Bay Area Housing Finance Authority

BAY AREA
HOUSING FINANCE
AUTHORITY

Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, CA 94105
415.778.6700
www.mtc.ca.gov

CALL FOR PARTNERS

Dear Proposer,

The Bay Area Housing Finance Authority ("BAHFA") is conducting an informal process to select a lending partner for its Mixed-Income Financing Program described below:

PROGRAM INFORMATION

BACKGROUND

Established by the California Legislature in 2019, BAHFA's mandate is to create regional solutions that meet the Bay Area's affordable housing needs, including to raise, administer, and allocate funding and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production.

BAHFA launched a strategic planning process in spring 2025 to articulate a vision to sustain the agency until it can be capitalized at scale, while also building towards financial self-sufficiency in the medium-term. The strategic planning process was structured as four modules:

- Module 1: Regional Revenue Measure
- Module 2: Funding Strategy and Financial Sustainability Plan
- Module 3: New Regional Financing Products and Approaches
- Module 4: Regional Housing Programs

The Mixed-Income Financing Program is part of Module 3, which will develop a new, small-scale regional finance program in advance of a successful ballot measure, both demonstrating and testing BAHFA's potential as a public lender and creating a stable revenue stream for the agency. Module 3 lays out a "kit-of-parts" approach for the program to ensure long-term affordability by combining multiple tools to reduce the financing gap for middle- and mixed-income projects.

PROGRAM GOALS

The main purposes of BAHFA's Mixed-Income Financing Program ("Program") are to provide financing products that fill a gap in the current market, advancing the production of more housing in the Bay Area, and to provide a modest return to BAHFA to contribute toward sustaining its operations.

The Program's goals are to preserve, create and increase the stock of safe, stable, permanently affordable housing, and to support the financial health of residents, borrowers, and properties. Projects may serve 100% affordable or mixed-income populations, with the following minimum affordability levels:

- 20% of units affordable at or below 50% of Area Median Income
- 40% of units affordable at or below 60% of Area Median Income
- 50% of units affordable at or below 80% of Area Median Income
- 70% of units affordable at or below 120% of Area Median Income

In all cases, restricted unit rents must be set at least 10% below market rent.

In response to feedback from potential borrowers about the current financing needs for affordable housing, BAHFA envisions a flexible Program that may include the following types of loan products:

- Predevelopment Loans
- Small First Lien Permanent Loans
- Subordinate or First Lien Bridge Loans
- Subordinate or First Lien Construction Loans
- Subordinate Permanent Loans

These products will support mission-driven developers and sponsors that will:

- Acquire and rehabilitate unrestricted homes and convert them to permanently affordable housing, and
- Construct new projects in which a minimum number of units will be permanently affordable.

BAHFA's target size for the fund is $30 million. BAHFA has secured $24 million, with approximately $11 million available immediately as part of a first tranche. BAHFA has identified an additional roughly $13 million that is expected to become available in the coming years and is actively fundraising for the remainder. See Attachment A Draft Terms for Potential Loan Products for more details on potential loan products that may be offered.

SCOPE

BAHFA seeks one or more Lender partners to (1) lend alongside BAHFA for the Mixed-Income Financing Program and (2) support BAHFA staff with the loan underwriting process. BAHFA would like to balance maximizing efficiency with building its internal capacity in the long run.

BAHFA is open to multiple ways of structuring the relationship and the loan programs. BAHFA does expect Lender partners to supplement the BAHFA funding with funds from additional sources, though Lender partners do not have to participate in all loan products. BAHFA is open to considering whether the funds are blended in a single loan product or offered in parallel at an equivalent lien position with an intercreditor agreement that aligns BAHFA and the Lender partner's risk profiles.

Lender partner’s Tasks will include:

- Serving as a strategic partner to finalize the relationship structure and roles throughout the life of the program, including the underwriting phase, loan closing phase, and asset management phase,
- Advising on and helping to finalize BAHFA’s suite of loan products,
- Offering additional funding that can be paired or combined with BAHFA’s funds,
- Leading on underwriting duties, including application intake, finalizing loan documents, and processing loan closings,
- Coordinating underwriting with BAHFA staff who will lead on loan approvals through an internal BAHFA process,
- Participating in loan asset management over the long term (Lender partner/BAHFA roles to be determined), and
- Evaluating the efficacy of the suite of loan products and suggesting improvements to the program as needed.

Lender partner(s) will not be compensated directly by BAHFA. It is anticipated that Lender partner will be compensated from fees associated with Lender partner's own loan products and/or by the Borrower as a transaction cost. Proposers are advised to take this into consideration in developing their proposed terms and to ensure that the economics of the proposal are self-supporting.

Proposals should address the above tasks and any others the Proposer believes should be considered. Proposers should also review Attachment A Draft Terms for Potential Loan Products and suggest compatible loan terms for the Proposer’s paired funding.

Key Criteria for Selection:

- Proposal accomplishes BAHFA’s top tier goals, including a modest return on BAHFA’s capital to support the agency’s operational stability,
- Proposer shows ability to maximize impact by complementing and/or leveraging BAHFA’s investment with other matching capital,
- Proposal clearly defines the proposed roles and responsibilities of the Lender partner and BAHFA, with an emphasis on maximizing efficiencies for BAHFA in the near-term while supporting growth of BAFHA’s internal capacity over the medium and long-term,
- Proposer possesses relevant experience designing and underwriting new loan programs for affordable and/or mixed-income housing projects, and
- Proposal includes clear terms regarding a fee/return structure for BAHFA and Lender partner that takes risk and responsibilities into account.

TIMELINE:

The Program is under internal review and is projected to obtain final approval by the BAHFA Board in fall of this year. BAHFA’s goal is to develop application and underwriting protocols concurrent with the BAHFA approvals process so that the Program can launch this Fall.

SUBMISSION REQUIREMENTS

If you are interested in this project, please email a brief proposal containing the following information to bahfa@bayareametro.gov by no later than the due date of September 11, 2026, 5:00 p.m. PDT. There is no strict format to your proposal response, but it should be **no more than 10 pages** (not including staff resumes) and must contain the following information:

1. Contact Information – Include the Proposer Entity Name, Contact Person's Name, Email, Address, and Telephone Number, and address to the company's website.
2. Qualifications – Please provide the following:
   - Briefly describe Proposer's qualifications and experience related to designing and underwriting new loan programs for affordable and/or mixed-income housing projects. Briefly describe any previous programs that may be relevant, especially programs that serve market-rate, mixed-income or moderate-income projects, and the types of loan products BAHFA is considering.
   - Include resumes for key staff and a list of references, including contact information. Resumes and list of references will not count towards the 10-page maximum length of the submission.
   - Proposers should provide a brief description of their experience and strong working relationships with housing project sponsors across the Bay Area.
   - To the extent your entity is rated or in the process of being rated by S&P or other agency, please provide evidence of your rating or your estimate of timing of receiving a rating.

3. Proposal – Please provide a proposal that:
   - Describes the overall strategic approach and demonstrates alignment with BAHFA's goals
   - Describes how proposer would provide co-lending capital, including proposed products and key terms, including rate, term, lien position requirements, recourse/non-recourse requirements, etc. Explain how these terms are compatible with BAHFA's program (as described in Attachment A Draft Terms for Potential Loan Products) and identify areas of potential concern. Identify priority loan products and explain why.
     - Note: We anticipate that a lender partner may not be able to co-lend on all loan types. We are therefore interested in understanding what loan structures the lending partner can commit to and in what amount. To the extent co-lending is not possible for certain loan products, please provide confirmation that lender partner is willing to participate in underwriting and transacting on 100% BAHFA-funded loans.
   - Shows how proposal fills gaps in the market to ensure BAHFA adds value.
   - Demonstrates Lender partner's unique benefits and opportunities for leverage (i.e., what funding does Lender partner bring to the table? What other sources of leverage can the Lender partner help to unlock?).

    - Describes roles, responsibilities and the proposed partnership structure, including how Lending partner can provide underwriting support to BAHFA in a cost-efficient manner.
        - Proposal should include how BAHFA and Lender partner will receive fees or a return for their respective responsibilities and relative assumption of risk.
        - Describe any special protocols or considerations you would include to account for the must-pay interest feature and potential of mixed income projects being included in the portfolio.
    - Provide thoughts on how to roll out the Program to encourage quick access to and use of the Program.
    - Provide additional suggestions for improvement, ideas where this will be most useful, and proposer's view of what financing products are missing in the affordable/mixed income finance ecosystem.
4. <u>Schedule</u> - Propose a schedule showing the expected sequence of tasks and milestones.
5. <u>Additional Information</u> – Provide any other proposal details you feel are relevant to this Call for Lenders.

If you have any questions, please contact the BAHFA team at bahfa@bayareametro.gov by August 17. Answers to questions received will be posted to the BAHFA website.

BAHFA reserves the right in its sole discretion to enter into contract negotiations with one or more Proposers based on the submissions, and this call for lenders does not commit BAHFA to enter into any future agreements. The final terms of any potential agreement are subject to mutual agreement by the parties.

This Call for Lenders does not commit BAHFA to select a Lender or to pay any costs incurred by any Proposer in the preparation of a response to this Call for Lenders.

Only one response will be accepted from any one person, partnership, corporation, or other entity; however, several alternatives may be included in one response.

BAHFA reserves the right to accept or reject all Call for Lenders submitted, request additional information, or revisions to offers and negotiate with any or all Proposers.

BAHFA reserves the right in its sole discretion not to enter into any agreement as a result of this Call for Lenders.

If a selected Proposer fails to enter into a agreement with BAHFA in a timely manner as determined by BAHFA, in accordance with the terms and conditions of this Call for Lenders, BAHFA reserves the right to reject the proposal and enter into a agreement with the next qualified proposer.

LENDER PARTNER SELECTION TIMETABLE

Questions due to bahfa@bayareametro.gov	Monday, August 17, 5:00 pm
Answers to questions posted on the BAHFA website	Monday, August 24, 5:00 pm
Closing date/time for receipt of proposals	**Friday, September 11, 5:00 pm**
Interviews (if held)*	Week of September 28
Decision (tentative)*	October/November

*All dates are approximate and are subject to change before or after the closing date of the RFP. All dates and times are in the Pacific Time Zone.

Attachment A to BAHFA Call for Lenders

Draft Terms for Potential Loan Products

Proposers should review the Draft Terms for Potential Loan Products and suggest compatible loan terms for the Proposer's paired funding.

Potential Capital Program Elements: Subordinate/Mezzanine Debt

Feature	Draft Terms
Likely Borrower/Project	• *Mixed Income Projects* • *Preservation Strategies*
Eligible Projects	• *New Construction* • *Acquisition/Preservation* • *Acquisition/Modest Rehab*
Loan Size	• *Lesser of $40,000 per affordable unit, or $4 million, or 10% of total cost*
Terms	• *Subordinate, Non-Recourse (substantial renovation guaranty)* • *Flexible Term: Due co-terminus with senior debt. Can be rolled in refi* • *100% LTV and 1,05 DCR for all debt* • *Amortized with ballon, Interest only in certain circumstances* • *Rate: 200bp over senior debt rate, Floor of 6.00%, Ceiling of 8.00%*
Other Considerations	• *Fees Commensurate with Product Type* • *Sponsor match required* • *Replacement and operating reserves*

Potential Capital Program Elements: Permanent First Mortgage

Feature	Draft Terms
Likely Borrower/Project	• *Smaller Projects* • *Very Low Incomes that Cannot Support Much Debt* • *Smaller, Emerging Developers*
Eligible Projects	• *New Construction* • *Acquisition/Preservation* • *Acquisition/Modest Rehab*
Loan Size	• *Up to $4 million*
Terms	• *First Lien Position, Non-Recourse* • *Flexible Term: Up to 15 Years, 40 Year Amortization* • *85% LTV, 1.15 DCR* • *Demonstrated Positive Cash Flow Throughout Term, Incl Replacement Reserves* • *Rate: Like Treasury + 200bp (Indicative: 10 Year @ 6.59%)*
Other Considerations	• *Fees Commensurate with Product Type* • *Rate Lock Timing* • *Certainty of Execution => Forward Commitment*

Potential Capital Program Elements: Predevelopment Loan

Feature	Draft Terms
Likely Borrower/Project	• *Smaller, Emerging Developers*
Eligible Projects	• *Projects That Have All Construction/Perm Financing Committed* • *CD's/Permitting/Final prep Costs*
Loan Size	• *Up to $1 million*
Terms	• *1 Year w/ 6 Month Extension* • *Rate: 2 Year Treasury + 300bp, Min 7.00%, Max 8.50% (Indicative: 7.21%)* • *Sponsor Match* • *Assignment of Work Product* • *Guaranty/Recourse*
Other Considerations	• *Fees Commensurate with Product Type* • *Certainty of Execution*

Potential Capital Program Elements: Subordinate Bridge Loan

Feature	Draft Terms
Likely Borrower/Project	• *Projects with Funding Timing Challenges*
Eligible Projects	• *New Construction* • *Acquisition/Preservation* • *Acquisition/Modest Rehab*
Loan Size	• *Up to $3 million*
Terms	• *Subordinate Lien Position to Senior Lender* • *Term: Up to 3 years* • *Interest Only, Capitalized Interest Reserve for New Construction* • *Rate: Senior Debt Rate + 100 bp* • *Recourse for New Construction, Rehab Scope* • *Committed Take Out Source*
Other Considerations	• *Fees Commensurate with Product Type* • *Rate Lock Timing* • *Certainty of Execution => Forward Commitment*