, funding amount and anticipated outcomes.

Following adoption of BAHFA’s first Regional Expenditure Plan, the Executive and BAHFA Boards must adopt a Regional Expenditure Plan for the use of Regional Housing Revenue by July 1st of every year. Beginning in the second year, BAHFA’s Regional Expenditure Plan shall include reporting on allocations and expenditures made and progress to date meeting the required minimum funding levels for each Spending Category. The Regional Expenditure Plan will guide BAHFA’s annual budgeting process and disbursement of funds for specific programs and projects as discussed herein.

³ Section 64650(B)(a)(2)(I) of the Act states that a “minimum of two-thirds” of Regional Housing Revenue must be allocated to affordable housing Production and Preservation, with a minimum of 52% of two-thirds of the funds allocated to Production and a minimum of 15% of two-thirds allocated to Preservation. Language presented in the narrative above is modified for simplicity.

⁴ See previous note regarding the Act’s percentage allocation requirements for Regional Housing Revenue and Production and Preservation funds.

Guiding Principles

On October 25, 2023, and November 16, 2023, the BAHFA Board and Executive Board, respectively, unanimously approved BAHFA's *Equity Framework* and *Funding Programs*, two planning documents that set forth guiding principles for BAHFA's implementation of the Regional Expenditure Plan. BAHFA will strive to incorporate these principles in its program implementation for each Spending Category, as further described in Section 4 below.

Production

- 1) Prioritize investments for households with the greatest need.
- 2) Work collaboratively with jurisdictions, not competitively, especially when affordable housing funds allocated by the state are oversubscribed.
- 3) Support cost-effective housing able to meet development timeline goals.
- 4) Establish financial feasibility for all housing development phases.
- 5) Integrate a flexible and opportunistic approach in Production program implementation in order to maximize the impact of expenditures and number of affordable homes created.

Preservation

- 1) Prioritize investments in historically disinvested areas.
- 2) Support cost-effective housing able to meet development timeline goals.
- 3) Establish financial feasibility for all development phases.
- 4) Forestall displacement risk due to market pressure to increase rents for naturally occurring affordable housing or imminent termination of affordable regulatory restrictions.
- 5) Support community-controlled projects through targeted investment set-asides.

Protections

- 1) 100% of expenditures will be limited to activities authorized by the California Constitution, as it may be amended by Assembly Constitutional Amendment 1 (**ACA 1**) (or any other amendment to the California Constitution), and that also conform with the Act.

Local Government Grants

- 1) Prioritize investments that provide a benefit to the overall community and address demands from increased affordable housing production.
- 2) Result in the greatest beneficial impact regarding number of households served, directly or indirectly, especially low-income households.
- 3) Prioritize impact in historically disinvested communities.

- 4) Apply a flexible investment approach that recognizes the diversity of needs across Bay Area communities.
- 5) Distribute grants to all nine counties over the life of the Bond.

Regional Expenditure Plan Assumptions

Parts 1 through 4 below provide the information required by the Act for BAHFA's initial Regional Expenditure Plan, which covers 2025-2030, the five-year period following voter approval in November 2024.

This Expenditure Plan is based on these conditions:

- The total bond proposed is \$ [REDACTED] billion.
- The Regional Housing Revenue, at 20% of the total net bond revenue is \$ [REDACTED] billion.
- Full expenditure of all bond funds is anticipated to occur over a 10-15 year period.
- This first Regional Expenditure Plan assumes 5 separate bond issuances will occur, so that all bonds will be issued over approximately a 15-year period. However, the total number of issuances will be a function of how quickly bond funds can be deployed.
- This first Regional Expenditure Plan describes spending for the first two of the five issuances, or 40% of total Regional Housing Revenue. Spending is anticipated to occur between 2025 and 2030. The total amount of these two issuances is approximately \$ [REDACTED] million.
- Estimates are based on net bond proceeds after certain costs, such as election expenses, costs of issuance and BAHFA's administrative costs, which shall not exceed 5% of the bond proceeds, have been deducted as allowed by the California Constitution and the Act.
- Assembly Constitutional Amendment No. 1 (2023) (ACA 1), which will be considered by California voters at the November 2024 election, passing. ACA 1, if it becomes law, may allow for certain tenant protection programs included in a capitalized operating reserve, such as an emergency rental assistance fund, to be included as part of an affordable housing project's capitalized operating

reserve. If ACA-1 does not pass, then the Regional Expenditure Plan will need to be amended to reallocate the minimum 5% to tenant protections to other Spending Categories as prescribed by the Act.

All information regarding funding, households served, and units presented herein are estimates and projections based on information available at the time of preparation of this document. Actual funding, households served, and units produced or preserved will depend on several variable factors, including market conditions.



Part 1: Revenue Share and Estimated Funding Allocation Per Spending Category

| Category | Percent of All Funds: 1 st and 2 nd Bond Issuances Only | 2025-2030 Regional Expenditure Plan Spending Values: 1 st and 2 nd Issuances |
|-------------------------------|---|--|
| Production | 61%-70% ⁵ | TBD |
| Preservation | 15%-24% ⁶ | TBD |
| Tenant Protections | 5% | TBD |
| Local Government Grants | 10% | TBD |
| Totals | 100% | TBD |



Part 2: Households Served by Income Level

| Category | Household Income Levels Served | Percent of 1 st and 2 nd Bond Tranches Serving Designated Income Level |
|--|--------------------------------------|--|
| Production: Extremely Low- and Very Low-Income | 0%-50% AMI | Approximately 44% |
| Production: Low-Income | 51%-60% AMI | Approximately 23% |

⁵ This range assumes 70% of funds allocated to Production in the first issuance and the potential that the second issuance could allocate a minimum of 52% of funds to Production.

⁶ This range assumes 15% of funds allocated to Preservation in the first issuance and up to 33% of funds (with a minimum of 15%) of funds allocated to Preservation in the second issuance.

| | | |
|---|--------------|--|
| Production: Low-Income | 61%-80% AMI | Approximately 33% |
| Preservation: Extremely Low- and Very Low-Income | 30%-50% AMI | Approximately 10% |
| Preservation: Low-Income | 51%-60% AMI | Approximately 15% |
| Preservation: Low-Income | 61%-80% AMI | Approximately 65% |
| Preservation: Moderate-Income | 81%-120% AMI | Approximately 10% |
| Tenant Protections | 0%-80% AMI | 100%. ⁷ |
| Local Government Grants | 0%-120% AMI | Local Government Grants that produce or preserve housing shall serve households with incomes no greater than 120% AMI. However, it is anticipated that Local Government Grants that fund “housing-related uses” could serve the broader community as well. |

Part 3: Unit Count: Estimated Number of Affordable Housing Units Built or Preserved, and Estimated Number of Tenants Protected for this Expenditure Plan Period

| Category | 2025-2030 Regional Expenditure Plan Unit Count: 1st and 2nd Issuances, @ 40% of Regional Housing Revenue |
|---------------------------------|---|
| Production | Approximately [REDACTED] |
| Preservation | Approximately [REDACTED] |
| Tenant Protections ⁸ | TBD |
| Total | [REDACTED] |

⁷ If Tenant Protections are not constitutional at the time of the bond funding, BAHFA will request reprogramming of the funds by the Boards.

⁸ If permitted by law.

Part 4: Program Descriptions for the Spending Categories

4.1 Production

BAHFA will spend between 61% and 70% of its Regional Housing Revenue in the first two bond issuances on new housing production (Production). The Production allocation in the first issuance will be 70%, with all “Flexible Funds” (18% of the total allocation) going to Production to address the region’s housing shortage at scale. The second issuance will have a minimum Production allocation of 52%. This aggregate percentage exceeds the minimum allocation to Production required by the Act.

Production Funding Implementation Actions

To distribute RHR in conformance with this Regional Expenditure Plan, BAHFA will take the following actions for Production investments:

- 1) Set Production investment targets for each county over the life of the bond (not just the first and second issuances) based upon a “return to source” calculation, that is, a value based on each county’s assessed value contribution to the bond funding.
- 2) Issue a Notice of Funding Availability that sets forth:
 - a. Production goals (see the “Guiding Principles” above);
 - b. Minimum applicant and project eligibility criteria;
 - c. Funding targets for each county; and
 - d. Scoring criteria and preferred project types/outcomes, e.g.:
 - i. Prioritization of PSH/ELI developments if financial feasibility criteria are met; and
 - ii. Prioritization of projects demonstrating cost-efficiency and development timeline goals.



4.2 Preservation

Preservation Funding Implementation Actions

To distribute RHR in conformance with this Regional Expenditure Plan, BAHFA will take the following actions for Preservation investments:

- 1) Issue a Notice of Funding Availability (NOFA) for Preservation projects that will provide funding for the acquisition and/or rehabilitation of existing housing that will become, or is, permanently deed restricted.
 - a. To accommodate market-rate transaction timing demands, the NOFA will be “over the counter” so that BAHFA may quickly fund proposals meeting NOFA requirements.
 - i. If two or more proposals are submitted simultaneously, BAHFA will apply scoring criteria reflecting its Preservation “Guiding Principles” described above to achieve greatest impact.
- 2) 20% of total funds, \$ [REDACTED] million shall be set aside for a certain time period in order to provide developers proposing community-controlled Preservation projects a window during which they are guaranteed access to funding.
 - a. If no eligible community-controlled proposals are submitted during the designated time period, BAHFA will return those funds to the larger Preservation pool.
 - b. Developers proposing community-controlled developments shall at all times have access to the full pool of Preservation funding.
 - c. Requirements for this target shall include:
 - i. Resident participation in ownership, property management decisions, and/or equity-building for individual resident households.
 - ii. Program examples include co-operatives; limited equity ownership housing; rent-to-own opportunities.
- 3) Eligible projects will not be restricted to any particular jurisdiction, but preferred projects will be located in historically disinvested communities, or, more specifically:
 - a. Plan Bay Area 2050 Equity Priority Communities, or
 - b. Areas identified by the Urban Displacement Project as being at risk of or experiencing displacement or gentrification, or
 - c. Areas defined by the Tax Credit Allocation Committee Opportunity Index as “High Segregation and Poverty,” “Low Resource” or “Moderate Resource,” or
 - d. Additional areas as may be identified by the Executive and BAHFA Boards as (i) experiencing or at-risk of displacement/gentrification or (ii) facing historical disinvestment, through an objective and quantifiable methodology.

- 4) Eligible projects include those that have existing occupancy restrictions that may not be close to expiration but do have demonstrated capital repair needs that, if unaddressed, will negatively impact tenants' habitability.

4.3 Tenant Protections

Protections Funding Implementation Actions

- 1) 100% of expenditures will be limited to activities authorized by the California Constitution, as it may be amended by ACA 1 (or any other amendment to the California Constitution), and that also conform with the Act.

4.4 Local Government Grant Program (Grants)

Local Government Grant Program Funding Implementation

To distribute RHR in conformance with this Regional Expenditure Plan, BAHFA will take the following actions for Local Government Grants:

- 1) Issue a Notice of Funding Availability (NOFA) with these elements:
 - a. Eligible applicants include local governments (cities, counties, and consortia of any of the foregoing). Local governments may include additional partner agencies with jurisdiction (e.g., park district, water district, etc.) as co-applicants.
 - b. Applications from a single jurisdiction must:
 - i. Identify the lead agency.
 - ii. Identify an individual staff member serving as point of contact.
 - iii. Demonstrate support for the application from the jurisdiction's leadership by submitting a board or council resolution supporting the application or a support letter issued by the jurisdiction's top executive indicating the project is included in a jurisdiction plan document (e.g., General Plan, Specific Plan), that has been approved by the board or council.
 - a. Applications from a consortium must:
 - i. Identify a lead city or county.
 - ii. Identify an individual staff member serving as point of contact.

- iii. Submit an executed Memorandum of Understanding between participating partners memorializing each entity's support for the application and how the partners intend to work together to implement the Grant program.
- 2) Eligible uses of Grant funds must be directly related to the production, or incidental or necessary to the preservation, of affordable housing.
- 3) Scoring criteria based upon the Local Government Grant "Guiding Principles" described above.

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