



**BAY AREA HOUSING FINANCE AUTHORITY REAP 2.0
PRIORITY SITES PILOT PROGRAM LETTER OF INTEREST /
FUNDING APPLICATION NOTICE
Issue Date: November 17, 2023**

Letter of Interest Due Date: January 17, 2024, at 5:00 PM

Invitation

The Bay Area Housing Finance Authority (BAHFA) is implementing a two-step process to award predevelopment funding for the Regional Early Action Planning Grant 2.0 (REAP 2.0) Priority Sites Pilot Program. A total of approximately \$28 million is available, originating as a grant from the California Department of Housing and Community Development (HCD). All awards are subject to HCD's final approval of the Priority Sites Pilot Program.

This Letter of Interest / Funding Application Notice (Notice) is a two-step process intended to assist development projects that provide deed-restricted affordable homes on sites identified by the Metropolitan Transportation Commission (MTC) and Association of Bay Area Government (ABAG) as [Priority Sites](#).

Step 1 will be submission of a Letter of Interest (LOI) from parties representing [Approved Priority Sites](#) projects.

Step 2 will include an invitation from BAHFA for select Priority Site sponsors and public agencies to submit a formal, competitive application, for which BAHFA will recommend funding awards based upon the criteria included in this Notice.

Project sponsors or public agencies ("Applicants") should review the terms of this Notice carefully and assess their competitiveness for funding before submitting a Letter of Interest or, subsequently, an application, given the large number of Approved Priority Sites.

Eligible Applicants include project sponsors with an entitled development project of at least 100 new housing units on an eligible Priority Site and public agencies that own the eligible Priority Site on which a development project of at least 100 housing units will be built. Project sponsors may be for-profit or non-profit corporations, individuals, general or limited partnerships, or limited liability companies. Projects may comprise one phase of an anticipated development project on a Priority Site or may comprise the entirety of the anticipated project, so long as the development program for which the sponsor is applying is both an approved Priority Site and meets the Notice requirements.

Funding Process and Timeline

Funding will be awarded to an estimated 7-20 projects through a competitive process. In November 2023, MTC and ABAG approved more than 200 Priority Sites. As stated above, given the anticipated demand for available funding, prospective applicants should carefully review the eligibility and scoring criteria. Projects not yet eligible for funding through this Notice may benefit from the region-wide and site-specific technical assistance that will be offered as a complement to predevelopment funding. A separate request for letters of interest for Technical Assistance will be released at a future date. Contingent upon BAHFA's access to new resources, additional predevelopment funding may be offered through this program in the future.

Interested parties should submit Letters of Interest (LOI) for Funding through the [Priority Sites Nomination and Application Portal](#). All submissions should be concise and relevant to the Notice. Following the LOI Phase, BAHFA will issue an invitation for select sponsors and public agencies to submit formal Applications, after which qualified funding requests may be awarded in full or in part, depending on the number of responses received, selected projects' needs, and projects' ability to address the goals of this Notice.

During the Full Application phase, BAHFA will request that Applicants submit additional information beyond documents submitted in the LOI phase. All applications will be reviewed for completeness and evaluated for competitiveness by BAHFA and MTC staff. Interviews may be scheduled. Applications which are determined to best meet or exceed the selection criteria are anticipated to be recommended for BAHFA Board approval at a future meeting.

BAHFA staff anticipates that the LOI and Full Application processes will follow the timeline below, though BAHFA reserves the right to change any portion of the anticipated timeline:

Announcement	November 17, 2023
Letters of Interest Due	January 17, 2024, at 5:00 PM
Invitations to Submit Full Application	February 15, 2024
Full Applications Due	March 1, 2024, at 5:00 PM
Awards Approved by BAHFA Board	April 24, 2024 or as BAHFA Board schedule may permit

Eligible Projects:

Eligible Projects must meet the following criteria, described in greater detail in Appendix A, Terms and Underwriting Guidelines.

- Located on an approved and adopted Priority Site. (To review a list and map of approved sites, visit the Priority Sites website)¹.
- Demonstrated site control for the Priority Site.
- Demonstrated entitlements for the proposed project or demonstrated eligibility for and commitment to using streamlining legislation, such as SB 35, AB 2011, or AB 2162; and zoning conformance or eligibility to secure desired zoning variances under either local or state legislation, e.g., State Density Bonus Law.
- A minimum of 25% of housing units must be deed-restricted affordable to low- income households, at or below 80% of the area median income (AMI).
- Ability to comply with Article XXXIV of the California Constitution, as applicable.

Eligible Uses:

Eligible expenditures include:

- Architectural and engineering services, entitlement and permitting fees, legal expenses, environmental review and other approved predevelopment activities required to accelerate construction commencement.
- Construction of affordable housing or infrastructure required to complete the affordable housing described in the application, but only if the project demonstrates the ability to commence construction within a 24-month period.
- Acquisition of land required for an affordable housing project.

Developer Team Experience:

Applicants must provide evidence that as a Development Team, they have the knowledge, skills, experience and financial capacity to successfully develop, own, and operate the project. In the aggregate among Development Team members, this includes:

- Five or more projects developed by team members that have been successfully operating for three years or more.
- Demonstrated experience necessary to submit competitive applications for all proposed sources of permanent funding.
 - E.g., if sponsor proposes low-income housing tax credit financing, the demonstrated ability to meet the highest award value for "General Partner/Management Company Characteristics".
- Exceptions:

¹ All Priority Sites are located in an area that meets the definition of "infill" in HCD's REAP 2.0 Guidelines.

- Public agencies applying with or without developer partners may submit a narrative describing their ability to complete the project and relevant development experience.
- Developers not meeting the Developer Team Experience criteria above may submit alternative evidence of experience sufficient to successfully develop, own, and operate the project, which BAHFA will evaluate for sufficiency in its sole discretion.

SELECTION CRITERIA

Projects will be evaluated and scored based on the point system described below. Factors for evaluation include competitiveness; financial feasibility of the project; qualifications, demonstrated capability of the development team to finance, design, build/rehabilitate and manage affordable housing; affordability levels; impact and benefits conferred by the development; any information requested in the Loan Application; BAHFA terms and guidelines as described in Appendix A; and completeness, accuracy, and quality of the application. BAHFA reserves the right to weigh certain selection criteria over others.

Projects will be awarded up to 100 points for the purpose of ranking using the following criteria:

Scoring Criteria	Points
REAP 2.0 Objectives	30
Accelerating Infill Development that facilitates Housing Supply, Choice, & Affordability (10)	
Affirmatively Furthering Fair Housing (10)	
Reducing Vehicle Miles Traveled Per Capita (10)	
Alignment with Plan Bay Area 2050	10
Readiness/Timeliness	15
Impact and Cost Effectiveness	10
Experience and Partnerships/Collaboration	15
Community Engagement	10
Leveraging other Funding	10
Total	100

Scoring Considerations:

- **REAP 2.0 Objectives:**
 - Accelerating Infill Development that facilitates Housing Supply, Choice, & Affordability: Projects located in Plan Bay Area 2050 Growth Geographies, Transit Priority Areas, and areas that have completed Community Based Transportation Plans.
 - Affirmatively Furthering Fair Housing: Projects with a high percentage of units restricted as affordable to low-, very low-, and extremely low-

- income households and located in Moderate Resource and High Resource Areas as defined by the [CTCAC/HCD Opportunity Area Maps](#).
 - Reducing Vehicle Miles Traveled (VMT) Per Capita: Projects located in areas where the per capita VMT is at or below the Bay Area average of 15 miles.
- **Alignment with Plan Bay Area 2050:** Ability of the project to contribute toward meeting the Regional Housing Needs Allocation and relevant Plan Bay Area 2050 housing strategies, including:
 - Spur Housing Production for Residents of All Income Levels
 - Allow a greater mix of housing densities and types in Growth Geographies.
 - Build adequate affordable housing to ensure homes for all.
 - Integrate affordable housing into all major housing projects.
 - Transform aging malls and office parks into neighborhoods.
 - Create Inclusive Communities
 - Accelerate reuse of public and community-owned land for mixed-income housing and essential services.
- **Readiness/Timeliness:** Demonstration of project readiness to commence construction, including:
 - Site control.
 - Demonstration of financial feasibility.
 - Committed construction and permanent financing.
 - Secured entitlements or ability to secure entitlements through a streamlined process.
- **Impact and Cost Effectiveness:** Budget demonstrates capacity to provide the greatest return on the BAHFA's investment by maximizing number of affordable units created through the creative use of design, materials, construction techniques, and financing.
- **Experience and Partnerships/Collaboration:** Demonstration of sponsor's ability to successfully execute the development proposal while leveraging collaboration between different stakeholders, including local governments, developers, neighborhood groups, service providers, and other community-based organizations. Partnership and collaboration will emphasize implementation and outcomes, including involvement and support of final decision makers and approval bodies.
- **Community Engagement:** Demonstration of how the project has been shaped by community-identified needs and input; as well as how the project will continue to conduct community engagement throughout the implementation of the project if awarded.
- **Leveraging other Funding:** Financing plan includes reasonable per unit BAHFA subsidy coupled with other funding sources based on target population, project type and cost effectiveness.

Disclaimers

BAHFA reserves the right to suspend, amend or modify the provisions of this Notice, to extend the deadlines, to reject all proposals, to negotiate modifications of proposals, or to award less than the full amount of funding available. While the dates and schedule stated in this Notice represent BAHFA's preferred timetable, it shall not be considered binding on BAHFA. The submission of a response to this Notice shall not be binding upon BAHFA nor construed as a contract with or a commitment by BAHFA. BAHFA will not pay any costs incurred in the preparation of a response to this request. BAHFA reserves the right to make decisions on which proposal it deems in BAHFA's best interest, including rejecting all applicants. All submissions shall be public records subject to public disclosure pursuant to the provisions of the California Public Records Act (Government Code Section 6250 et seq.).

Environmental Review and Assessment

Funding commitments shall be assessed in accordance with the California Environmental Quality Act (CEQA). If Federal funding is involved, the project will be assessed in accordance with the National Environmental Policy Act (NEPA).

Minimum Contracting Requirements

BAHFA will enter into a loan agreement with the successful applicants. Among other obligations, the loan agreement will require the sponsor to maintain insurance coverage for the organization and its employees and for the property funded by BAHFA, the terms of which shall be further specified in loan documents.

For Additional Information

Please contact Kate Hartley at khartley@bayareametro.gov.

Appendix A



BAY AREA HOUSING FINANCE AUTHORITY REAP 2.0 Priority Site Pilot Program Terms and Underwriting Guidelines

Program Description	<p>Through a \$28M Regional Early Action Planning Grant (REAP 2.0) from the California Department of Housing and Community Development (HCD), the Priority Sites Program provides low-interest loans to developers and public agencies for predevelopment activities necessary to advance development projects that provide deed-restricted affordable homes on sites adopted by the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG) as Priority Sites. Please find the list of Priority Sites approved by MTC and ABAG in November 2023 here. (Note that the Priority Sites Program also offers focused Technical Assistance to conduct the analysis, design, and due diligence typically required before securing an entitlement or, in the case of public land, issuing an RFQ. To learn more and apply for Technical Assistance, visit the Priority Sites TA page.)</p> <p>In accordance with HCD's REAP 2.0 Objectives, projects funded through this program will:</p> <ul style="list-style-type: none">• Accelerate infill development that facilitates housing supply, choice, and affordability.• Affirmatively further fair housing.• Reduce vehicle miles traveled.
Eligible Borrowers	<p>Eligible borrowers include:</p> <ul style="list-style-type: none">• Public agency that owns land on which project will be built.• Project sponsor with an entitled development project with at least 100 new housing units on an eligible Priority Site and at least 25% of all units set aside as

	<p>deed-restricted housing (55-year minimum term) affordable to households at or below 80% of area median income (AMI).</p> <ul style="list-style-type: none"> ○ For mixed-income projects, inclusion of a non-profit partner able to secure a welfare tax exemption for all eligible affordable units. Applicants must demonstrate active participation of the non-profit partner in the development process documented by a Memorandum of Understanding (MOU) that specifies the non-profit partner’s role (e.g. responsibility for community outreach, participation of a project manager in financing and entitlements). <ul style="list-style-type: none"> ▪ BAHFA may waive this requirement at the sponsor’s request upon demonstration of sufficient cross-subsidy of inclusionary units by market-rate units to eliminate the need for the property tax exemption. ○ For 100% affordable housing projects, applicants must demonstrate the experience necessary to submit competitive applications for all proposed sources of permanent funding. <ul style="list-style-type: none"> • All project sponsors must demonstrate ability to comply with Article XXXIV of the California Constitution, if applicable. • All project sponsors must provide evidence that their development team possesses the knowledge, skills, experience and financial capacity to successfully develop, own, and operate the project.
<p>Eligible Uses</p>	<p>All funds must be used to advance an affordable housing project that meets the eligibility criteria. Eligible expenditures include:</p> <ul style="list-style-type: none"> • Architectural and engineering services, entitlement and permitting fees, legal expenses, environmental review and other approved predevelopment activities required to accelerate construction commencement. • Construction of affordable housing or infrastructure required to complete the affordable housing described in the application, if sponsor demonstrates the ability to commence construction within a 24-month period.

	<ul style="list-style-type: none"> Acquisition of land required for an affordable housing project.
<p>Eligible Projects</p>	<p>All the following:</p> <p><u>Location.</u> Project must be located on a Priority Site that has been approved by MTC and ABAG AND in an area that meets the definition of "infill" in HCD's REAP 2.0 Program Guidelines, (Appendix 2, Definition #14).</p> <p><u>Site Control.</u> Lead applicant must have one of the following forms of control over project site:</p> <ul style="list-style-type: none"> Fee simple ownership. An executed lease agreement or lease option for the duration of the proposed term of the permanent financing. An executed disposition and development agreement between the borrower and a public agency. A valid, current, enforceable purchase and sale agreement (PSA) or option agreement (Option), with terms that provide transactional control for the Applicant. Predevelopment funding for PSA or Option transactions may be committed but not disbursed until acquisition closing. Exclusive Negotiating Rights Agreement (ENRA), with ENRA terms both within the control of the Applicant and subject to a milestone schedule that the Executive Director or designee determines in their sole discretion reasonably enables construction commencement within 5 years. <p><u>Entitlements.</u> One of the following:</p> <ul style="list-style-type: none"> Entitlements secured. The affordable housing component of the project, and any other components of the project seeking funding, have been fully entitled; or If the project has not been fully entitled, both of the following: <ul style="list-style-type: none"> Demonstrated eligibility for and commitment to using entitlement streamlining legislation, such as SB 35 (SB 423), AB 2011, or AB 2162. Zoning conformance or eligibility to secure desired zoning variances under either local or state legislation, e.g., State Density Bonus Law. <p><u>Financing Plan.</u> Financing plan with demonstrated financial feasibility, including, as applicable:</p>

	<ul style="list-style-type: none"> • Competitiveness for proposed federal and state funding applications. • Commitments of financing from local jurisdictions. • Equity contribution commitments. • Reasonable terms for proposed debt leveraging. • Feasible assumptions regarding market conditions, development timeline, and affordability levels. <p><u>Affordability.</u> A minimum of 25% of housing units shall be deed-restricted affordable to low-income households, at or below 80% of the area median income (AMI). Deed restrictions shall be for a minimum of 55 years.</p> <p><u>Accessibility and Mobility.</u> The deed-restricted affordable housing shall include:</p> <ul style="list-style-type: none"> • Mobility features for a minimum of 15% of units. • Communications features for a minimum of 10% of units. <p>Developers must prioritize leasing of accessible units to households in need of those features.</p>
<p>Loan Terms</p>	<p><u>Maximum Loan Amount:</u> Up to \$3,000,000, depending on need and the availability of other funds. Borrowers demonstrating financial need coupled with the ability to commence construction within 24 months may borrow up to \$5 million.</p> <p><u>Interest Rate:</u> 3.0% simple per year. However, the Executive Director or designee will evaluate project-specific loan terms with the intent of maximizing financing leveraging (see below for additional information regarding potential permanent financing terms).</p> <p><u>Lien priority.</u> BAHFA requires first lien priority. In its sole discretion, BAHFA may agree to subordinate its loan if Borrower demonstrates that subordination is necessary to secure financing and if such subordination furthers the goal of creating permanent affordable housing.</p> <p><u>Loan Term:</u> 3-5 years, with repayment due at construction loan closing, with the following additional provisions:</p> <ul style="list-style-type: none"> • For 100% affordable projects, including those that are individual developments: <ul style="list-style-type: none"> - Projects able to repay the loan in full at construction loan closing will be prioritized.

	<ul style="list-style-type: none"> - For Projects demonstrating need, readiness, and beneficial community impact, funding may be converted to permanent financing, with the term co-terminus with other leveraged sources term restrictions, such as low-income housing tax credits (LIHTC). - Loans BAHFA approves as permanent financing will be structured as residual receipts debt with a 3% simple interest rate, though BAHFA may adjust the rate as appropriate depending on capital account and residual debt analysis needs. <ul style="list-style-type: none"> • For Mixed-income projects: <ul style="list-style-type: none"> - For projects where more than 25% but less than 40% of all units are deed-restricted affordable, and where the predevelopment funding will assist both affordable and market-rate housing, repayment of principal and interest is due at construction loan closing. - For projects where more than 40% but less than 100% of all units are deed-restricted affordable, BAHFA will consider structuring the loan as permanent financing, with additional terms such as interest rate and repayment obligations to be established in the Executive Director or designee's sole discretion, provided there is a demonstrated furtherance of the goals of this Program.
<p>Additional Loan Terms</p>	<p><u>Affordability</u>: As described above, BAHFA will consider projects with a range of affordability. Priority considerations include:</p> <ul style="list-style-type: none"> • Beneficial Impact: Projects that provide the highest share of affordable units and highest number of units affordable to extremely low- and very low-income households. • Financial Feasibility: Borrowers' cash flow projections must evidence financial feasibility, whether through cross-subsidies, operating expenses balanced by the average area median income (AMI), or access to operating subsidies. <p><u>Displacement</u>: No displacement of existing residents shall occur.</p>

	<p><u>Temporary Relocation:</u> If the borrower must temporarily relocate tenants for the purpose of developing the proposed project:</p> <ul style="list-style-type: none"> • Temporary relocation shall not exceed 12 months unless approved by the Executive Director or designee. Permanent relocation is prohibited. • The borrower shall provide temporary housing that is decent, safe, sanitary and of comparable size to and within the vicinity of the relocated tenant’s dwelling unit as determined by the Executive Director or designee. • Tenants shall continue to pay the rent for their original unit, but shall bear no costs related to relocation, including: <ul style="list-style-type: none"> ○ Moving and packing expenses. ○ Any costs associated with the relocation dwelling that exceed their typical housing expenses (rent, utilities, other charges).
<p>Community Engagement</p>	<p>Borrowers should include a narrative regarding their community engagement efforts to date, a description of community response and support (as applicable), any identified community concerns, and plans for ongoing engagement.</p>
<p>Underwriting and Financing Assumptions</p>	<p>BAHFA will apply industry standard underwriting in its evaluation of applicant’s proposed financing plan, including, but not limited to:</p> <ul style="list-style-type: none"> • Total projected development costs, including contingencies and cost inflation assumptions relative to the proposed development timeline. • The financial impact of proposed project phasing, as applicable. • The project’s competitiveness for proposed but unsecured funding. • Assumptions regarding conventional debt rates, terms, and other repayment obligations. <ul style="list-style-type: none"> ○ Borrowers should assume 1.15 DSCR. • Assumptions regarding project income, including: <ul style="list-style-type: none"> ○ Commercial income, especially if assumed to cross-subsidize residential construction. ○ Income and operating expense inflators: borrowers should assume standard 2.5% rent

	<p>inflator and 3.5% operating expense inflator unless able to demonstrate market feasibility of alternative factors.</p> <ul style="list-style-type: none"> ○ Market sustainability of proposed affordable rent levels and conformance with proposed funding applications, as applicable. ○ Borrowers should assume 5% vacancy factor. ● Operating expense assumptions for residential and commercial uses. ● Reserves funding, both capitalized and cash-flow funded. ● Surplus cash allocations.
<p>Compliance</p>	<p><u>Regional Early Action Planning Grant:</u></p> <p>The applicant must agree to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination as well as all applicable laws and regulations governing construction, land use, and building operations.</p>
<p>Waivers</p>	<p>The Executive Director or Designee may waive any of these terms, provided the Executive Director or designee finds such waiver is necessary to achieve the Program goals.</p>
<p>Application Process and Loan Commitment</p>	<p>The application for funding shall follow the process set forth through the Letter of Interest / Funding Application Notice (Notice). Applications will be reviewed for completeness, project feasibility, competitiveness, and compliance with this Term Sheet. BAHFA will prioritize projects based on Selection Criteria as established in the funding Notice.</p>
<p>Letter of Interest Submission Requirements</p>	<p>Applicants must submit the following information through the Priority Sites Nomination and Application Portal:</p> <ol style="list-style-type: none"> 1) Narrative: up to 3-page narrative describing the project vision, partnerships, and impact. 2) Project Timeline, including dates projected for each phase of development, as applicable. 3) Development Program, including but not limited to: total unit count, share of units that are deed-

restricted by income level, non-residential floorspace, and any community-serving facilities.

- 4) Entitlements and Site Control Documents, including:
 - Documentation of site control.
 - A third-party, independent appraisal of the land and/or existing improved site, with a date that provides currency of value, if sponsor requests acquisition funding.
 - Entitlement documentation demonstrating approvals or status of entitlement process, including zoning conformance and applicability of any relevant approvals streamlining legislation.
 - Summary documentation of site environmental review and any required mitigations.
 - Preliminary Title Report.
- 5) Project Financing Documents, including:
 - Detailed Sources & Uses Development budget indicating:
 - i. The status of each source of proposed funding (i.e., committed, projected, application submitted, etc.), and basic terms (e.g., projected interest rate, loan term).
 - ii. All capital costs, with commercial and residential development costs shown separately.
 - 20-year cash flow projection, showing all debt service payments and surplus cash allocations
 - Year 1 Operating budget, including reserves funding.
 - Additional budget documents necessary to achieve the development program, e.g., services funding and operating subsidy sources and assumptions.
 - Jurisdictional support documents, as applicable (e.g., letters of financial commitment).
- 6) Community Engagement Narrative: Provide up to 3 pages regarding the community engagement effort to date for the project, a description of community response and support (as applicable), any identified community concerns, and plans for ongoing engagement.
- 7) Development Team Documents: For each principal member of the development team (e.g., managing general partner, equity partners, developer(s), include:
 - Firm description.

	<ul style="list-style-type: none"> • Key staff resumes. • Project architect resume and sample completed projects. • Additional principal design consultants' resumes and sample completed projects (e.g., landscape architect). • General contractor resume and sample completed projects. • Property manager resume and sample projects under management. <p>8) CEQA Compliance: Documentation that the project will be exempt from review as required by the California Environmental Review Act or a CEQA determination from the lead agency.</p>
<p>Full Application Additional Submission Requirements</p>	<p>1) Any project updates or changes to project status from date of LOI documents submission.</p> <p>2) Entitlements, Site Control Status and Site Due Diligence:</p> <ul style="list-style-type: none"> • Confirmation of site control status, as submitted with the LOI. • All planning entitlement documents submitted and approved; demonstration of zoning conformity or variance application approval; density bonus application (as applicable); streamlining applications submitted and/or approved (as applicable). • Environmental review documents (e.g., Phase 1, Phase 2, and any additional environmental review). • ALTA Survey Building plans and specifications, as applicable. <p>3) Development Team Documents:</p> <ul style="list-style-type: none"> • Current year unaudited financials • Prior three years of Borrower's audited financials. • Organizational documents: <ul style="list-style-type: none"> - Leadership and governance (Board, Committees, profile of leadership) - Strategic planning documents (if available) - Annual Report (if available) - Schedule of real estate owned and projects under construction (if any) - MOU with non-profit partner, if applicable

Contact Information	<p><u>For questions regarding term sheet:</u> Kate Hartley Director Bay Area Housing Finance Authority Email: khartley@bayareametro.gov</p> <p><u>For questions regarding Priority Site eligibility and nomination:</u> Mark Shorett Principal Planner Association of Bay Area Governments & Metropolitan Transportation Commission Email: mshorett@bayareametro.gov</p>
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