Bay Area Housing Finance Authority Business Plan

Appendix 3: Funding Programs

Cover image
Station Center in Union City, photo by Bruce Damonte, courtesy of Midpen Housing

Bay Area Housing Finance Authority

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3A. Multifamily Rental Production Program

Appendix 3A.1: Multifamily Rental Production Program Description

Equity Objectives

The Multifamily Rental Production Program (the "Program") will invest in projects that support achievement of the Equity Framework's Production (P) and Cross-Cutting (CC) Objectives. The Program, in combination with other funding programs and initiatives implemented by BAHFA, will seek to:

P1. **Produce more affordable housing, especially for extremely low-income (ELI) households.** Increase production of housing with long-term affordability restrictions across the region, and provide special focus on the production of housing types that meet the needs of ELI households and populations most disproportionately impacted by housing inequity.

P2. **Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that create stability for residents while transforming historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.

P3. **Create affordable housing opportunities for lower income households in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated, diverse and balanced living patterns in areas of concentrated affluence.

P4. **Create programs that address homelessness.** Increase housing types, in coordination with counties, that directly serve the needs of unhoused residents (including permanent supportive housing) while developing strategies to ensure that operating and services subsidies are available and utilized to the greatest extent possible. This Objective recognizes that more housing of appropriate types is a key solution to homelessness.

P5. **Achieve regional climate and environmental justice goals.** Prioritize housing placement near high-quality transit and invest in housing that achieves high performance scores in recognized sustainable building systems.

CC1. **Support community-based, and community-owned organizations and developers.** Expand, diversify and strengthen the capacity of the region's housing ecosystem by investing in community-based developers and organizations across all 3Ps.

CC2. **Support individual and community wealth building.** Create opportunities for historically marginalized people and residents historically excluded from homeownership to build wealth through housing, including traditional and shared homeownership opportunities.

CC3. **Serve as a regional leader on local equitable programs and practices.** Advance local alignment with regional equity priorities across all 3Ps, encouraging counties and cities to incorporate and build off of the Equity Framework.

CC4. **Commit to ongoing, meaningful and equitable engagement.** Advance community participation among historically marginalized populations through ongoing engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on organizations who are accountable to and part of communities most impacted by housing unaffordability.

CC5. **Secure more flexible and unrestricted funding.** Seek to expand and secure funding sources to achieve a broader range of equity needs across all 3Ps, including uses that would be difficult to fund with likely fund sources (e.g., general obligation bond).

CC6. Target most flexible BAHFA funding to accelerate AFFH. Develop programs within BAHFA's optional 10% Local Government Incentive Program that address any gaps in a comprehensive Affirmatively Furthering Fair Housing (AFFH) approach given AB 1487's[1] parameters. Target any non-housing investments (i.e., infrastructure, community or cultural spaces and public services) in communities that have faced historic disinvestment and/or are home to the region's most impacted residents.

Additional Objectives

Additional objectives of the Program are to:

- **Support BAHFA's Legislated Production Goals.** The majority of Regional Housing Revenue[2] (RHR) raised by BAHFA (minimum 52%) is required to be distributed, in the form of a grant, loan or other financing tool, for the production of rental housing that is restricted by recorded document to be affordable to lower income households up to 80% Area Median Income (AMI) for at least 55 years (Production). The Program would provide financing for housing meeting the Production criteria.
- **Achieve Transformative Scale.** To make it possible for BAHFA to assist a greater number of units, it will need to leverage outside funding that can cover a large share of total development costs. Currently, the principal major source of subsidy for affordable housing is the federal Low Income Housing Tax Credit (LIHTC or "tax credit") program. Funding provided by the Program is intended to be compatible with LIHTCs, as well as state and local subsidy sources. Noting that LIHTCs and their companion funding source, tax-exempt private activity bonds (PABs), are currently highly competitive and often not directed to projects that BAHFA would otherwise seek to prioritize, BAHFA will seek to leverage alternate, new funding sources as they become available. It will also work collaboratively with state and local partners to ensure that LIHTCs and PABs, both necessary for projects' financial feasibility, are distributed more equitably across a variety of communities.
- **Generate Revenue.** Revenue BAHFA generates from its financing activities in support of the Program will be used to support BAHFA's financial self-sufficiency and Protection programming. Revenue may also be revolved by BAHFA as additional financing to additional projects and to invest in new BAHFA financing and technical capacities.
- **Coordinate and Streamline.** Affordable multifamily rental projects are typically financed using a "layer cake" of hard debt and subsidy from multiple sources. By being a coordinated source of both hard debt and significant subsidy, and providing pathways for local jurisdictions and other funding sources to efficiently contribute additional financing to the same projects, BAHFA will help streamline project financing.

Funding Products

The initial funding products BAHFA will provide pursuant to the Program are intended to support achievement of the Equity Objectives and the Additional Objectives set forth above, and to be responsive to the regional financing needs and opportunities identified for Production properties.

As the region's affordable housing production needs evolve, and as BAHFA identifies additional sources of funding and develops additional capacities, the funding products are expected to change. All Program terms will be periodically reviewed and are subject to revision at any time. Exceptions to general Program terms may be available on a project-by-project basis.

1. The Bay Area Housing Finance Authority is governed by Government Code Section 64500, et seq. (hereinafter "the Act"), which was first adopted into law by AB 1487 (Chiu, 2019). The Act was later amended by AB 1319 (Wicks, 2023). This Appendix retains references to AB 1487, which contained the operative statutory provisions during the Equity Framework's drafting process.
2. Regional Housing Revenue refers to the revenue BAHFA collects from general obligation bond issuances, parcel taxes, special head taxes, and gross receipts taxes as defined in AB 1487.

Initial Program funding products include:[3]

Permanent Financing

- **Subsidy Loans,** which may be structured as **residual receipts loans** and/or **subordinated, must-pay loans**. Subsidy loans are available to projects that are also accessing a permanent senior loan from BAHFA, or from another source acceptable to BAHFA.
  - BAHFA role: Lender
  - Anticipated term: 55-57 years
  - Anticipated interest rate and repayment requirements:
    - For Residual Receipts Loans: Concessionary interest rate. "Soft" debt service serviceable from surplus project cash flow with any unpaid interest deferred and accruing. Outstanding loan balance is due upon loan maturity, property sale or refinance.
    - For Subordinate Loans: Below-market interest rate. Must-pay, "hard" debt service serviceable from project cash flow. Required payments may also include principal amortization. Outstanding loan balance is due upon loan maturity, property sale or refinance.
  - Amount: Up to $200,000 per unit, with additional amounts available for projects determined to be a high priority based on their meeting criteria to be established by BAHFA. Local jurisdiction funding will also be encouraged.
  - Funding source: RHR
- **First Mortgage Loans**
  - BAHFA role: Lender, Participant, and/or Issuer
  - Anticipated terms: 17-40 year loan term; up to 40-year amortization schedule
  - Collateral/security: First-position lien on the property
  - Anticipated interest rate: Market or below-market, depending on loan structure, funding source and project type.
    - Loans funded from project revenue bond issuance proceeds will be subject to capital market requirements and at market rates.
    - Loans participated in by BAHFA will be at rates established by the lead lender.
    - Loans funded from RHR may be at below-market or market rates.
  - Taxable or Tax-Exempt: Financing may be available on a tax-exempt basis for qualifying projects, for example: projects receiving an allocation of PABs; that have a 501(c)3 exemption; that are providing an Essential Government Service; or are being funded from recycled bonds.
  - Funding amount: Generally, sized to minimum 1.15 debt service coverage ratio; lower minimum debt service coverage ratio available when supported by the transaction structure.
  - Funding source: Housing revenue bond issuance proceeds (taxable or tax-exempt), or RHR
- **Conduit Bond Issuance** on a taxable or tax-exempt basis, for bonds privately placed or publicly sold
  - BAHFA role: Issuer
  - Anticipated fees: BAHFA receives issuance and ongoing monitoring fees.

3. Several of these funding products are contingent on establishing BAHFA's powers to issue project revenue bonds and/or be a conduit bond issuer.

Construction Financing

- **Subsidy Loans**
  - Same as above under “Permanent”; for projects receiving a subsidy loan from BAHFA, the loan could be permanent-only or funded earlier (e.g., prior to or during construction) and remain as a permanent loan.
- **Construction Loans**[4]
  - BAHFA role: Lender, Participant, and/or Issuer
  - Anticipated terms: May fund eligible project costs from predevelopment through completion of construction. If needed, a portion may convert to a permanent subsidy loan and/or a first mortgage loan after construction completion and project stabilization.
  - Collateral/security: First-position liens on the property and project under construction
  - Anticipated interest rate: Same as above, under “Permanent – First Mortgage Loans.”
  - Funding amount: Generally, maximum 85% loan-to-cost; higher maximum loan-to-cost available when supported by the transaction structure.
  - Funding source: Housing revenue bond issuance proceeds (taxable or tax-exempt), or RHR
- **Conduit Bond Issuance** on a taxable or tax-exempt basis, for construction-only or construction-to-permanent phase bonds privately placed or publicly sold
  - BAHFA role: Issuer
  - Anticipated fees: BAHFA receives issuance and ongoing monitoring fees.

4. In the near term, due to the size of construction loans needed per project, and the readily available capital from commercial banks for multifamily rental projects receiving tax credits, it is expected that BAHFA will play a smaller role in construction lending for the Program than in other funding programs (see, e g ,: Innovation Program, Preservation Program) Over time, BAHFA may generate additional resources that may make it possible to expand its construction lending activity in furtherance of the Program.

Appendix 3A.2: Multifamily Rental Production Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Multifamily Rental Production Program is intended to be responsive.

Included in ***Appendix 3A.2:***

- ***Current Financing Overview***
- ***Landscape Analysis***
- ***Opportunities for BAHFA***
- ***Funding Scenarios***

Current Financing Overview

Currently, new affordable rental housing production relies on the following principal financing sources:

- **Low Income Housing Tax Credits** are the single largest source of subsidy for affordable rental housing. When awarded to a project, tax credit equity received from the sale of tax credits to investors typically funds from around 40% (in the case of the 4% tax credit) to 60% (for the 9% tax credit) of project development costs. Although tax credit equity can pay for a significant share of project costs, remaining project costs still need to be paid for from a combination of hard, "must-pay" debt and additional (non-LIHTC) subsidy.

- **Construction Loan.** During the construction period, projects have a short-term construction financing need. Projects funded with 4% LIHTCs require that the majority of the project's aggregate basis be financed with tax-exempt PABs (further described below), while projects funded with 9% LIHTCs have more flexibility to use a wider range of construction sources. Upon completion and lease-up of the rental units, a construction loan may convert to a permanent loan and/or be repaid from permanent financing proceeds.

- **Permanent Senior Loan.** The amount of a permanent senior loan (or first mortgage loan) a project can support is a function of (i) project net operating income (rental revenue minus operating costs); and (ii) debt terms (interest rate, amortization schedule and term, minimum required debt service coverage ratio). Senior loans are also considered "hard debt" because the loan must be repaid on a fixed schedule. In general, the higher the rents, and the lower the operating costs, the larger first mortgage loan a project can support. The percentage of total development costs that can be paid for with this debt depends not only on the amount of debt that can be supported, but also the total development cost of the project, which varies across the region and from project to project. We estimate that on average, approximately 10-20% of a typical low-income affordable rental project's capital stack can be supported by a first mortgage loan. For projects with insufficient rental revenue (or operating subsidy) to cover operating costs, little to no debt can be supported. Examples of lower-revenue projects include permanent supportive housing, senior housing, and housing that prioritizes extremely low- and very low-income households (i.e., average affordability is 50% AMI or less).

- **Subsidy Loans.** Low-cost subsidy loans comprise a substantial portion of a project's capital stack, often 40% of a project's sources in a 4% LIHTC project. These have historically been sourced competitively through multiple agencies at the federal, state and local levels. In California, subsidies are typically structured as "residual receipts" loans payable from remaining project cash flow after other costs are paid. As an alternative to, or in addition to, residual receipts-type loans, subsidy loans can also take the form of a subordinate "must-pay" loan.

See **Table 1** below for a sample capital stack of Bay Area projects receiving tax credits in 2021. The split between tax equity, debt and subsidy is an approximation, and not based on each specific project.

The typical process by which most multifamily affordable developments are financed and built includes the developer applying to the California Tax Credit Allocation Committee ("CTCAC") for an award of 9% tax credits; or to the California Debt Limit Allocation Committee ("CDLAC") for an allocation of tax-exempt private activity bonds, which come with 4% tax credits as-of-right.

Private activity bonds awarded by CTCAC are a form of "project revenue bond" – bonds whose repayment is secured by the revenue from a specific project or pool of projects. For projects receiving PABs, a public agency (e.g., a city, county, housing authority or other entity with the authority to issue project revenue bonds) issues the bonds on behalf of the project, typically on a conduit basis. In the Bay Area, affordable housing projects are often directed to use the city or county in which they are located, or a specific local agency, as their bond issuer; alternatively, other state financing agencies can issue bonds on behalf of a project. Typically, in what is known as a "private placement," conduit bonds are purchased directly from the issuer by a bank, which lends the bond proceeds to the developer; less commonly, bonds can also be sold pursuant to a public offering.

Table 1. Financing Overview: Sample Capital Stack

Sample Capital Stack: Year 2021	Total Project Costs	Tax Equity at $0.90	Perm Debt at 15%	Subsidy Need
New Construction 9%	$390,032,417	$229,981,315	$58,504,863	$101,546,240
Rehabilitation 9%	$161,032,626	$76,052,889	$24,154,894	$60,824,843
Subtotal (9%)	**$551,065,043**	**$306,034,204**	**$82,659,756**	**$162,371,083**
Per Unit (937 Units)	**$588,116**	**$326,611**	**$88,217**	**$173,288**
% of Capital Stack	100%	56%	15%	29%
New Construction 4%	$2,306,269,093	$1,017,218,119	$345,940,364	$943,110,610
Rehabilitation 4%	$219,737,228	$83,169,810	$32,960,584	$103,606,834
Subtotal (4%)	**$2,526,006,321**	**$1,100,387,929**	**$378,900,948**	**$1,046,717,444**
Per Unit (4,229 Units)	**$597,306**	**$260,201**	**$89,596**	**$247,509**
% of Capital Stack	100%	44%	15%	41%
Total	**$3,077,071,364**	**$1,406,422,132**	**$461,560,705**	**$1,209,088,527**
Per Unit* (5,166 units)	**$595,639**	**$272,246**	**$89,346**	**$234,047**
% of Capital Stack	100%	46%	15%	39%

*Cost/Unit is average, not weighted

Landscape Analysis

The number of affordable multifamily rental projects that can be built is driven by factors including project costs and the availability of LIHTCs, PABs, and subsidy loans to fill funding gaps. While critical constraints exist regarding access to tax credits (see below), as tax equity raised from the sale of tax credits typically funds over 40% of a project's total development costs, the 4% and 9% tax credit programs remain, currently, the principal vehicles by which the Bay Area can meaningfully fund needed housing at the scale required.

- **Scale of the Affordable Housing Need.** In 2019, the California Housing Partnership Corporation set the shortage of affordable homes for Bay Area low-income households at 207,820. In 2022, the Bay Area's Regional Housing Needs Assessment set the number of needed homes for households earning 80% of area median income and below at 253,046.
- **Market Size.** Both 9% tax credits and PABs (which generate the 4% tax credit) are constrained resources in California. Federal law sets annual limits for each state on the availability of 9% tax credits and PABs. In California, demand for 9% tax credits has consistently exceeded their availability; but until 2019, PABs were in abundant supply. In 2020, PABs became oversubscribed by more than five times the available amount and CTCAC and CDLAC established a competitive allocation process for projects financed with 4% tax credits and PABs, respectively. Due to this oversubscription, in the fall of 2021 the CA Department of Housing and Community Development launched the Housing Accelerator program to provide funding for projects that were shovel ready and unable to move forward due to gaps that resulted from their inability to access tax credit and bond allocations.
- Projects financed with LIHTCs (either 4% or 9%) created or preserved 5,116 units in the Bay Area in 2021 (43 new construction projects and 9 rehabilitation projects), with over $3 billion in total development costs.[5] Assuming tax credits could be sold, on average, for $0.90 to investors, tax credit equity funded an estimated 46% of these project costs.
  - **4% Tax Credit Projects.** In 2021, across the Bay Area, 37 projects totaling 4,229 units with $2,526,006,320 in total development costs were awarded PABs with 4% tax credits. Federal tax credits awarded to these projects totaled $1,104,488,250 (10-year total) and $118,165,013 in total state credits. Assuming those tax credits could be sold, on average, at $0.90 to investors, total tax credit equity raised for these projects works out to an estimated $1,100,387,924 – 44% of project costs.
  - **9% Tax Credit Projects.** Also in 2021, 15 projects totaling 937 units with $551,065,043 in total development costs were awarded 9% tax credits in the Bay Area. Federal tax credits awarded to these projects totaled $332,181,310 (10-year total) and additional state credits totaled $7,856,694. Assuming an average price per credit of $0.90, tax credit equity raised for these projects is estimated at $306,034,204 – 56% of project costs. See Table 2 below for an overview of projects awarded LIHTCs in the nine-county Bay Area in 2021.
- **CTCAC/CDLAC Alignment with Equity Objectives.** Both CTCAC and CDLAC have "set asides," or pools for awarding tax credits and PABs to projects based on categories. For example, of the $2.23 billion of PABs allocated to 4% tax credit multifamily projects in 2022, CDLAC required 88% of the PABs be for new construction projects, with specific pools focused on homeless, ELI and VLI households. Further, 3% of funds were available to developers with at least 51% BIPOC ownership or leadership. The 9% tax credit projects that do not use PABs have different set asides with goals set by CTCAC. Many of the current set asides and scoring criteria align well with BAHFA's Equity Objectives including prioritization of lower income and special needs households and proximity to transit. However, some have created negative consequences for many Bay Area communities, including prioritizing investments in "high opportunity" census tracts, which disadvantage lower-income communities and communities of color. In addition, CTCAC and CDLAC assigned a "tie-breaker" advantage to projects with low development costs in the

5. In 2020, 62 new construction and 14 rehabilitation projects totaling 8,160 units with over $4.67 billion in development costs received tax credit awards.

interest of creating more units overall. For high-cost Bay Area communities, this has resulted in a resource allocation drought. To achieve its equity goals, BAHFA must work collaboratively with state and local partners to create a more equitable funding system while also investing in efforts such as entitlement streamlining and factory-built housing that lowers project costs. Additionally, as BAHFA gets closer to launching its funding programs, CTCAC/CDLAC priorities may change, and BAHFA will continue to monitor, collaborate, and evolve as needed to provide funding to projects that will successfully receive tax credits and bonds, or to those that meet newer "subsidy in lieu of credits" programs such as the state's Housing Accelerator program while also meeting Equity Objectives.

- **Constraints on Local Subsidy Availability**. In addition to the constraints on LIHTC funding availability, projects currently need to go to multiple state and local resources to seek subsidy loans, which adds time and cost due to the need to apply to multiple agencies on their funding cycle and negotiate multiple loan documents, as well as annual reporting to multiple agencies.

Table 2. Overview of Bay Area projects awarded LIHTCs in 2021

Year: 2021	# of Projects	# of Units	Total Project Costs	Cost/ Unit	Federal Credits (10 Yr)	State Credits	Total Credits
New Const. 9%	10	631	$390,032,417	$618,118	$247,678,100	$7,856,694	$255,534,794
New Const. 4%	33	3,946	$2,306,269,093	$584,457	$1,012,077,350	$118,165,004	$1,130,242,354
Rehabilitation 9%*	5	306	$161,032,626	$526,250	$84,503,210	$0	$84,503,210
Rehabilitation 4%*	4	283	$219,737,228	$776,457	$92,410,900	$0	$92,410,900
Total/ Average**	**52**	**5,166**	**$3,077,071,364**	**$600,103**	**$1,436,669,560**	**$126,021,698**	**$1,562,691,258**

*Rehabilitation projects were primarily projects with expiring affordability restrictions. CDLAC/TCAC scoring currently prioritizes new construction.

**Cost/Unit is weighted average.

Opportunities for BAHFA

The universe of new affordable multifamily rental projects needing funding each year across the Bay Area is large. Based on Table 1 above, if 10-20% of annual regional tax credit project development costs can be financed with hard debt, that leaves a $300-$600 million annual permanent financing need and a remaining need for subsidy loans of $1.0-$1.36 billion. In addition, projects not receiving tax credits, but viable with additional debt and/or subsidy, could also be financed (to be described in Appendix 3B!, BAHFA's Innovation Program). These funding needs present opportunities for BAHFA to provide permanent and construction-period financing and improve on current financing approaches.

In addition to providing subsidy loans, if BAHFA can play a role in construction or permanent lending, it can provide competitive project-level benefits, while enabling stabilized operations and the ability to generate revenue from interest and fees which can support BAHFA's financial self-sufficiency and Protection programming.

For the Program to be compelling and add additional value for projects, BAHFA also can:

- **Package its "must pay" hard debt products with subsidy**, to simplify project-level financing and increase the benefit to projects. The threshold for BAHFA to be the best available financing provider for projects in the region is when the cost of its hard debt plus subsidy loan (its "blended cost") is less than the cost for the same total amount of funding from any other source.
- **Compete to provide a lower-cost debt product (lowest possible interest rate, minimum fees)**. There are various way for BAHFA to provide a lower cost debt product than its peers. Initially, BAHFA may apply its RHR to funding hard debt loans directly or via a loan participation. Over time, as BAHFA generates revenue and has financial strength, a multi-year lending track record, and a strong credit rating, it may be able to gain deeper access the capital markets and leverage a wider range of external sources to provide low-cost debt to borrowers, such as through an open bond indenture. In any structure, BAHFA can mark the project costs it controls - principally, fees and interest rate spread—to the minimum level BAHFA can sustain, and/or provide additional subsidy to provide a total financing package that is competitive to other providers.
- **Reduce project costs and ease of execution** through streamlined, standardized reporting, documentation and other administrative requirements and simplification of each project's capital stack.
- **Communicate, coordinate and collaborate with local jurisdictions**, especially to the extent BAHFA cannot provide all the subsidy a project needs and additional subsidy from a local jurisdiction is needed.

Funding Scenarios

If $2 billion in RHR becomes available to BAHFA, a minimum of 52% would be allocated to Production programs. Production also includes the Innovation Program (under separate cover). It is assumed BAHFA would draw all $2 billion of its general obligation bonds via five bond issuances at three-year intervals. This schedule could be accelerated if the region expends funds more quickly.

As stated in the goals of the Program, and subject to the limitations of its authorizing legislation, BAHFA will seek to achieve greater scale by augmenting the RHR it has available to fund the Program with additional resources raised by accessing the capital markets.

Several options for how BAHFA could seek to do so are outlined below. The **Baseline** scenario assumes BAHFA does not issue project revenue bonds and is unable to leverage any funding aside from RHR. The **Subsidy Only** scenario assumes BAHFA focuses on delivering only subsidy loans. The **additional** options are strategies that, by partnering with banks or accessing the capital markets, would expand the total resources BAHFA has available for the Program and provide BAHFA with additional sources of revenue.

- **Baseline:** BAHFA funds the Program entirely from RHR.
  - **Pros:** Simplest scenario to execute. BAHFA can set the interest rate and terms on all financing it provides, earn 100% of the interest rate charged and receive all repaid principal.
  - **Cons:** Least scaled scenario, with most limited selection of financing products and most limited project set. RHR is a scarce resource and if needed to fund both hard debt and subsidy loans, it would be able to fund fewer subsidy loans and support production of fewer units. BAHFA would be unable to provide many of the financing products identified as opportunities above, including any of the products that require issuance of project revenue bonds. In particular, BAHFA would not have the ability to fund any federally tax-exempt financing to projects, which means projects that ordinarily could benefit from this tax subsidy would have to forgo it to the extent they still choose to use BAHFA financing.

- **Subsidy Only:** BAHFA dedicates its resources to providing subsidies, forgoing any role as a senior lender or issuer.
  - **Pros:** BAHFA could use all RHR for subsidy loans, and it would have fewer staffing needs. Borrowers could continue to receive competitively priced first mortgages from other providers under a structure they are used to.
  - **Cons:** Especially in the short to mid-term, BAHFA would have extremely limited sources of internally generated revenue, which could result in continued dependency on recurring infusions of funding from voter-approved housing measures, or external donors, to continue providing financing products, pay for expenses and deliver Protection programming. In the short to mid-term, BAHFA revenues would consist of interest paid on subsidy loans from available cash flow. Payments on these loans depend on project-level excess cash flow being available and would be unreliable, especially before projects are fully leased-up and stabilized. However, longer-term, some projects may be refinanced, triggering repayment of BAHFA's subsidy loans and providing cash that could be re-loaned, subject to remaining restrictions on those funds.
- **Loan Participation:** BAHFA funds a share of each construction and/or permanent loan from RHR, while banks or other financing partners fund the balance of each loan. This is a strategy BAHFA may employ in the near term as soon as it has RHR available.
  - **Pros:** BAHFA could offer an interest rate competitive with the market, and earn its proportional share of interest plus principal, while the bank earns its share. By utilizing banks to provide the majority of each permanent loan, BAHFA would be able to fund more subsidy loans from RHR than it could under the Baseline scenario while still earning some permanent loan revenue. It can also rely on the banks to lead by using their loan agreements and infrastructure to underwrite and service loans, reducing BAHFA's staffing needs.
  - **Cons:** The complexity of merging multiple financing parties into a single transaction cuts against BAHFA streamlining goals, however this is a structure that banks are familiar with. BAHFA control and decision-making about any project will also be shared with the co-lender(s). By playing a smaller role in the first mortgage loan, BAHFA will earn less revenue.
- **Open Indenture:** BAHFA establishes an open (or "pooled") indenture pursuant to which it issues housing revenue bonds secured by a pool of projects. Bond proceeds are used by BAHFA to fund its permanent first mortgage lending program. This is a strategy BAHFA may employ in the longer term once it generates revenue from other programs and has a strong balance sheet.
  - **Pros:** Makes it possible for BAHFA to provide all of the financing products identified above as opportunities. In addition to using RHR to provide subsidy loans, under the open indenture, BAHFA would access the capital markets to issue housing revenue bonds, proceeds of which would be used by BAHFA to make hard debt loans to projects. This structure 1) allows BAHFA to conserve the majority of its Production-related RHR for subsidy loans which commercial lenders are unable to provide; and 2) leverage the capital markets for external sources to fund its permanent first mortgages, all while BAHFA is able to earn revenue from interest rate spread and other fees.
  - **Cons:** While the open indenture is a powerful structure for BAHFA to generate revenue over the long term, it would be contingent on establishing its powers under the Act to issue project revenue bonds. Furthermore, BAHFA will need to identify cash with which to collateralize the indenture at its outset and under current law, general obligation bond proceeds cannot be used for this purpose. Finally, the cost of capital BAHFA can raise through the open indenture will depend on the indenture's credit strength, which will take time and resources to build. Management and administration of the indenture will also add costs and complexity to BAHFA's operations.

3B. Innovation Program

Appendix 3B.1: Innovation Program Description

Equity Objectives

The Innovation Program (the "Program") will invest in projects that support achievement of the Equity Framework's Production, Preservation, and Cross-Cutting Objectives.[6] In particular, by funding projects that are faster to market and lower cost, as well as piloting new financing and delivery approaches, the Innovation Program will help meet the Equity Framework's objectives of creating more affordable housing, including for extremely low income (ELI) households. Further, by providing funding to projects that will not apply for low income housing tax credits (LIHTCs),[7] the Program will allow for more geographic flexibility to invest in communities identified in the Equity Framework as priorities, such as those in which there has been historical disinvestment.

Additional Objectives

Additional objectives of the Program are to:

- **Support BAHFA's Legislated Production and Preservation Goals.** A combined minimum 67% of Regional Housing Revenue[8] ("RHR") raised by BAHFA is required to be distributed, in the form of a grant, loan or other financing tool, for either the production of rental housing that is restricted to be affordable to lower income households up to 80% AMI for at least 55 years ("Production") or for the preservation of deed-restricted housing, affordable to households up to 120% AMI for 55 years ("Preservation"). An additional 18% may be used for Production, Preservation, or Protections. A majority of projects receiving funding from this Program are anticipated to be faster, lower-cost new construction projects that contribute to meeting BAHFA's Production goal (to which a minimum 52% of RHR must be provided); however, Preservation projects (minimum 15% RHR) may receive funding pursuant to the Program as well.
- **Expand the Range of Financeable Projects.** Much housing development across the region is driven by the requirements of major funding programs, especially tax credits. Alternative project types—such as smaller, infill projects to support lower density development; larger, multifamily rental properties that do not use tax credits; mixed-income housing that includes market and affordable units; and conversion of existing office buildings to residential use—lack available funding. With the Program, BAHFA intends to support a wider universe of project types where needs are not currently being reliably addressed with existing financing sources.
- **Avoid Competitive Bottlenecks in Current State Funding Programs.** Given the current scarcity of affordable housing's principal funding sources—tax-exempt bonds and tax credits—alternative funding pathways are needed for more projects to be possible. The Program is intended for projects that will not seek tax credit funding.

6. The Production, Preservation, Protection Objectives are stated in the Multifamily Rental Production Program, Preservation Program, and Tenant Protections Program descriptions, respectively, along with the Cross-Cutting Objectives. All objectives are also included in Appendix 1: Equity Framework.
7. Projects located in census tracts designated as "high opportunity" currently receive a scoring advantage when applying for tax credits. In practice, this means projects located in other geographies—including areas that have been historically disinvested—may be uncompetitive for tax credits.
8. Regional Housing Revenue refers to the revenue BAHFA collects from general obligation bond issuances, parcel taxes, special head taxes and gross receipts taxes as defined in the Act.

- **Achieve Faster, More Cost-Effective Housing Delivery.** The high cost, extended timelines, and lack of flexibility in pathways to complete new projects are primary contributors to the region's affordable housing shortage. With flexible capital provided through the Program, BAHFA aims to fund projects that:
  - **Reduce project costs:** Cost reductions can be achieved through a faster pace of development, lower-cost land, innovative construction and other techniques.
  - **Deliver projects at a faster time to market:** Faster time to market (acquisition and/or construction through lease-up) can be achieved by, for example, streamlined permitting and approvals, creative construction approaches, and/or streamlined financing and by providing a pathway for production of large, affordable multifamily rental housing without tax credits.
- **Pilot New, Innovative Approaches.** BAHFA wants to open doors to developers that bring leading-edge ideas to meeting the region's housing needs. By providing flexible capital via the Program, BAHFA aims to prioritize housing production and preservation that pilots or expands on new, innovative approaches. For example, BAHFA expects that projects that choose to forgo LIHTC financing and instead prioritize time and cost savings could be funded through the Program, as could projects that explore creative, different community-based ownership structures, or projects that rely on partnership and collaboration between multiple organizations to share capacity and expertise.

Funding Products - Generally

The initial funding products BAHFA will provide pursuant to the Program are intended to support achievement of the Equity Objectives and the Additional Objectives set forth above, and to be responsive to regional financing needs and opportunities.[9]

As the region's affordable housing needs evolve, and as BAHFA identifies additional sources of funding and develops additional capacities, the funding products are expected to change. All Program terms will be periodically reviewed and are subject to revision at any time. Exceptions to general Program terms may be available on a project-by-project basis.

Initial Program funding products are grouped into three categories:

1. Products available for projects meeting the criteria for **Efficient Delivery**;
2. **Affordable Unit Buy-Down** product; and
3. Products available to **Adaptive Re-Use** projects.

Efficient Delivery Products

To qualify for **Efficient Delivery** funding, projects must:

- Minimize their total development cost so that it does not exceed the lesser of $500,000 per unit (adjusted for bedroom count and capitalized operating subsidy needs) or 80% of a comparable project's cost; and
- Keep their development timeline from site/building acquisition to lease-up (for new construction projects) to no greater than that of a comparable project, and in no event greater than three years; or, for construction/rehabilitation completion (for preservation projects), to no greater than that of a comparable project, and in no event greater than 18 months.

9. For additional analysis of regional financing needs and opportunities, please refer to the Appendix 3A.2.

Qualifying projects are expected to forgo applying for tax credits, though may be receiving other sources of local, state, or federal subsidy. Preference will be given to projects minimizing permanent subsidy required to be provided by BAHFA, while also aligning with BAHFA's other programmatic and policy objectives.[10]

- **Permanent Financing** products available pursuant to BAHFA's other funding programs, including Subsidy Loans, First Mortgage Loans and Conduit Bond Issuance. Subsidy Loans may be funded at permanent conversion, or prior to or during construction. If necessary to support project feasibility, BAHFA may exceed the subsidy caps set forth in its other funding programs.
- Flexible financing ("**Efficient Delivery Loan**") to pay for **all or any portion** of eligible acquisition, predevelopment, construction (or, for Preservation projects, rehabilitation) costs until building completion and stabilization. The Efficient Delivery Loan is anticipated to be paid down to the greatest extent possible from other sources at building stabilization, but any remaining balance thereafter may remain as a permanent source. This product is anticipated to be funded from RHR at a below-market interest rate. Typically, BAHFA will require a first-position lien on the property, although this requirement may be waived when supported by the transaction structure and necessary for project feasibility.

Affordable Unit Buy-Down Product

The **Affordable Unit Buy-Down** pays for the cost of adding additional affordable housing units in market rate projects (both new construction and existing market-rate developments) in exchange for 55-year deeded affordability restrictions on these units. Payments would not be available for units that are already required to be affordable, for example, pursuant to an inclusionary housing requirement.

For any unit, BAHFA's calculation of the amount it will pay to buy down affordability in a unit will be based on the net present value of the difference in property cash flows with and without the unit affordability restriction; consequently, the amount of the payment BAHFA would provide will vary with market and affordable rental rates across the region.

The Affordable Unit Buy-Down is provided in the form of a forgivable loan to borrowers, in an amount of up to $200,000 per unit, in exchange for the affordability restriction on their market-rate units.

Adaptive Re-Use Products

The **Adaptive Re-Use Program** provides funding for conversion of non-residential buildings to residential use. Qualifying projects are expected to demonstrate strong alignment with BAHFA's programmatic and equity objectives. Due to their complexity, Adaptive Re-Use projects may have higher per-unit costs and longer development timelines than other BAHFA-funded projects.

Initial funding products available to projects meeting the Adaptive Re-Use Program criteria include:

- **Permanent Financing** products available pursuant to BAHFA's other funding programs, including Subsidy Loans, First Mortgage Loans, and Conduit Bond Issuance. Subsidy Loans may be funded at permanent conversion, or prior to or during construction. Subsidy amounts are subject to a $200,000 per unit cap, with additional amounts available for projects determined to be a high priority based on their meeting criteria to be established by BAHFA.
- Construction period financing ("**Adaptive Re-Use Loan**") to pay for **all or any portion** of eligible acquisition, predevelopment, and construction costs until building completion and stabilization. The Adaptive Re-Use Loan is anticipated to be repaid from other sources at building stabilization. This product is anticipated to be funded from RHR at a below-market interest rate. Typically, BAHFA will require a first-position lien on the property, although this requirement may be waived when supported by the transaction structure and necessary for project feasibility.

10. Where possible, BAHFA will prioritize projects that incorporate extremely low income (ELI) and/or permanent supportive housing (PSH) units. Without federal or state resources such as tax credits, these projects will require increased capital subsidy from local jurisdictions and BAHFA. PSH units will also require operating/rental subsidy and services funding from local jurisdictions. In jurisdictions where operating/rental subsidy or services funding is unavailable, successful projects may still be viable at rents affordable to higher AMI levels.

Appendix 3B.2: Innovation Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Innovation Program is intended to be responsive.

Included in ***Appendix 3B.2:***

- ***Current Financing Overview***
- ***Landscape Analysis***
- ***Opportunities for BAHFA***
- ***Funding Scenarios***

Current Financing Overview

Affordable housing is produced and preserved at scale when supported by reliable, predictable funding sources. Across the region, the bulk of the region's affordable housing production and preservation depends on the availability of LIHTCs, supplemented by local subsidy.[11] Additional federal, state and local programs can create opportunities for different types of development, but are much smaller in scale, may be short-lived, and/or may not be as profitable for developers to participate in.

Equity from the sale of tax credits to investors typically provides around 40% (for 4% credits) to 60% (for 9% credits) of a project's permanent funding need, so it is a critical component of financing affordable housing alongside subsidy loans. This has created a formulaic, LIHTC-reliant (and correspondingly LIHTC-limited) system for affordable housing production and preservation that is not able to keep pace with the demand for affordable units. The resources needed to sustain this system are also increasingly scarce: although 9% tax credits have long been competitive, allocations of tax-exempt private activity bonds with as-of-right 4% tax credits, once widely available, are now oversubscribed.

The initial feasibility assessment of an affordable housing project can hinge on whether it is expected to be competitive for tax credits and private activity bonds; and increasingly, projects across the Bay Area struggle to be competitive due to their high costs. As projects become more expensive, it also means that available tax credits can support fewer projects. Projects that are unable to secure a tax credit award in their first or successive funding rounds incur carrying costs and become increasingly expensive, for both developers and the local jurisdictions that provide subsidy to projects.

Increasing costs and competition for tax credits is also constraining where projects can be located. To offset higher costs, developers prefer projects that are located in federally-designated Qualified Census Tracts and Difficult to Develop Areas that provide a "basis boost," increasing the value of the tax credit by 30% compared with projects located in ineligible areas. The California Tax Credit Allocation Committee (CTCAC) scoring system also currently awards additional points to LIHTC projects that are located in highly-resourced "Opportunity Areas," increasing their competitiveness to be funded, while de-prioritizing projects that would be located in areas that have high segregation and poverty. Although the methodology and role of opportunity mapping is currently undergoing re-assessment, and may be changed for later funding rounds, it currently means that many projects that are a priority for BAHFA—for example, projects that address systemic racism in housing and support wealth building but may be located in areas that are not assessed by CTCAC to be "high opportunity"—may need to be funded without leveraging tax credits.

The limitations of the current, tax credit-reliant system for funding affordable housing have caused jurisdictions to seek alternative financing sources that could be scalable, reliable, and predictable and support a wider range of project types in a broader set of geographies than those most competitive for tax credits; as well as "off-ramps" that could support projects moving forward even when they are unsuccessful in securing tax credits.

11. For an expanded discussion of the role LIHTCs and other sources play in affordable housing production and preservation, please refer to the Multifamily Rental Production Program description (Appendix 3A.1) and the Preservation Program description (Appendix 3C.1).

Landscape Analysis

Numerous “innovation funds” have sprung up around California and elsewhere, seeking to spark new ways of creating housing more quickly and at lower cost. These include, among many others:

- **Various programs in Los Angeles**, at both the city and county level:
  - **Proposition HHH Housing Challenge.** In 2019, Los Angeles Housing and Community Investment Department (HCIDLA) set aside $120 million of LA City’s $1.2 billion homeless housing bond funded from Proposition HHH for the construction of low-cost and innovative permanent supportive housing (PSH), including onsite services, for extremely low income (up to 30% of AMI) and very low income (up to 50% of AMI) households. The primary goal was to identify innovative construction and financing models to produce approximately 1,000 new supportive housing units within two years after receiving funding approval.
    - Funding on the Housing Challenge projects ranged from $600,000 to $13 million and was in the form of a subordinate loan to projects. Eligible project costs included acquisition and/or construction related activities, and to be eligible for an HHH Housing Challenge award, projects had to meet criteria related to the project’s cost efficiency and shortened construction timeline, incorporation of certain design features and community engagement, and representation of innovation in meeting the city’s homelessness crisis.
    - 15 projects by six developers were awarded under the Prop HHH Housing Challenge program between May 2020 and June 2021, totaling 867 units and $96.4 million in HHH loans with an average award of $6.4 million per project. By July 2022, according to the Los Angeles Housing Department’s progress report, only 1 of the 15 projects closed the loan within 12 months of award and 5 others closed between 15 and 22 months from award, resulting in 349 units that have started construction. Considering this and their estimated occupancy date, only one was expected to be completed within 30 months of award. Positively, of the six projects that were under construction, the average cost of the Housing Challenge units was approximately $450k, compared to $596k (in 2021) for standard HHH funded units.
    - Related to the delays, the LA Controller released a report in February 2022 – “The Problems and Progress of Prop. HHH”– which included a number of takeaways for the HHH program (including the Housing Challenge projects):[12]
      - HHH provided partial funding to each project - developers still had to seek additional subsidy loans from other sources as well as tax credits and bonds after the HHH award. Although this enabled Prop HHH to fund more projects, the process of securing multiple sources typically adds time and costs to each project;
      - The COVID-19 pandemic contributed to spikes in construction costs, government staffing shortages, and extended funding and review timelines;
      - The report highlighted longstanding challenges with timely and efficient permitting processes and recommended the City of LA speed up its review of HHH projects;
      - To counter rising construction costs and land use issues, it recommended that the City acquire and convert existing buildings (such as hotels and newly built apartments) to housing; and
      - For Housing Challenge projects specifically, it noted that some projects had issues with site control (since awards were made beforehand) which caused cancellations and developers securing other financing.
    - Salient lessons BAHFA can learn from these takeaways for its Program includes: supporting projects that have streamlined permitting processes, narrowing down the number of financing sources on each project, and piloting new approaches to deliver affordable housing such as adaptive re-use of existing buildings.

12. “The Problems and Progress of Prop. HHH,” Office of Kenneth Mejia, LA City Controller, February 23, 2022, https://controller.lacity.gov/audits/problems-and-progress-of-prop-hhh.

- **LA Housing Innovation Challenge.** The LA County Homeless Initiative launched the Housing Innovation Challenge in 2019 to support projects preventing homelessness throughout the county. The Challenge[13] offered an award of $500,000 or $1 million in the form of a forgivable loan from a $4.5 million fund up to five creative, scalable, and low-cost supportive housing projects and programs. The projects had up to two years to complete and were evaluated based on their creativity, achievability, and replicability. Organizations that received awards included modular and shared-living developers, as well as a program incentivizing homeowners to add accessory dwelling units (ADUs) to their properties. The impact and results of these projects include:
  - Flyaway Homes LLC: In July 2022, Flyaway Homes LLC unveiled its permanent supportive housing development, producing 16 two-bedroom units from a total of 54 converted shipping containers.[14] In addition to the $1 million award received, the development was predominantly funded by private capital.
  - Restore Neighborhoods LA's Bungalow Court: Eight one-bedroom studio units were completed in early 2021, financed partially by the $500,000 innovation award, along with broad range of private capital.[15]
- **California Investment and Innovation Program.** Representing an alternative approach to innovation from the two programs created in Los Angeles discussed above, the recently passed Senate Bill 193[16] established the California Investment and Innovation Program, a $50 million fund to grant awards to enhance the capacity of Community Development Finance Institutions ("CDFIs") in providing technical assistance and capital access to economically disadvantaged communities. With annual appropriated funding, the program can offer up to $15,000,000 in total grants per calendar year to eligible applicants (current CDFIs with minimum net worth and portfolio requirements, with either an office, officers currently residing in, or a record of lending in California) selected by the State to apply for funding. Broadly, the Program's funding may be used to increase the CDFI's net assets or to increase its working capital. The first round of grants is expected to be awarded by February 2024.
- **Homes for the Homeless Fund.** In San Francisco, the Housing Accelerator Fund, a CDFI, established the Homes for the Homeless Fund with the goal of producing a new PSH project in less than three years from site acquisition and at a 25% lower total development cost than comparable projects. Its prototype project, the Tahanan, located at 833 Bryant Street, used $50 million in philanthropic funding to pay for all predevelopment, acquisition, and construction costs on an accelerated basis, so that development could proceed even without knowing whether the project would be awarded tax credits and whether funding to operate the building as PSH would be available from the city. The project succeeded in achieving its cost and timing goals. At permanent financing conversion, a portion of the philanthropic funding was left in the project ($8 million), with tax credit equity, permanent debt supported by 30-year lease payments from the city, and operating subsidies comprising the balance of permanent sources. Had the project not been awarded tax credits, or received a lower lease payment from the city, additional philanthropic funds would have had to remain in the project.

13. "Housing Innovation Challenge," Housing Innovation Challenge, https://www.housinginnovationchallenge.com/#about.

14. "FlyawayHomes and the People Concern Announce 82nd Street Permanent ...," July 22, 2021, https://www.einnews.com/pr_news/546974510/flyawayhomes-and-the-people-concern-announce-82nd-street-permanent-supportive-housing-reveal.

15. Anna Scott, "La Developer Finds a Way to Build Affordable Housing Cheaper. Is This a Model for Others?" March 22, 2021, https://www.kcrw.com/news/shows/greater-la/affordable-housing-oscars-oc/restore-neighborhoods-la-homeless-housing.

16. "SB-193 Economic Development: Grant Programs and Other Financial Assistance.," California Legislative Information - Today's Law as Amended, June 30, 2022, https://leginfo.legislature.ca.gov/faces/billCompareClient.xhtml?bill_id=202120220SB193&showamends=false.

- **Adaptive Re-Use.** Numerous cities, among them Calgary, Cleveland, Atlanta, and Washington, D.C., are launching programs and incentives designed to fund and fast-track conversion of underutilized downtown office buildings to housing. In many of these cities, long-term decline in demand for office space was compounded by the COVID-19 pandemic, even as demand for affordable housing continued to grow. Adaptive re-use of these existing buildings can re-knit and animate neighborhoods that have become pocked with office vacancies and can be more environmentally sustainable than ground-up new construction. Conversions can be expensive, and every building presents unique challenges, but costs can be reduced through measures such as coordinated, streamlined permitting and dedicated assistance with meeting building code requirements. In Calgary, a 10-year, $1 billion ($721 million USD) initiative was recently launched to revitalize a targeted area of the downtown core, with 40% of funding dedicated to providing subsidy for office conversions, up to the lesser of $54 per square foot or $7.2 million per project, with greater funding available subject to additional review and approval. As of October 2022, five conversions anticipated to produce 707 units of housing had been approved. In California, new statewide legislation has been under consideration that would provide funding specifically for adaptive re-use; such a funding source, if it were to become available, could augment any funding BAHFA provides for this purpose.

In general, the above programs reflect the urgency to establish viable, scalable new models for creating and preserving affordable housing. Many of these programs focus on creating housing for especially vulnerable households and individuals that are, or are at risk of becoming, homeless; but innovative ideas from these and other efforts can be brought to bear on and scaled more sustainably, with less reliance on scarce operating and service funding, through their application to additional housing types such as rental housing for a mix of affordable income ranges.

Opportunities for BAHFA

BAHFA has the opportunity to support production and preservation projects outside of the traditional, tax credit-centric financing models and support the delivery of housing that is cost-effective and on a faster timeline to meet the region's housing needs. Alongside its funding programs for production and preservation that seek to leverage other financing sources, including tax credits, there is a need for an additional program designed to support projects that can either be developed at significantly lower cost and delivered to the market at a faster timeline, or those that don't necessarily readily fit within the parameters for BAHFA's other funding programs. With this Program, BAHFA will provide capital that is flexible and able to fill developers' financing needs at several stages over their projects' lifecycles.

It is anticipated that projects receiving funding from the Program will not expect to use tax credits. This does not mean that the Program is intended for projects that were unsuccessful applicants for tax credits (which could still be funded through BAHFA's other funding programs, subject to the terms of those programs) or that the Program will not support projects that have a tax credit allocation; it means, instead, that projects are more likely to be able to achieve significant cost and time savings and greater innovation, and more likely to be aligned with BAHFA's equity and other programmatic goals, if they decide, from the start, not to depend on tax credits. However, the tradeoff for encouraging more innovation and creativity without being bound by the parameters of the tax credit program will be the need for more subsidy loans—whether from local jurisdictions, other public agencies, or BAHFA—to fill the permanent funding gap.

The Program will be initially funded by Regional Housing Revenues, which will likely be raised through general obligation ("GO") bonds. GO bond proceeds can only be used to pay for direct project, capital costs. Other innovation programs have been piloted in California that focus on providing technical assistance funding and working capital support to nonprofit developers and CDFIs, but this is not anticipated to be an element of BAHFA's Innovation Program if it is capitalized with GO bond proceeds. However, it is BAHFA's goal to diversify its sources of funding over time and correspondingly expand the types of funding it can provide.

Emphasis is given to minimizing the long-term, permanent subsidy funding BAHFA would need to provide to any one project, since BAHFA will seek to recycle its flexible early-stage capital into additional projects as possible. This will tend to favor projects that have a lower ongoing subsidy need due to either higher in-place rents, or for extremely low-income projects, local jurisdiction capital subsidies, local jurisdiction operating subsidies, local jurisdiction abatement lease (lease payments from which can be applied to servicing permanent debt service), or state-funded programs such as the Housing Accelerator Program. In addition, whenever possible, BAHFA will look to encourage co-lending or funding by the local jurisdiction so as to reduce BAHFA's funding per project and thereby allow BAHFA to support a greater amount of projects overall.

Funding Scenarios

As stated under Program Objectives, 67% of RHR is required to be allocated to Production and Preservation with an additional 18% available to fund any of the 3Ps. This RHR will be further sub-allocated across the Innovation Program, the Multifamily Rental Production Program, and the Preservation Program. Assuming $2 billion in RHR becomes available to BAHFA pursuant to a GO bond measure, up to 85% would be available for Production and Preservation Programs, drawn in five anticipated tranches at three-year intervals (though funding may be drawn on an accelerated basis if the region expends funds more quickly). Funding for the Program will in part be influenced by demand for BAHFA's other production and preservation funding programs. In addition, current economic conditions and leveraged funding availability could result in the Program supporting several times its allocated funding.

While BAHFA's funds provided through the Program will be flexible and are able stay in projects long-term if needed, a portion of funds provided as early-stage, construction financing ideally will be repaid, and BAHFA will be able to revolve these funds to support additional projects.

3C. Preservation Program

Appendix 3C.1: Preservation Program Description

Equity Objectives

The Preservation Program (the "Program") will invest in projects that support achievement of the Equity Framework's Preservation (P) and Cross-Cutting (CC) Objectives. The Program, in combination with other funding programs and initiatives implemented by BAHFA, will seek to:

- **P1. Preserve expiring use affordable housing to prevent displacement.** Fund the acquisition and rehabilitation of existing affordable housing with expiring restrictions that without intervention could be converted to market-rate housing and result in displacement of lower-income residents.
- **P2. Preserve existing unsubsidized housing and convert to permanently affordable housing.** Convert existing unsubsidized housing to permanent affordable housing for the purpose of preventing displacement and achieving stabilized, healthy living conditions for existing residents, especially low-income households, residents of Equity Priority Communities ("EPCs") and other marginalized communities.
- **P3. Target preservation investments for most-impacted residents.** Tailor financing products to enable occupancy by Extremely Low-Income ("ELI") households and households at risk of homelessness.
- **P4. Create opportunities for community-controlled housing.** Invest in developments that enable community control and/or equity growth, especially in EPCs and for households facing discriminatory and/or structural barriers to homeownership.
- **CC1. Support community-based, and community-owned organizations and developers.** Expand, diversify, and strengthen the capacity of the region's housing ecosystem by investing in community-based developers and organizations across all 3Ps.
- **CC2. Support individual and community wealth building.** Create opportunities for historically marginalized people and residents historically excluded from homeownership, to build wealth through housing, including traditional and shared homeownership opportunities.
- **CC3. Serve as a regional leader on local equitable programs and practices.** Advance local alignment with regional equity priorities across all 3Ps, encouraging counties and cities to incorporate and build off of the Equity Framework.
- **CC4. Commit to ongoing, meaningful, and equitable engagement.** Advance community participation among historically marginalized populations through ongoing engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on organizations who are accountable to and part of communities most impacted by housing unaffordability.
- **CC5. Secure more flexible and unrestricted funding.** Seek to expand and secure funding sources to achieve a broader range of equity needs across all 3Ps, including uses that would be difficult to fund with likely fund sources (e.g., general obligation bond).
- **CC6. Target most flexible BAHFA funding to accelerate AFFH.** Develop programs within BAHFA's optional 10% Local Government Grant Program that address any gaps in a comprehensive Affirmatively Furthering Fair Housing ("AFFH") approach given the Act's parameters. Target any non-housing investments (i.e., infrastructure, community or cultural spaces, and public services) in communities that have faced historic disinvestment and/or are home to the region's most impacted residents.

Additional Objectives

Additional objectives of the Program are to:

- **Support BAHFA's Legislated Preservation Goals.** A minimum of 15% of Regional Housing Revenue[17] ("RHR") raised by BAHFA is required to be distributed, in the form of a grant, loan or other financing tool, for the preservation of housing that is restricted by recorded document to be affordable to low- or moderate-income households (up to 120% AMI) for 55 years ("Preservation"). BAHFA's Preservation funding may be used to acquire, rehabilitate, and preserve existing housing units, including housing already restricted for affordability and housing from the private market, including residential hotels, to prevent the loss of affordability. The Program would provide financing for housing meeting the Preservation criteria.
- **Prevent Displacement.** Across the Bay Area, existing affordable homes are being lost, leading to the displacement of residents. Preservation has been embraced as an effective strategy to prevent greater displacement from occurring, which can help to stabilize communities and the residents that contribute to them. The Program will prevent displacement by activating preservation strategies at greater scale across the region. These strategies include the acquisition, rehabilitation, and/or stabilization of:
    - **Currently Unregulated Properties.** Much of the region's rental housing stock is comprised of buildings that are not currently deed-restricted as affordable but have rents affordable to lower-income tenants due to age, location, condition, or other factors. These types of properties are also commonly referred to as "naturally occurring affordable housing," or "NOAH," but for purposes of this document, are described as "Unregulated Properties."[18] As these properties come up for sale, they are often targeted for acquisition by market-rate buyers, leading to rent increases and the displacement of lower-income residents. The Program is intended to provide financing for Unregulated Properties.
    - **Expiring Use Properties.** Further, there are existing, older affordable housing properties that were previously financed with federal, state, and/or local subsidies, and due to their expiring affordability or regulatory restrictions, are at risk of being sold and converted to market rate properties, potentially displacing lower-income residents. Continued affordability is especially tenuous when the property owner is not a stable, mission-aligned (typically non-profit) entity but is instead profit-motivated. The Program is also intended to provide financing for these "Expiring Use Properties."
    - **Recapitalization Properties.** Additionally, existing, non-profit owned affordable properties can require periodic recapitalization to fund necessary building repairs and improvements, maintain building conditions and affordability for tenants, and provide reliable cash flow to building owners/operators with which to pay staff and support operations. The Program will also provide funding for properties requiring recapitalization ("Recapitalization Properties"), particularly when properties are owned by community-based organizations and developers.

Together, "Unregulated Properties," "Expiring Use Properties," and "Recapitalization Properties" are referred to in this document as "Preservation Properties."

17. Regional Housing Revenue refers to the revenue BAHFA collects from general obligation bond issuances, parcel taxes, special head taxes, and gross receipts taxes as defined in the Act.

18. The Equity Framework refers to currently Unregulated Properties as "existing unsubsidized housing".

- **Support Stable, Community-Based Ownership.** Funding BAHFA provides for Preservation Properties will be structured to provide property owners and developers, especially community-based organizations, with sufficient fees and cash flow from building operations to pay for the costs they incur to own and manage these buildings sustainably for the long-term.[19]
- **Generate Revenue.** Revenue BAHFA generates from its financing activities in support of the Program will be used to support BAHFA's financial self-sufficiency and Protection programming. Revenue may also be revolved by BAHFA as additional financing to additional projects and to invest in new BAHFA financing and technical capacities.
- **Coordinate and Streamline.** The Preservation Properties that are the focus of the Program present unique financing challenges that must be addressed in concert. The Program will seek to coordinate: fast-acting acquisition financing, available to mission-driven organizations at the speed of the market; rehabilitation financing, to restore building habitability, including seismic safety repairs, and where possible, to implement energy efficiency and climate resiliency measures; and permanent financing, including both hard debt and subsidy. By providing, directly or through financing partners, all of the above, BAHFA will streamline project financing.

Funding Products

The initial funding products BAHFA will provide pursuant to the Program are intended to be responsive to the regional financing needs and opportunities identified for Preservation Properties, including Unregulated Properties, Expiring Use Properties, and Recapitalization Properties.

All units receiving BAHFA financing will have recorded long-term affordability restrictions for a minimum 55-year term.

Initial Program funding products include:[20]

Permanent Financing

- **Subsidy Loans,** which may be structured as **residual receipts loans** and/or **subordinated, must-pay loans** for Preservation Properties, while also accessing a permanent senior loan from BAHFA or from another source acceptable to BAHFA
  - BAHFA role: Lender
  - Anticipated term: 55-57 years
  - Anticipated interest rate and repayment requirements:
    - For Residual Receipts Loans: Concessionary interest rate. "Soft" debt service payable from surplus project cash flow with unpaid interest deferred and accruing. Outstanding loan balance is due upon loan maturity, property sale, or refinance.
    - For Subordinate Loans: Below-market interest rate. Must-pay, "hard" debt service serviceable from project cash flow. Required payments may also include principal amortization. Outstanding loan balance is due upon loan maturity, property sale, or refinance.
  - Amount: Up to $200,000 per unit, with additional amounts available for projects determined to be a high priority based on their meeting criteria to be established by BAHFA. Local jurisdiction funding will also be encouraged.
  - Funding source: RHR

19. At a later date, subject to restrictions on how its funds may be used, BAHFA may also consider providing funding for organizational capacity building and working capital. BAHFA is unlikely to have funding sources that could be used for these purposes in the near-term, however.
20. Several of these funding products are contingent on establishing BAHFA's powers to issue project revenue bonds and/or be a conduit bond issuer.

- **First Mortgage Loans**[21]
  - BAHFA role: Lender, Participant, and/or Issuer
  - Anticipated terms: Up to 30-year term; fully self-amortizing over the term. For properties in good condition without substantial capital needs anticipated during the loan term, longer term of up to 40 years available.
  - Collateral/security: First-position lien on the property.
  - Anticipated interest rate: Market or below-market, depending on loan structure, funding source and project type.
    - Loans funded from project revenue bond issuance proceeds will be subject to capital market requirements and at market rates.
    - Loans in which BAHFA participates will be at rates established by the lead lender.
    - Loans funded from RHR may be at below-market or market rates.
  - Taxable or Tax-Exempt: Financing may be available on a tax-exempt basis for qualifying projects, for example: projects receiving an allocation of PABs; that have a 501(c)3 exemption; that are providing an Essential Government Service; or are being funded from recycled bonds.
  - Funding amount: Generally, sized to minimum 1.15 debt service coverage ratio (DSCR) from property stabilization.
    - To support stable, long-term property ownership, particularly ownership by community-based organizations of smaller properties, BAHFA may underwrite to higher minimum DSCR of 1.20 or above on a project-by-project basis.
    - Lower minimum debt service coverage ratio available when supported by the transaction structure.
  - Funding source: Housing revenue bond issuance proceeds (taxable or tax-exempt), or RHR
- **Conduit Bond Issuance** on a taxable or tax-exempt basis, for bonds privately placed or publicly sold
  - BAHFA role: Issuer
  - Anticipated fees: BAHFA receives issuance and ongoing monitoring fees

21. Initially, it is anticipated that loans for smaller properties will be originated by BAHFA acting as lender and funded from RHR.

Acquisition and Rehabilitation, Recapitalization or Stabilization Financing

- **Subsidy Loans**
  - Same as above under "Permanent"; for projects receiving a subsidy loan from BAHFA, the loan could be permanent-only or funded earlier (e.g., prior to or during rehabilitation) and remain as a permanent loan.

- **Acquisition/Rehabilitation Loans** (for properties that will be rehabilitated immediately following acquisition), **Acquisition/Stabilization Loans** (for properties that will defer rehabilitation while assembling additional funding sources), and **Recapitalization Loans** (for properties that are already nonprofit-owned).
  - BAHFA role: Lender, Participant, and/or Issuer
  - Anticipated terms:
    - **Acquisition/Rehabilitation loan** funds all eligible project costs for up to three years from property acquisition through completion of construction, including acquisition, predevelopment, and rehabilitation; converting to permanent financing after construction completion.
    - For projects expected to be refinanced after acquisition with permanent subsidy funding from sources other than BAHFA, e.g., low income housing tax credits (LIHTCs) or rental assistance from the U.S. Department of Housing and Urban Development (HUD), the **Acquisition/Stabilization loan** has a term of up to 5 years to provide for building acquisition and stabilization while accommodating applications to and refinancing with those other funding sources.
    - **Recapitalization loan** funds all eligible property rehabilitation and recapitalization costs for a period of up to 2 years; converting to permanent financing after construction completion.
    - Anticipated interest rate: Same as above, under "Permanent – First Mortgage Loans." Interest-only during rehabilitation/stabilization period, and interest reserve may be capitalized into loan amount.
    - Funding amount: Up to 100% of eligible costs.
    - Funding source: Housing revenue bond issuance proceeds (taxable or tax-exempt), or RHR

- Conduit Bond Issuance on a taxable or tax-exempt basis, for construction-only or construction-to-permanent phase bonds privately placed or publicly sold
  - BAHFA role: Issuer
  - Anticipated fees: BAHFA receives issuance and ongoing monitoring fees.

Appendix 3C.2: Preservation Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Anti-Displacement and Preservation Program is intended to be responsive.

Included in ***Appendix 3C.2:***

- ***Current Financing Overview***
- ***Landscape Analysis***
- ***Opportunities for BAHFA***
- ***Funding Scenarios***

Current Financing Overview

Project-by-project, specific financing needs will vary. In general, however, sources commonly used for Preservation Properties include:

- **Acquisition and Rehabilitation/Stabilization Loans**, often provided by Community Development Financial Institutions ("CDFIs") to mission-driven organizations. This early-stage, short-term financing pays for acquisition of privately-owned, Unregulated or Expiring Use housing that is home to existing low-income residents, and for the rehabilitation of these units as needed to improve and stabilize habitability. This financing is typically in the form of a "bridge" loan—meaning, the financing "bridges" to and is expected to be fully repaid from permanent financing sources, including permanent senior loans and subsidy loans.
- **Permanent Senior Loan** (or first mortgage loan) proceeds of which can be used to repay the bridge financing and capitalize the building for a longer term. The amount of a permanent senior loan the project can support is a function of 1) its net operating income (driven by rents and operating expenses), and 2) the terms offered by the lender (e.g., interest rate and amortization, term, required debt service coverage ratio, etc.). Maximizing the amount of the permanent senior loan (which has required monthly payments) on a building can reduce the subsidy needed per unit. Maximizing this debt can also, however: a) reduce affordability, by increasing the baseline rents tenants need to pay to support building operating expenses plus increased debt service; and b) reduce residual cash flows, after payment of operating expenses and debt service, that are available for distribution to mission-based building owner/operators and that are needed to support their organizational sustainability.
- **Subsidy Loans** are needed to pay for the difference between total project costs and proceeds from all other permanent sources. In California, subsidies are typically structured as "residual receipts" loans payable from remaining project cash flow after other costs are paid. As an alternative to, or in addition to, residual receipts-type loans, subsidy loans can also take the form of a subordinate "must-pay" loan. The subsidy required per unit varies widely across building types, geographies, and tenant income and rent levels. Subsidy loans are usually sourced from local and state government agencies, and to date have been in very limited supply for non-LIHTC preservation programs. The City and County of San Francisco is currently the only Bay Area municipality that has a dedicated and coordinated senior permanent loan and subsidy loan program for the preservation of non-LIHTC, Unregulated Properties, including "Small Sites" (buildings with 5 to 40 units), and "Big Sites" (greater than 40 units).

- **Grants**, from the community, philanthropy, miscellaneous public programs, and other sources, are necessary to complete the financing stack for preservation when the combination of senior loans and subsidy loans available is less than the total costs of a project. Some community-based, mission-driven organizations focused on preservation work also depend on grant fundraising to pay for organizational overhead and support their operations, particularly if they focus on smaller properties with modest cash flows.
- **Low Income Housing Tax Credits** ("LIHTCs" or "tax credits") which are available, on a competitive basis from a special (though limited) set-aside, for Expiring Use Properties. These properties fall under a "Preservation" pool when using 4% tax credits and bonds, and an "At Risk" set aside when applying for 9% tax credits. When awarded to a project, tax credits are sold to investors and generate tax credit equity that pays for around 40% (4% tax credit) to 60% (9% tax credit) of project development costs. Each time tax credits are used to finance a property, they require placement of a new, 55-year affordability restriction on the property; thus, refinancing Expiring Use Properties with tax credits extends the term of restrictions. Unregulated Properties that do not have an expiring regulatory restriction and/or have fewer units are not likely to use tax credits due to the scarcity of tax credits, their competitiveness, and the prioritization at the State level of expiring use properties and lower-cost, larger-scale projects for funding.
- **Operating subsidies**, which provide ongoing funding to subsidize the operation of a building by either supplementing rents paid by tenants or paying a share of operating costs. Operating subsidies are needed when the rent tenants can afford to pay is less than the minimum income a landlord needs to sustainably operate a building. The most common source of operating subsidy is the Section 8 rental assistance program administered by the U.S. Department of Housing and Urban Development (HUD); rental assistance made available from this program pays the difference between 30% of a tenant's income and the actual rent owed to a landlord and may be either project- or tenant-based. Affordability in the properties that are a focus of the Program can be at-risk when the term of a rental assistance contract with HUD or another operating subsidy provider expires; HUD's project-based rental assistance contracts generally have an initial term of up to 20 years.

Landscape Analysis

Every lost affordable unit exacerbates the Bay Area's regional housing affordability crisis, and the number of affordable units that are potentially at-risk is large. In February 2022, California Housing Partnership Corporation ("CHPC") released a report, "Affordable Homes at Risk,"[22] with the following findings:

- Across the nine Bay Area counties, 7,509 unregulated five-plus unit properties provide an estimated 257,555 units affordable to households earning 80% AMI or below. These properties are susceptible to acquisition by for-profit developers at any time, putting in-place tenants at-risk of unaffordable rent increases and/or displacement.
- From 1997 to 2021, affordability restrictions on 3,790 previously subsidized units in the Bay Area were lost. There are currently 134,298 subsidized, affordable units in the region; CHPC assesses that 6,814 (over 5%) of these are at-risk of losing their affordability in the next decade.

The region has sought to respond to these challenges by intervening assertively to protect Expiring Use Properties, and by designing, funding, and experimenting with new programs that can preserve affordability and prevent displacement in Unregulated Properties as well. The region has also recognized that there is a need to stabilize properties that are currently non-profit owned but require recapitalization to be maintained as affordable housing in good condition for the long-term.

22. "Affordable Homes at Risk," California Housing Partnership, February 2022 https://chpc.net/resources/affordable-homes-at-risk-2022-report/

Unregulated Properties

To date, the financing approach for preserving affordability in Unregulated Properties has been mostly ad hoc across the region, except for in San Francisco which started by providing funding to acquire and preserve small rental properties between 5 to 25 units and has since expanded to funding larger properties as well. Other municipalities have tried to implement replicable programs with limited success.

- Universally across the region, a major impediment to anti-displacement and preservation efforts focused on Unregulated Properties has been the lack of a reliable, private source for long-term, low-cost first mortgage debt, which has forced municipalities interested in launching new programs to grapple with the complexities of needing to provide not only traditional subsidy loans, but also first mortgage loans. These programs have generally focused on preserving smaller properties, and unlike larger multifamily rental properties which are well-understood by lenders, and generally can choose from multiple, competitively-priced options from banks and CDFIs for their senior permanent debt financing, smaller properties often are able to obtain only higher-cost, shorter-term (7-10 year) mini-permanent loans from these sources. This burdens smaller properties and the mission-driven organizations that own and operate them with refinancing risk that can endanger long-term property affordability and habitability.
- In San Francisco:
  - The Mayor's Office of Housing and Community Development (MOHCD) has used proceeds from the $260.7 million, voter-approved 2018 Preservation and Seismic Safety (PASS) general obligation bond measure to provide nonprofit developers with low-cost, long-term first mortgage loans for preservation of existing affordable units whose tenants are at risk of displacement. Known as the "Small Sites" program, loans can be used to preserve affordable units at up to 120% AMI, with a program-wide average AMI target of 80%. The favorable loan terms available from PASS mortgage loans include a 40-year loan term and interest rates based on the City's borrowing cost. When combined with MOHCD subsidy, these loans have significantly helped to expand the range of market opportunities that can be pursued by mission-driven organizations. As of 2021, 53 buildings consisting of 655 residential units including newly built accessory dwelling units (ADUs), along with additional commercial units, had been acquired, rehabilitated, and preserved. 47 of these buildings consist of 25 units or less, while 6 are larger buildings between 27 and 86 units.
  - In tandem with PASS mortgage loans, MOHCD offers subsidy loans at 3% interest. The latest program guidelines, revised in 2022, provide for maximum subsidy ranging from $275,000 per single room occupancy (SRO) unit to $500,000 for larger 3-bedroom units. Previously, maximum subsidy was capped at $375,000 per unit for buildings with 3-9 units and $300,000 per unit for buildings with 10-25 units, with higher subsidies available on a case-by-case basis to prevent displacement of extremely vulnerable tenants. In practice, the average subsidy per unit provided or committed between 2016 – 2021 has been $325,000 per unit for Small Sites (< 25 units), and $230,000 per unit for larger properties (>25 units) and SROs. See **Table 3** on the next page.
  - The San Francisco Housing Accelerator Fund (HAF), a nonprofit CDFI that lends in support of the City and County of San Francisco's housing objectives, provides short-term acquisition and rehabilitation financing to developers participating in the Small Sites program. This financing is designed to bridge to MOHCD's permanent financing programs. As a fast-acting, nimble source, HAF financing makes it possible for developers to move at the speed of the market to acquire properties more quickly than would be possible if MOHCD funding were required to be in place at closing.

Table 3. San Francisco MOHCD Small Sites and Big Sites Preservation Program (2016-21)

Unit Type	# of Projects	# of Units*	Total Subsidy	Total Cost/ Unit	Acquisition Cost/Unit	Subsidy/Unit	1st Mtg/Unit
Small Sites (<25 units)	47	374	$121,546,005	$500,457	$326,961	$324,989	$175,468
Big Sites (>25 units)	6	314	$72,342,000	$314,729	$170,462	$230,389	$84,341
Total	**53**	**688**	**$193,888,005**	**$415,692**	**$255,535**	**$281,814**	**$133,878**

*Includes 33 commercial units

- Elsewhere across the Bay Area, similar programs have been explored; however, these efforts have seen only limited traction. For example:
  - In San Jose, the upfront acquisition costs and rehabilitation required are slightly lower than those in San Francisco (based on data from CoStar, less than $400,000 per unit). However, the City of San Jose has only limited subsidy available and does not have a funding partner that could provide low-cost, long-term first mortgages.
  - Similarly, acquisition and rehabilitation costs in Mountain View are slightly lower than in San Francisco, and program feasibility would depend on identifying reliable subsidy funding; a source for long-term, low-cost mortgage loans; and mission-based organizations with the capacity and interest to acquire, rehabilitate, own, and operate smaller multifamily rental buildings.
  - In Oakland, 2016's Measure KK funding provided $100 million for affordable housing projects. These funds have since been depleted, with $25.6 million applied to housing rehabilitation and preservation and the remainder used for other purposes.
  - The City of Berkeley also recently launched a program for smaller buildings, and other jurisdictions have funded small preservation projects when resources are available, e.g., the City of Concord, with the express desire to do more.
- At a state-wide level:
  - California recently considered creating a new program specifically designed for anti-displacement and preservation. While it ultimately did not make the FY 2023 State Budget, the Community Anti-Displacement & Preservation Program (CAPP) would have provided revolving short-term acquisition capital and long-term public subsidy, as well as technical assistance when needed, to community development corporations.
  - In the FY 2023 Budget, a $500 million allocation to create the Foreclosure Intervention Housing Preservation Program (FIHPP) was included. By providing grants and loans, FIHPP will allow community land trusts and other nonprofits to acquire and rehabilitate 1-25 unit buildings that are at risk of foreclosure, currently in the foreclosure process, or at foreclosure auction.

- For emerging developers, community-based organizations building a real estate development practice, community land trusts and other organizations implementing shared-equity and other innovative models for community ownership, smaller buildings—which are often Unregulated Properties—can be a more accessible entry point into the development space than larger buildings. These properties may be a part of the fabric of the community that the entity is dedicated to serving, and thus fit well with organizational goals and mission. Financially and organizationally, the upfront resources needed to staff and implement a smaller property-focused program are less than needed for larger properties, making it possible for organizations to start development activities sooner. However, organizational sustainability of smaller property-oriented development activities can become an issue, since upfront fees and ongoing revenues earned on such properties are smaller than on larger buildings. The challenge of "scaling" an Unregulated Properties-portfolio within an organization to a point where it is self-sustaining without need for ongoing, additional subsidy will need to be embraced by BAHFA and other jurisdictions across the region, which can structure their financing to provide developers with opportunities to earn fees and share in ongoing residual project cash flow.
- For tenants, involuntary displacement from and/or rent increases in all Preservation Properties is wealth-destructing and destabilizing, often resulting in forced relocation further from a job, community, and services. Thus, removing the threat of displacement and maintaining rents at affordable levels is beneficial for household stability and wealth creation. Furthermore, although the minimum 55-year deed restriction BAHFA is legislatively required to impose on Preservation Properties makes homeownership opportunities challenging to implement, there may be some Unregulated Properties where moderate wealth-creating homeownership opportunities can be provided for residents as long as a deed restriction is maintained.

Expiring Use Properties

Across the region, preservation of affordability in Expiring Use Properties is generally an extremely high priority, since the loss of these buildings from the regulated affordable housing stock and the resulting displacement of tenants can be so devastating for existing residents and their communities. Jurisdictions will seek to rapidly bring the at-risk property under control of a mission-aligned (typically non-profit) buyer that will seek to prevent displacement of existing tenants and preserve affordability. In addition to establishing site control, buyers will need to assemble financing to complete property acquisition, implement any needed repairs, recapitalize the building, and preserve affordability for the long-term. As a part of that financing, buyers may seek to extend or renew, as applicable, any available federal project-based rental assistance, apply for new bond allocations and/or tax credits from the California Debt Limit Allocation Committee (CDLAC) and/or the California Tax Credit Allocation Committee (CTCAC), and use any available local capital or operating subsidy sources.

An important component of jurisdictional and community ability to anticipate and prepare to seek to acquire Expiring Use Properties is California's State Preservation Notice Law, which supplements federal law to provide advance notice to tenants and local governments before affordability restrictions expire, and pursuant to which qualified buyers can submit non-binding offers to purchase Expiring Use Properties.

The region's ability to protect more Expiring Use Properties is limited, in the immediate term, by the total funding available to rapidly acquire these properties when they become available; and, in the longer term, by the total funding available from local, state, and federal sources to preserve affordability.

Recapitalization Properties

Existing, non-profit owned affordable properties can require periodic recapitalization to fund necessary building repairs and improvements, maintain building conditions and affordability for tenants, and provide reliable cash flow to building owners/operators with which to pay staff and support operations. Because community-based non-profits who own affordable housing are mission-driven, the risk that tenant rents could rise and become unaffordable, or that tenants could be displaced, is generally perceived as more remote than in Unregulated Properties and in Expiring Use Properties. Over time, however, if recapitalization needs are allowed to mount, these properties may become an unsustainable drain on the resources of their non-profit owners and may result in unaddressed building capital needs and deferred maintenance.

Given the limited resources available to the region to preserve affordable housing, and the comparative urgency of preserving affordability in Unregulated Properties or in Expiring Use Properties, there is a regional backlog of existing, non-profit owned affordable housing—and non-profit owner/operators—that would benefit from recapitalization.

Opportunities for BAHFA

BAHFA has a region-wide opportunity to provide both permanent senior loans and subsidy loans for Preservation Properties.[23] BAHFA also has an opportunity to provide fast-acting, early-stage acquisition, predevelopment, and rehabilitation/stabilization funding to these projects, or to partner with existing CDFIs or other lenders to deliver this product. There is also an opportunity to support sustainable, long-term ownership of affordable housing by community-based organizations by providing funding for recapitalization of these assets.

Funding Scenarios

If $2 billion in RHR becomes available to BAHFA, a minimum of 15% would be allocated to Preservation. It is assumed BAHFA would draw all $2 billion of its general obligation bonds via five bond issuances at three-year intervals. This schedule could be accelerated if the region expends funds more quickly.

BAHFA may seek to achieve greater scale by augmenting the RHR it has available to fund the Program with additional resources raised by accessing the capital markets, by, in addition to providing loans funded from RHR, pursuing funding strategies such as issuing bonds secured by project revenues or participating in loans originated by third-party lenders.[24]

23. In contrast with BAHFA's Multifamily Rental Production Program, for which BAHFA may seek to establish a bond indenture or participate in loans with capital providers to provides senior debt financing, the Regional Preservation Program may include smaller properties with as few as 5 units, preserved by emerging, less well-established developers. The Program's target asset class, and the developers that may participate in the Program, are not currently well-understood by capital markets. Furthermore, as a majority of BAHFA's RHR will be allocated to Production per the legislation, the initial volume of projects and debt funding needed across the Preservation Program is anticipated to be modest, and not enough to support a large-scale capital markets execution. Consequently, establishing a bond indenture for funding Program debt is unlikely to be viable in the near- to mid-term, but may become an option at a later date.

24. For additional discussion of these strategies, please refer to the Funding Scenarios section of the Multifamily Rental Production Program (Appendix 3A.2).

3D. Tenant Protections Program

Appendix 3D.1: Tenant Protections Program Description

Equity Objectives

The Tenant Protections Program (the "Program") will support initiatives that support achievement of the Equity Framework's Protection (P) and Cross-Cutting (CC) Objectives. The Program, in combination with other funding programs and initiatives implemented by BAHFA, will seek to:

P1. **Increase access to anti-displacement and homelessness prevention services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, improving tenant quality of life, and increasing housing stability–such as legal assistance, counseling and advice, financial assistance, and enhanced relocation assistance. Support residents across the full spectrum of anti-displacement and homelessness prevention needs, including tenants with formal leases as well as those with more precarious living situations.

P2. **Support tenant education and advocacy.** Invest in training, education, advocacy, and outreach that raises awareness of tenant rights and facilitates greater access to community resources available to support housing stability. Support tenant associations and similar organizations that reduce power disparities between renters and property owners.

P3. **Prioritize protections and investments in households and communities facing the greatest housing precarity.** Target BAHFA programs so that tenants at greatest risk of displacement and homelessness–disproportionately extremely low income (ELI), residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures—are prioritized.

P4. **Ensure adequate funding for tenant protections.** For BAHFA revenue sources that prohibit expenditures on Protections (e.g., general obligation bonds), design BAHFA funding programs so that they generate new revenue streams that can be reinvested in Protections region wide. Proactively seek other revenue such as state and federal grants to enhance BAHFA tenant protection funding**.**

P5. **Elevate the urgency of tenant protections through regional leadership.** Invest in research, data collection, and coordination to inform policy change and region wide adoption of best practices.

CC1. **Support community-based, and community-owned organizations and developers.** Expand, diversify, and strengthen the capacity of the region's housing ecosystem by investing in community-based developers and organizations across all 3Ps.

CC2. **Support individual and community wealth building.** Create opportunities for historically marginalized people and residents historically excluded from homeownership, to build wealth through housing, including traditional and shared homeownership opportunities.

CC3. **Serve as a regional leader on local equitable programs and practices.** Advance local alignment with regional equity priorities across all 3Ps, encouraging counties and cities to incorporate and build off of the Equity Framework.

CC4. **Commit to ongoing, meaningful, and equitable engagement.** Advance community participation among historically marginalized populations through ongoing engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on organizations who are accountable to and part of communities most impacted by housing unaffordability.

CC5. Secure more flexible and unrestricted funding. Seek to expand and secure funding sources to achieve a broader range of equity needs across all 3Ps, including uses that would be difficult to fund with likely fund sources (e.g., general obligation bond).

CC6. Target most flexible BAHFA funding to accelerate AFFH. Develop programs within BAHFA's optional 10% Local Government Grant Program that address any gaps in a comprehensive Affirmatively Furthering Fair Housing ("AFFH") approach given the Act's parameters. Target any non-housing investments (i.e., infrastructure, community or cultural spaces, and public services) in communities that have faced historic disinvestment and/or are home to the region's most impacted residents.

BAHFA anticipates that this Program will be iterative and phased, as BAHFA secures new resources, responds to tenant and jurisdictional needs, and works responsively with partners and stakeholders to changing economic and social conditions. As such, BAHFA has included a Draft Protections Program Budget in **Table 1** of Appendix 3A.2 which outlines the priority programs it will create pending available funds. Therefore, while BAHFA plans to advance all areas of the Equity Objectives, some may be prioritized in the near-term according to Program needs and funding availability.

Additional Objectives

Additional objectives of the Program are to:

- **Support BAHFA's Legislated Protection Goals.** An amount equal to a minimum 5% of Regional Housing Revenue[25] ("RHR") raised by BAHFA is required to be used for tenant protection programs for low- and moderate-income households ("Protections").[26] The Program would provide funding for initiatives meeting the Protections criteria.

- **Provide Regional Capacities.** Overall, the Program BAHFA will aim to provide regional leadership and advocacy with respect to protecting tenants, and will provide technical and financial support to create regional systems and services that protect tenants from displacement and prevent homelessness.

Funding Products

In contrast with BAHFA's other funding programs—e.g., the Multifamily Rental Production Program, the Preservation Program, and the Innovation Program, all of which will deliver loans and subsidies to affordable housing projects—the Protections Program will pay for specific interventions that support Protections.

The funding interventions BAHFA will provide pursuant to the Program are intended to support achievement of the Equity Objectives and the Additional Objectives set forth above, and to be responsive to regional needs and opportunities.

Near- and longer-term objectives and their corresponding interventions for BAHFA's Protections Program are described below. The Program will support both "tenant protections" and "homelessness prevention," given that (while closely linked and coordinated) "tenant protections" programming is often thought to be a different set of services than those required to prevent homelessness.

25. Regional Housing Revenue refers to the revenue BAHFA collects from general obligation bond issuances, parcel taxes, special head taxes, and gross receipts taxes as defined in the Act.

26. However, RHR derived from a general obligation bond issuance may not be spent on Protections.

Near-Term Tenant Protections Objectives and Interventions

- **Create regional support for protections.** BAHFA can help solve for the lack of coordination and support for a regional lens on tenant protections by facilitating regional collaboration, research, and technical assistance. In 2023, BAHFA began this work, including:
  - Hosting regional convenings of local jurisdictions and community-based organizations advancing tenant protections.
  - Conducting a research project to understand the feasibility and implementation of programs that best support tenant needs.
  - In coordination with MTC and ABAG, providing technical assistance to ensure that protections programs are developed and implemented using best practices.
- **Support innovative tenant protections pilot programs.** Local jurisdictions in the region are currently exploring innovative programs to help tenants stay in their homes including court-based eviction diversion, right to counsel, and expanded tenant rights education programs. BAHFA seeks to use the findings from its 2023 research project, in tandem with findings from local jurisdictions, to fund and support ongoing pilot programs in local jurisdictions to improve tenant protections and prevent displacement.

Longer-Term Tenant Protections Objectives and Interventions

- **Improve system capacity and infrastructure to implement and evaluate tenant protections across the region.** BAHFA will work to overcome the system capacity and infrastructure challenges that currently hinder the implementation of regional tenant protections and make it difficult to understand the efficacy of existing programs. This could include:
  - Creating and maintaining data systems, such as a housing inventory, to identify and understand displacement and displacement risk caused by rising rents and evictions across the region.
  - Providing technical assistance focused on specific problems within protections systems, such as setting up fast and effective rental assistance application and distribution processes.
  - Creating new regional infrastructure, such as resource-sharing agreements or other collaborative administrative structures, to support smaller jurisdictions to implement protections policies like just cause eviction and rent stabilization in a cost-effective manner.
  - Supporting efforts to improve retention and create a stronger housing legal aid pipeline in response to workforce shortages in the legal aid profession that hinder delivery of tenant legal services across the region.

While related to and sometimes overlapping with tenant protections, targeted homelessness prevention interventions exist in a distinct context that requires a tailored approach. Because there are many funding streams from federal, state, and local agencies, this work can often end up siloed within multiple departments in a jurisdiction. Given the wide diversity of stakeholders and funders in the space, if BAHFA successfully passes a new regional housing bond (a general obligation or "GO" bond) in 2024 it would seek to utilize its funds to support resource integration efforts that advance local jurisdictions' ongoing work to prevent and end homelessness (for more information on BAHFA's potential funding sources, see the "Funding Strategies" section in Appendix 3D.2. BAHFA will pursue the following homelessness prevention interventions based on that need:

Near-Term Homelessness Prevention Objectives and Interventions

- **Collaborate with local jurisdictions to better integrate and grow homelessness prevention programs.** For any jurisdiction seeking assistance to make changes to, or improvements in, integrating health, housing, and homelessness program delivery, BAHFA will provide collaboration and support to bring stakeholders together and secure financial resources to implement specific actions (e.g., rental assistance, legal assistance). This work would be fully supportive of the jurisdiction's goals and, in all likelihood, complement the jurisdiction's deployment of new resources generated by the regional ballot measure.

Longer-Term Homelessness Prevention Objectives and Interventions

- **Provide funding for tenant protection services and/or direct rental and relocation assistance.** Currently, jurisdictions seek additional funding streams to support the direct financial assistance needed to prevent and end homelessness. Pending the receipt of additional funding sources, and, again, as a response to stated jurisdictional needs, BAHFA would fund eligible organizations providing direct services and financial assistance to low-income renters and people at risk of homelessness in the region, including:
  - Pre-eviction and eviction legal services, counseling, advice and consultation, training, renter education, and representation, and services to improve habitability that protect against displacement of tenants.
  - Emergency rental assistance for lower income households. Rental assistance may not exceed 48 months for each assisted household, except that for severely rent-burdened seniors on fixed incomes, rental assistance may be renewed for successive 48-month terms. For purposes of this clause, a "severely rent-burdened senior" is a senior that pays more than 50% of their pre-tax income on rent.
  - Relocation assistance for lower income households beyond what is legally required of landlords according to local or state law.

APPENDIX 3D.2: Tenant Protections Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Tenant Protections and Homelessness Prevention Program is intended to be responsive.

Included in ***Appendix 3D.2:***

- ***Landscape Analysis***
- ***Opportunities for BAHFA***
- ***Funding Scenarios***

Landscape Analysis: Existing Conditions

In 2019, the Bay Area had over one million extremely low income ("ELI") residents—defined as households with incomes of 30% or less of the area median income—with an average annual income of $17,800, representing 17% of all households. Approximately half of these households spend more than one-third of their income on housing, placing them at severe risk of displacement or homelessness. Black and Hispanic/Latinx people are disproportionately represented in these numbers: Black individuals make up 11% of the ELI population, despite making up only 5% of the Bay Area population, and 33% of the ELI population is Hispanic/Latinx, despite representing 24% of the overall population.[27]

The state of homelessness in the region: In a 2021 report, "Bay Area Homelessness," the Bay Area Council estimated that 73% of the population of people experiencing homelessness in the region is unsheltered. Knowing the exact number of people experiencing homelessness is challenging, and many methods, including the Point-in-Time ("PIT") count, are considered undercounts. However, this remains one of the most standardized methods of data collection and is utilized for funding allocation methodologies at the federal and state level. The 2022 PIT was the first count conducted by every county since 2019 due to the COVID-19 pandemic. This count represents people residing in shelters, transitional housing, vehicles, tents, abandoned buildings, and other places not meant for human habitation. According to the 2022 data reported individually below, there are 37,989 people experiencing homelessness in the 9-county region:

- Alameda County: 9,747 (21.5% increase since 2019) people experiencing homelessness.
- Contra Costa County: 3,093 (34.8% increase).
- Marin County: 1,121 (8.4% increase).
- Napa County: 366 (13.7% increase).
- San Francisco: 7,754 (-3.5% decrease).
- San Mateo: 1,808 (19.6% increase).
    - Santa Clara: 10,028 (3.3% increase). *Note: Although Santa Clara successfully prevented large increases in homelessness county-wide, the city of San Jose saw an 11% increase to 6,739 inside city limits.*
    - Solano: 1,179 (2.4% increase).
    - Sonoma: 2,893 (2% increase).

27. "On the Edge of Homelessness: The Vulnerability of Extremely Low-Income Households in the Bay Area." The Terner Center, December 2, 2021.

The state of displacement in the region: The landscape of eviction and displacement in the Bay Area is complex and continues to evolve as policies and programs created during the COVID-19 pandemic wane and new local programs begin. Region-wide, there has been a sharp increase in evictions since the end of the statewide emergency rental assistance program on March 31, 2022, and the end of the statewide eviction moratorium on June 30, 2022. This number is expected to keep growing as the effects of these state programs as well as local COVID-related programs phase out. Housing costs and the need for stronger region-wide tenant protections policies continue to affect the displacement of low-income communities:

- Rising housing costs between 2000 and 2020 in the urban cores have resulted in significant movement of low-income and extremely low-income households to less expensive parts of the Bay Area and outside of the region altogether. This has heightened pressures for policies and programs in areas undergoing displacement and created new pressures in areas where there has been an influx of lower-income households (e.g., the north and northeast Bay Area counties and southern Santa Clara County). The populations of low-income Black people have disproportionately decreased overall, and there has been significant movement outside of the urban cores in the region.[28]

- Tenant protections, such as rent stabilization, access to tenant education, access to pre-eviction and eviction legal services, and emergency rental assistance, are primarily enacted and enforced at the local level with significant variation, creating a patchwork of these policies and programs in the region. The state-level protections enacted through the Act provide a base level of protections for eligible tenants; however, emerging research suggests that a lack of data and enforcement threaten the efficacy of this policy.[29]

The solutions to create a more stable housing landscape for low-income and extremely low-income residents are known, but require significant funding investment, political will, and policy change. These interventions include:

- Production and preservation of more affordable housing targeted to extremely low-income and formerly homeless households;
- Tenant protections policies and programs to create a rental market where low-income renters can enjoy stable, healthy places to live, and where landlords have the tools and resources needed to mediate conflict outside of eviction;
- Stronger safety net programs to ensure that if households fall behind on rent or other expenses, they can get the financial assistance needed to stay housed and meet basic needs; and
- Homelessness-specific services for households most at-risk of homelessness (representing a portion of but not all ELI households).

Landscape Analysis: Interventions

Overview of Tenant Protections Across the Region: Cities, counties, and community-based organizations provide a variety of services and legal protections to tenants depending on local funding availability and decision-making. Some cities like San Francisco, Mountain View, Berkeley, San Jose, City of Alameda, Fairfax, and Oakland have rent stabilization and just cause eviction policies funded through fees assessed on landlords, while others have only just cause policies (Petaluma) or rent stabilization (Antioch). Local jurisdictions may also establish service-based protections like Right to Counsel (currently implemented in San Francisco) to provide a guarantee of legal services to people facing eviction. As with homelessness prevention programs, jurisdictions that offer multiple types of protections policies and programs offer the strongest support to tenants to prevent displacement.

28. "Rising Housing Costs and Resegregation in the San Francisco Bay Area." Urban Displacement Project, 2018.

29. "Rising Rents, Not Enough Data: How a Lack of Transparency Threatens to Undermine California's Rent Cap." The Terner Center, September 28, 2022.

Pandemic-era programs like California Housing is Key (rental assistance) offered emergency rental assistance through state and federal funding sources. This program closed applications after March 31, 2022; however, some local jurisdictions in the Bay Area are continuing to offer reduced versions of the program using funds primarily raised through local measures.

Finally, statewide measures in recent years have created new protections for tenants. For example, SB 330 (2019) created a right for low-income renters to return if their apartment building is torn down or redeveloped, and AB 1482 (2019) requires landlords to have a just cause to terminate a tenancy and also limits annual rent increases.

Between all the different interventions, policies, and programs occurring at the state and local levels, there is a need for a regional body to help harness the learnings from implementation, increase coordination and resource sharing between entities, and help fund what's working in more jurisdictions. BAHFA could play this role as part of its tenant protections work.

Overview of Homelessness Prevention Programs Across the Region: Cities, counties, continuums of care (COCs), and community-based organizations provide homeless services throughout the region. In the past few years, there has been an increased focus on preventing new incidences of homelessness, and most, if not all, Bay Area counties have programs focused on homelessness prevention. State funds such as the one-time 2018 Homeless Emergency Aid Program (HEAP), Homeless Housing Assistance Program (HHAP), and CDSS Housing and Homelessness programs include homelessness prevention as eligible costs and populations. Tenant protections policies, as described above, also provide upstream homelessness prevention.

BAHFA has the opportunity to help all jurisdictions fully understand what works best, make adjustments as indicated, and continue to implement best practices as needs and resources change over time.

Opportunities for BAHFA

In the Bay Area, there is no regional government body advocating for and supporting tenant protections across the nine counties. Though Bay Area residents tend to live, work, and play across jurisdictional boundaries, the fragmented approach we take to ensuring that our workforce and vulnerable residents can remain stably housed creates distinct challenges. Eviction and displacement are a chronic threat for many low-income tenants. Gaps in our housing safety net include a lack of knowledge and clear guidance about how to implement tenant protections policies; prohibitive administrative burdens for smaller jurisdictions seeking to implement protections; and a lack of sufficient funds to meet the direct financial assistance needs of tenants. With its Protections Program, BAHFA seeks to fill those gaps in support of jurisdictions and tenants.

Interventions for tenant protections include a range of interventions and policies that help protect low-income tenants from displacement and help them stay stably housed. Interventions may include providing rental assistance to tenants who are cost-burdened (where 30% or more of income goes to rent), free legal services for those at risk of eviction or facing habitability, discrimination, or other housing concerns, and local jurisdiction implementation of just cause eviction polices and anti-harassment policies between tenants and landlords, as well as enforcement of building code violations and habitability of units.

Tenant protections are often considered an "upstream" intervention to prevent homelessness. However, homelessness prevention typically means much more targeted strategies to identify persons most at risk of homelessness and providing rapid funding and support to keep them housed. Prevention services are typically administered within a homelessness services setting and may include wraparound support such as mental and physical health services and case management.

We envision implementation as an iterative and phased program, as BAHFA secures new resources, responds to tenant and jurisdictional needs, and works responsively with partners and stakeholders to changing economic and social conditions.

Funding Strategies

While the Act states that an amount equal to a minimum of 5% of RHR be directed toward tenant protection activities for low- and moderate- income households up to 120% AMI, sources included in the legislation have restrictions that make this challenging.[30] As a result, BAHFA will need to consider several strategies to fund these critical activities. Sources and strategies may include:

1. **Ballot Measure with Constitutional Amendment:** A 2024 ballot measure, dependent upon the final language of a simultaneously passed constitutional amendment expanding bond expenditures, may enable BAHFA to use a portion of the GO bond revenue for homelessness interventions and other protections for vulnerable residents. If the amendment passes, both jurisdictions and BAHFA can and must dedicate an amount equal to at least 5% of revenues raised from the measure for these purposes. Assuming the success of a ballot measure pursuant to which $10 billion becomes available regionally, this could translate to approximately $7M available to BAHFA for Protections annually over a 15-year period; and, to counties of origin, $28M annually.
2. **Revenue from lending programs:** BAHFA's production and preservation funding efforts will produce a stream of income from interest and fees charged to developers. This funding will ramp up over time and is estimated to produce between $10-15 million over the first five years.
3. **Private funding:** BAHFA has an opportunity to engage with the corporate and philanthropic sector to raise funding to jumpstart Protections programs. If the statewide amendment does not pass, or if amendment language does not enable spending on the full suite of priorities, then it will be particularly important to raise funds through other means. A push for private funding could result in significant new funding for tenant protections and homelessness prevention.
4. **State and Federal Funding/CalAim:** Additional state and federal funding, whether administered by BAHFA or directly to communities, is greatly needed to prevent and end homelessness. One notable state opportunity is the CalAim program. CalAim provides both services and expanded access to housing, working through managed care organizations. Through CalAim's Providing Access and Transforming Health (PATH) initiative, funding will be available for a variety of housing-related interventions and services, including navigation services, housing deposits, and housing tenancy services. Helping unlock or facilitate access to new funds for jurisdictions, like CalAim or new state dollars, would be additive to the region.

BAHFA does not want to compete with jurisdictions for scarce resources, nor does it want to engage in activities that are duplicative of ongoing work. Instead, BAHFA seeks to pursue and raise funds that will be additive to the work jurisdictions are already doing.

30. Currently, Protections cannot be funded from general obligation bond proceeds, or from commercial linkage fees.

See **Table 4** Draft Protections Program Budget below, which prioritizes potential programs based on near-term funding availability.

Table 4. 2022-2032 Draft Protections Program Budget

Prioritized Tenant Protections and Homelessness Prevention Programs based on anticipated funding availability. Longer-term objectives identified above could be funded as described above with additional resources.

<table>
<tr><th>Program</th><th>Activities and Description</th><th>Program Budget Amount and Sources</th><th>Timeline</th></tr>
<tr><td rowspan="3">Tenant Protections Regional Research, Coordination, and Technical Assistance:

Help solve for the lack of coordination and support for a regional lens on tenant protections.</td><td>Contract with qualified firm(s) to gain knowledge about opportunities and challenges relating to tenant protection programs.

Findings will support regional interventions supporting tenant protections, including eviction diversion and mediation, right to counsel, and tenant outreach and education programs.

BAHFA will ensure coordination with other MTC/ ABAG research and technical assistance efforts.</td><td>Total cost:
$150,000

Sources:
• BAHFA pilot funds: $130,000
• Fundraised private funds: $20,000</td><td>2023-24</td></tr>
<tr><td>In response to requests and need for more collaboration and learning between jurisdictions, BAHFA will regularly convene stakeholders working on tenant protections to:
• Share promising practices and research
• Discuss available funding sources and how to maximize funding
• Build a shared vision and priorities for regional and state tenant protections

Note: This activity may evolve over time in response to needs of the region.</td><td>Total cost:
$10,000 annually

Sources:
• In-lieu costs (e.g., event space, staffing) provided by BAHFA
• Other costs covered by fundraised private funds</td><td>2023-32</td></tr>
<tr><td>Through the MTC Regional Planning Program (RPP), provide regional technical assistance on tenant protections (as part of the "3Ps").

This activity builds upon the Regional Housing Technical Assistance Program launched by ABAG and MTC in 2020. Through this expansion, BAHFA could support jurisdictions to implement protections-related commitments made in their 6th Cycle Housing Elements via grants and technical assistance. It can also support jurisdictions seeking to comply with MTC's recent Transit Oriented Communities (TOC) Policy.

Note: Significant inter-agency coordination for this technical assistance project is currently underway and new activities are expected to launch in 2024.</td><td>Total cost:
Approximately $15 million program budget, though TBD how much funding will be focused on Protections (vs the other "Ps").

Source:
Regional Early Action Planning Grants (REAP 1.0 and 2.0). REAP 1.0 is administered by ABAG and REAP 2.0 will be administered by MTC.</td><td>2023-26</td></tr>
</table>

Program	Activities and Description	Program Budget Amount and Sources	Timeline
State and Federal Advocacy	As appropriate and in coordination with the MTC Legislative and Public Affairs (LPA) team, BAHFA may advocate for tenant protections and homelessness prevention support in alignment with other programs and priorities – with a particular emphasis on securing new funding.	MTC and BAHFA staff time and other administrative costs.	2022-32
Tenant Protection Pilot Program(s)	Using findings from the 2023-24 tenant protections study, develop an RFP for pilot program(s) to help jurisdictions test strategies to: 1. Improve eviction outcomes for tenants in pre-eviction and eviction proceedings. 2. Increase tenant knowledge of existing rights and responsibilities. Exact scope to be determined pending research outcomes and funding availability. Based on the costs of other regional programs, BAHFA estimates a cost of a pilot program at $2-4M annually.	**Total Cost:** To launch one pilot program, BAHFA anticipates a budget of $2M annually for 5 years, requiring at least $10M to begin a program. **Sources:** • Revenue from lending programs projected to be up to $2M per year after the initial start-up years. • Private funds to be determined.	2025-32
Homelessness Prevention Systems Integration Pilot	For any jurisdiction seeking assistance to make changes to, or improvements in, integrating health, housing, and homelessness program delivery, BAHFA will work in collaboration with those jurisdictions and provide support to bring stakeholders together, financial resources to implement specific actions (e.g., rental assistance, legal assistance). This work would be fully supportive of the jurisdiction's goals. BAHFA anticipates that this support would complement the jurisdiction's deployment of new resources generated by the regional ballot measure.	• 2024 GO bond (if statewide amendment also approved): A minimum of $5M annually. • BAHFA funds to be complemented by local jurisdiction funding, e.g., regional bond funds returned to source.	2025-32