Bay Area Metro Center
375 Beale Street
Suite 700
San Francisco, California

# Meeting Agenda - Final

# ABAG Housing Committee

*Chair, Carlos Romero, Councilmember, East Palo Alto*
*Vice Chair, Neysa Fligor, Councilmember, City of Los Altos*

| | | |
|---|---|---|
| **Thursday, January 12, 2023** | **1:00 PM** | **REMOTE** |

**Association of Bay Area Governments**
**Housing Committee**
**Joint Meeting with the BAHFA Oversight Committee**

**In light of Governor Newsom's State of Emergency declaration regarding COVID-19 and in accordance with Assembly Bill 361's (Rivas) provisions allowing remote meetings, this meeting will be accessible via webcast, teleconference, and Zoom for all participants.**
**A Zoom panelist link for meeting participants will be sent separately to committee, commission, or board members.**
**The meeting webcast will be available at: https://abag.ca.gov/meetings-events/live-webcasts**

**Members of the public are encouraged to participate remotely via Zoom at the following link or phone number:**
**Please click the link below to join the webinar:**
**https://bayareametro.zoom.us/j/82223572419**
**Or One tap mobile :**
**US: +13462487799,,82223572419# or +16694449171,,82223572419#**
**Or Telephone:**
**Dial(for higher quality, dial a number based on your current location):**
**US: +1 346 248 7799 or +1 669 444 9171 or +1 669 900 6833 or +1 719 359 4580 or +1 253 205 0468 or +1 253 215 8782 or +1 408 638 0968 or +1 305 224 1968 or +1 309 205 3325 or +1 312 626 6799 or +1 360 209 5623 or +1 386 347 5053 or +1 507 473 4847 or +1 564 217 2000 or +1 646 876 9923 or +1 646 931 3860 or +1 689 278 1000 or +1 301 715 8592 or 833 548 0282 (Toll Free) or 877 853 5247 (Toll Free) or 888 788 0099 (Toll Free) or 833 548 0276 (Toll Free)**
**Webinar ID: 822 2357 2419**

**Detailed instructions on participating via Zoom are available at:**
**https://abag.ca.gov/zoom-information**
**Committee members and members of the public participating by Zoom wishing to speak should use the "raise hand" feature or dial "*9" and dial "*6" to unmute and speak.**
**In order to get the full Zoom experience, please make sure your application is up to date.**

**Members of the public may participate by phone or Zoom or may submit comments by email at info@bayareametro.gov by 5:00 p.m. the day before the scheduled meeting date. Please include the committee or board meeting name in the subject line. Due to the current circumstances, there may be limited opportunity to address comments during the meeting. All comments received will be submitted into the record.**

**The ABAG Housing Committee may act on any item on the agenda.**
**The meeting is scheduled to begin at 1:00 p.m.**
**Agenda, roster, and webcast available at https://abag.ca.gov**
**For information, contact Clerk of the Board at (415) 820-7913.**

**Roster**
**Jesse Arreguin, Nikki Fortunato Bas, David Canepa, Pat Eklund, Neysa Fligor, Gordon Mar, Karen Mitchoff, David Rabbitt, Belia Ramos, Carlos Romero, James Spering**

## 1. Call to Order / Roll Call / Confirm Quorum

*Quorum is a majority of members present.*

## 2. ABAG Housing Committee Election of Chair and Vice Chair

**2.a.** 23-0121 Election of ABAG Housing Committee Chair and Vice Chair

***Action:*** ABAG Housing Committee Approval

***Presenter:*** ABAG Clerk of the Board

***Attachments:*** 02a Summary Sheet Election ABAG Housing Chair Vice Chair v1.pdf

## 3. Public Comment

*Information*

## 4. Committee Member Announcements

*Information*

## 5. Chairs' Report

**5.a** 23-0122 ABAG Housing Committee and BAHFA Oversight Committee Chairs' Report for January 12, 2023

***Action:*** Information

***Presenter:*** Carlos Romero

## 6. Executive Director's Report

**6.a.** 23-0123 Executive Director's Report for January 12, 2023

***Action:*** Information

***Presenter:*** Therese W. McMillan

## 7. ABAG Housing Committee Consent Calendar

**7.a.** 23-0124 Approval of ABAG Housing Committee Minutes of October 13, 2022

***Action:*** ABAG Housing Committee Approval

***Presenter:*** ABAG Clerk of the Board

***Attachments:*** 07a ABAG HC Minutes 20221013 Draft.pdf

## 8. BAHFA Oversight Committee Consent Calendar

**8.a.** 23-0125 Approval of BAHFA Oversight Committee Minutes of December 8, 2022

***Action:*** BAHFA Oversight Committee Approval

***Presenter:*** Secretary

***Attachments:*** 08a BAHFA OC Minutes 20221208 Draft.pdf

## 9. Draft Business Plan Equity Framework

**9.a.** 23-0087 Presentation of the Draft BAHFA Business Plan Equity Framework

***Action:*** Information

***Presenter:*** Daniel Saver and the Othering and Belonging Institute, UC Berkeley

***Attachments:*** 09a 1 Summary Sheet - Draft Equity Framework v1.pdf

09a 2 Attachment A - Draft Equity Framework.pdf

09a 3 Attachment B - Draft Equity Framework Appendices_v2.pdf

09a 4 Attachment C - Draft Equity Framework Presentation.pdf

## 10. Draft Funding Programs for the BAHFA Business Plan

**10.a.** 23-0088 Presentation of Draft Funding Programs for the BAHFA Business Plan

***Action:*** Information

***Presenter:*** Kate Hartley and Forsyth Street Advisors

***Attachments:*** 10a 1 Summary Sheet BAHFA Business Plan Update_v1.pdf

10a 2 Attachment A BAHFA Business Plan Presentation.pdf

10a 3 Attachment B BAHFA Production Program.pdf

10a 4 Attachment C BAHFA Preservation Program.pdf

10a 5 Attachment D BAHFA Protections Program.pdf

10a 6 Attachment E BAHFA Innovation Program.pdf

## 11. Adjournment / Next Meeting

*The next joint meeting of the ABAG Housing Committee and BAHFA Oversight Committee is on February 9, 2023.*

**Public Comment:** The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site (mtc.ca.gov) for public review for at least one year.

**Accessibility and Title VI:** MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

**可及性和法令第六章**：MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.

# Metropolitan Transportation Commission

375 Beale Street, Suite 800
San Francisco, CA 94105

## Legislation Details (With Text)

| | | | | | |
|---|---|---|---|---|---|
| **File #:** | 23-0121 | **Version:** 1 | **Name:** | | |
| **Type:** | Report | | **Status:** | Committee Approval | |
| **File created:** | 12/20/2022 | | **In control:** | ABAG Housing Committee | |
| **On agenda:** | 1/12/2023 | | **Final action:** | | |
| **Title:** | Election of ABAG Housing Committee Chair and Vice Chair | | | | |
| **Sponsors:** | | | | | |
| **Indexes:** | | | | | |
| **Code sections:** | | | | | |
| **Attachments:** | 02a Summary Sheet Election ABAG Housing Chair Vice Chair v1.pdf | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

Election of ABAG Housing Committee Chair and Vice Chair

ABAG Clerk of the Board

ABAG Housing Committee Approval

January 12, 2023 Agenda Item 2.a.

Election of Chair and Vice Chair

## Subject:

Election of ABAG Housing Committee Chair and Vice Chair

## Background:

According to the ABAG Bylaws, Article IX, F.:

The President, subject to the advice and consent of the Executive Board, shall appoint committees and determine the committees' structure, charge, size and membership. Committees may be established to consider any matter within the jurisdiction of the Association. Committees shall operate according to the policies adopted by the Executive Board, and shall submit their reports and recommendations to the Executive Board. Committees shall meet on the call of their chairpersons, who shall be (1) an elected official or the elective or appointive officer of the City and County of San Francisco appointed by the Mayor of the City and County of San Francisco to the Executive Board or General Assembly, and (2) a member of such committee; and who shall be elected by the members of each committee. At the initial meeting of each committee, and annually thereafter at the first committee meeting following January 1 of each year, the committees shall elect their chairpersons and such other officers as may be specified. Committee chairpersons shall be subject to confirmation by the Executive Board. Unless otherwise authorized by the Executive Board, committees of the Association shall be advisory.

## Issues:

None

## Recommended Action:

The ABAG Housing Committee is requested to elect a Chair and Vice Chair.

## Attachments:

None

## Reviewed:

Brad Paul

# Legislation Details (With Text)

| | | | | | |
|---|---|---|---|---|---|
| **File #:** | 23-0122 | **Version:** 1 | **Name:** | | |
| **Type:** | Report | | **Status:** | Informational | |
| **File created:** | 12/20/2022 | | **In control:** | ABAG Housing Committee | |
| **On agenda:** | 1/12/2023 | | **Final action:** | | |
| **Title:** | ABAG Housing Committee and BAHFA Oversight Committee Chairs' Report for January 12, 2023 | | | | |
| **Sponsors:** | | | | | |
| **Indexes:** | | | | | |
| **Code sections:** | | | | | |
| **Attachments:** | | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

ABAG Housing Committee and BAHFA Oversight Committee Chairs' Report for January 12, 2023

Carlos Romero

Information

# Metropolitan Transportation Commission

375 Beale Street, Suite 800
San Francisco, CA 94105

ABAG

## Legislation Details (With Text)

| | | | | | |
|---|---|---|---|---|---|
| **File #:** | 23-0123 | **Version:** | 1 | **Name:** | |
| **Type:** | Report | | | **Status:** | Informational |
| **File created:** | 12/20/2022 | | | **In control:** | ABAG Housing Committee |
| **On agenda:** | 1/12/2023 | | | **Final action:** | |
| **Title:** | Executive Director’s Report for January 12, 2023 | | | | |
| **Sponsors:** | | | | | |
| **Indexes:** | | | | | |
| **Code sections:** | | | | | |
| **Attachments:** | | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

Executive Director’s Report for January 12, 2023

Therese W. McMillan

Information

375 Beale Street, Suite 800
San Francisco, CA 94105

# Metropolitan Transportation Commission

## Legislation Details (With Text)

| | | | | | |
|---|---|---|---|---|---|
| **File #:** | 23-0124 | **Version:** 1 | **Name:** | | |
| **Type:** | Minutes | | **Status:** | Committee Approval | |
| **File created:** | 12/20/2022 | | **In control:** | ABAG Housing Committee | |
| **On agenda:** | 1/12/2023 | | **Final action:** | | |
| **Title:** | Approval of ABAG Housing Committee Minutes of October 13, 2022 | | | | |
| **Sponsors:** | | | | | |
| **Indexes:** | | | | | |
| **Code sections:** | | | | | |
| **Attachments:** | 07a ABAG HC Minutes 20221013 Draft.pdf | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

Approval of ABAG Housing Committee Minutes of October 13, 2022

ABAG Clerk of the Board

ABAG Housing Committee Approval

# Meeting Minutes - Draft

# ABAG Housing Committee

***Chair, Carlos Romero, Councilmember, East Palo Alto***
***Vice Chair, Neysa Fligor, Councilmember, City of Los Altos***

**Thursday, October 13, 2022** **1:00 PM** **REMOTE**

**Association of Bay Area Governments**
**Housing Committee**
**Joint Meeting with the BAHFA Oversight Committee**

**The ABAG Housing Committee may act on any item on the agenda.**
**The meeting is scheduled to begin at 1:00 p.m.**
**Agenda, roster, and webcast available at https://abag.ca.gov**
**For information, contact Clerk of the Board at (415) 820-7913.**

**Roster**
**Jesse Arreguin, Nikki Fortunato Bas, David Canepa, Pat Eklund, Neysa Fligor, Gordon Mar, Karen Mitchoff, David Rabbitt, Belia Ramos, Carlos Romero, James Spering**

## 1. Call to Order / Roll Call / Confirm Quorum

Chair Romero called the meeting to order at about 1:01 p.m. Quorum was present.

**Present:** 9 - Arreguin, Bas, Canepa, Eklund, Fligor, Mitchoff, Ramos, Romero, and Spering

**Absent:** 2 - Mar, and Rabbitt

## 2. Public Comment

## 3. Committee Member Announcements

## 4. Chairs' Report

**4.a.** 22-1467 ABAG Housing Committee and BAHFA Oversight Committee Chairs' Report for October 13, 2022

ABAG Housing Committee Chair Romero and BAHFA Oversight Committee Schaaf gave their reports.

## 5. Executive Director's Report

**5.a.** 22-1468 Executive Director's Report for October 13, 2022

## 6. ABAG Housing Committee Consent Calendar

**Upon the motion by Fligor and second by Spering, the ABAG Housing Committee approved the ABAG Housing Committee Consent Calendar. The motion passed unanimously by the following vote:**

**Aye:** 9 - Arreguin, Bas, Canepa, Eklund, Fligor, Mitchoff, Ramos, Romero, and Spering

**Absent:** 2 - Mar, and Rabbitt

**6.a.** 22-1469 Approval of ABAG Housing Committee Minutes of September 8, 2022

## 7. BAHFA Oversight Committee Consent Calendar

The BAHFA Oversight Committee took action on this item.

**7.a.** 22-1470 Approval of BAHFA Oversight Committee Minutes of September 8, 2022

## 8. Housing Element

**8.a.** 22-1471 Update on 6th Cycle Housing Element Progress

Presentation on an update on 6th Cycle Housing Element drafts submitted to HCD by Bay Area jurisdictions, HCD's comments on those drafts and available technical assistance for addressing HCD's most common comments

Heather Peters gave the report.

## 9. Plan Bay Area 2050

**9.a.** 22-1488 Plan Bay Area 2050 Consistency

Presentation on resources available to local jurisdiction staff and project sponsors to evaluate the consistency of development projects with Plan Bay Area 2050, the Regional Transportation Plan and Sustainable Communities Strategy for the San Francisco Bay Area

Mark Shorett gave the report.

## 10. BAHFA Advisory Committee

**10.a.** 22-1279 Appointment of nine members to serve on the Bay Area Housing Finance Authority's Advisory Committee, pursuant to the requirements of California Government Code Title 6.8, Section 64500 et seq.

Kate Hartley gave the report.

The following gave public comment: Rodney Nickens, Veda Florez, John Belperio, Jack Adiarte.

The BAHFA Oversight Committee took action on this item.

## 11. Adjournment / Next Meeting

Chair Romero adjourned the meeting at about 3:05 p.m. The next regular joint meeting of the ABAG Housing Committee and BAHFA Oversight Committee is on November 10, 2022.

| | | | |
|---|---|---|---|
| **File #:** | 23-0125 **Version:** 1 | **Name:** | |
| **Type:** | Minutes | **Status:** | Committee Approval |
| **File created:** | 12/20/2022 | **In control:** | Bay Area Housing Finance Authority Oversight Committee |
| **On agenda:** | 1/12/2023 | **Final action:** | |
| **Title:** | Approval of BAHFA Oversight Committee Minutes of December 8, 2022 | | |
| **Sponsors:** | | | |
| **Indexes:** | | | |
| **Code sections:** | | | |
| **Attachments:** | 08a BAHFA OC Minutes 20221208 Draft.pdf | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

Approval of BAHFA Oversight Committee Minutes of December 8, 2022

Secretary

BAHFA Oversight Committee Approval

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105

# Meeting Minutes - Draft

# Bay Area Housing Finance Authority Oversight Committee

*Chair, Libby Schaaf, Mayor, City of Oakland*
*Vice Chair, Amy Worth, Mayor, City of Orinda*

| Thursday, December 8, 2022 | 1:00 PM | REMOTE |
|---|---|---|

**Bay Area Housing Finance Authority**
**Oversight Committee**

**The BAHFA Oversight Committee may act on any item on the agenda.**
**The meeting is scheduled to begin at 1:00 p.m.**
**Agenda, roster, and webcast available at https://mtc.ca.gov/**
**For information, contact Clerk of the Board at (415) 820-7913.**

**Roster**
**Margaret Abe-Koga, David Canepa, Federal Glover, David Rabbitt, Hillary Ronen, Libby Schaaf, Amy Worth**

## 1. Call to Order / Roll Call / Confirm Quorum

Chair Schaaf called the meeting to order at about 1:03 p.m. Quorum was present.

**Present:** 6 - Canepa, Glover, Rabbitt, Ronen, Schaaf, and Worth

**Absent:** 1 - Abe-Koga

## 2. Public Comment

## 3. Committee Member Announcements

## 4. Chairs' Report

**4.a.** 22-1781 BAHFA Oversight Committee Chair's Report for December 8, 2022

Chair Schaaf gave the report.

## 5. Executive Director's Report

**5.a.** 22-1782 Executive Director's Report for December 8, 2022

## 6. BAHFA Oversight Committee Consent Calendar

**Upon the motion by Glover and second by Rabbitt, the BAHFA Oversight Committee approved the Consent Calendar. The motion passed unanimously by the following vote:**

**Aye:** 6 - Canepa, Glover, Rabbitt, Ronen, Schaaf and Worth

**Absent:** 1 - Abe-Koga

**6.a.** 22-1784 Approval of BAHFA Oversight Committee Minutes of October 13, 2022

**6.b.** 22-1785 Adoption of BAHFA Resolution No. 23 - Rejection, Allowance, Compromise or Settlement of Claims and Actions and Delegated Authority for Contracting for Legal Services to General Counsel

**6.c.** 22-1786 Legal Services Contract with Orrick, Herrington & Sutcliffe LLP to Provide Bond Counsel and Other Public Finance Services ($500,000)

## 7. Adjournment / Next Meeting

Chair Schaaf adjourned the meeting at about 1:15 p.m. The next regular joint meeting of the ABAG Housing Committee and BAHFA Oversight Committee is on January 12, 2023.

375 Beale Street, Suite 800
San Francisco, CA 94105

# Metropolitan Transportation Commission

## Legislation Details (With Text)

| | | | | | |
|---|---|---|---|---|---|
| **File #:** | 23-0087 | **Version:** 1 | **Name:** | | |
| **Type:** | Report | | **Status:** | Informational | |
| **File created:** | 12/9/2022 | | **In control:** | ABAG Housing Committee | |
| **On agenda:** | 1/12/2023 | | **Final action:** | | |
| **Title:** | Presentation of the Draft BAHFA Business Plan Equity Framework | | | | |
| **Sponsors:** | | | | | |
| **Indexes:** | | | | | |
| **Code sections:** | | | | | |
| **Attachments:** | 09a 1 Summary Sheet - Draft Equity Framework v1.pdf<br>09a 2 Attachment A - Draft Equity Framework.pdf<br>09a 3 Attachment B - Draft Equity Framework Appendices_v2.pdf<br>09a 4 Attachment C - Draft Equity Framework Presentation.pdf | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

Presentation of the Draft BAHFA Business Plan Equity Framework

Daniel Saver and the Othering and Belonging Institute, UC Berkeley

Information

## Subject:

Presentation of the Draft Equity Framework for the BAHFA Business Plan, including stakeholder engagement, the structure of the Equity Framework, and draft equity Objectives and corresponding Metrics.

## Background

The BAHFA Business Plan process was launched in 2021 to develop a blueprint for how BAHFA and its partners could come together to tackle the Bay Area's housing challenges at scale and begin to deliver on bold housing outcomes, especially with potentially significant new funding derived from BAHFA and ABAG's new statutory authority to place a regional revenue measure on the ballot across all nine counties. The Business Plan is supported by a consultant team led by Forsyth Street Advisors. The Business Plan efforts have three main threads of work:

(1) The **Equity Framework** will focus BAHFA's Business Plan on delivery of 3P programs that prioritize equity, racial justice, and protection of communities most impacted by the region's affordability challenges.

(2) The **Funding Programs** will propose strong, beneficial, and self-sustaining funding programs that will successfully establish BAHFA as a permanent agency that consistently achieves its 3P mission.

(3) The **Business Plan** will weave together the Equity Framework and Funding Programs into a coherent, strategic plan for how BAHFA should allocate resources it secures, including a potential regional general obligation bond in 2024. It will also provide organizational design recommendations to implement the proposed funding programs with appropriate phasing.

Staff have provided updates to the BAHFA Oversight and ABAG Housing Committees about progress on the Business Plan process in January, April and July of 2022. This item represents a major milestone with presentation of the Draft Equity Framework. Agenda Item #10, immediately following this item, will present the Draft Funding Programs.

Alongside staff, the Othering and Belonging Institute (OBI) is leading the development of the Equity Framework, with support from the Terner Center for Housing Innovation and the broader Forsyth consultant team.

## Draft Equity Framework Summary

This report will summarize the Draft Equity Framework (Attachment A), including stakeholder engagement, the structure of the Framework, and the draft Equity Objectives and corresponding

Metrics. The report will also briefly summarize the Appendices to the Equity Framework (Attachment B). The drafts attached to this item are not intended to be in final aesthetic form; the Final Equity Framework will be produced with appropriate layout, graphics, and visual appeal.

### *Stakeholder Engagement*

Stakeholder engagement has played a critical role in scoping, developing, and refining the Draft Equity Framework. At the outset, OBI conducted 20 interviews with equity leaders from across the Bay Area representing all 3Ps. Additionally, an 11-member **Equity Working Group** has been formed to provide a vehicle for iterative, community-informed development of equity objectives and metrics. The Equity Working Group's composition is intended to facilitate accountable representation of BIPOC and systematically marginalized communities and to reflect the geographic breadth of the Bay Area. A roster of the Equity Working Group members is included in Appendix B as part of Attachment B to this item.

To complement the Equity Working Group's efforts, staff and OBI have undertaken additional outreach and engagement activities. Notably, in June 2022, OBI hosted three public "listening sessions" corresponding to each of the 3Ps that were attended by nearly 140 stakeholders. Additionally, MTC-BAHFA staff have met 1-on-1 with staff from over three dozen local jurisdictions in all nine Bay Area counties and presented at 15 convenings of public sector staff and elected officials. And finally, MTC-BAHFA staff have met with over 40 stakeholders — including practitioners across all 3Ps, advocacy organizations, and members of impacted communities — in 1-on-1 and small group settings.

The Equity Working Group reviewed several versions of the Draft Equity Framework in November and December 2022. The Draft Equity Framework in Attachment A and the Appendices in Attachment B have been unanimously endorsed/supported by the Equity Working Group.

### *Structure of the Draft Equity Framework*

The Draft Equity Framework is divided into four main parts. First, there is an introductory section that highlights the significant disparities that exist in the Bay Area's housing system and which motivate the strong social and racial equity lens for BAHFA's work. This section also provides a regional framework for Affirmatively Furthering Fair Housing (AFFH) and summarizes stakeholder engagement and the role of the Equity Working Group.

Second, the core of the Draft Equity Framework is a set of **Objectives** and **Metrics** that will guide and measure the impact of BAHFA's work. The Draft Equity Framework establishes Objectives and Metrics for each of the "3Ps" (Production, Preservation, and Protection) as well as a fourth "Cross Cutting" category for items that advance all 3Ps or do not fit squarely within any of the Ps. Within each program track, the Draft Equity Framework also presents a summary of "opportunities and challenges" uplifted by stakeholders to consider as BAHFA implements the

Business Plan and designs programs to further the Equity Objectives. The draft Objectives and Metrics are described in more detail below.

The third part of the Draft Equity Framework begins with a discussion of BAHFA's role to provide regional leadership and technical assistance that serves to expand, diversify and strengthen the capacity of the region's housing ecosystem and marshal the collective resources in service of equitable outcomes. Next, the Draft Framework highlights implementation and accountability considerations, which include data collection and reporting, embedding equity in all phases of program design and evaluation, ongoing equity-focused engagement strategies, a need to periodically reevaluate the Equity Framework to accommodate changing circumstances and evolving priorities, and ongoing collaboration with local jurisdictions.

Finally, the Draft Equity Framework ends with a set of broad **Social Equity Goals** that detail BAHFA's long-term, aspirational vision for an equitable future in the Bay Area. These goals represent the "north star" for transformation of the region's housing systems that the Equity Objectives should strive towards and the Metrics will help measure. However, importantly, BAHFA cannot achieve these broad Social Equity Goals on its own. Rather than direct measures of BAHFA's impact, the Social Equity Goals and their associated metrics serve to illuminate regional trends in housing that BAHFA should track and respond to, particularly with regard to how inequity in housing manifests and whom it disproportionately impacts.

### *Draft Equity Objectives and Metrics*

As noted above, the core of the Draft Equity Framework is a set of Equity Objectives and Metrics for each of the 3Ps and a "Cross Cutting" program track. The Draft Equity Objectives are as follows:

#### *Production Equity Objectives*

**(1) Produce more affordable housing, especially for extremely low-income (ELI) households**. Increase housing production, with different housing types, across the region, and provide special focus on the production of housing for ELI households and populations most disproportionately impacted by housing inequity.

**(2) Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that transform historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.

**(3) Create affordable housing opportunities in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated and balanced living patterns in areas of concentrated affluence.

**(4) Create programs that address homelessness.** Partner with counties to increase housing types 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.

**(5) 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.

### *Preservation Equity Objectives*

**(1) 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.

**(2) Preserve existing unsubsidized housing and convert to permanently affordable housing.** Convert existing unsubsidized housing to permanently 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, and other marginalized communities.

**(3) Target preservation investments for most impacted residents.** Tailor financing products to enable occupancy by ELI households and households at risk of homelessness.

**(4) Create opportunities for community-owned housing.** Invest in developments that enable community control and/or equity growth, especially in Equity Priority Communities and for households facing discriminatory and/or structural barriers to homeownership.

### *Protection Equity Objectives*

**(1) Increase access to tenant services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, as well as improving tenant quality of life, such as legal assistance, counseling and advice, financial assistance, and enhanced relocation assistance.

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

**(3) 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 ELI, residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures – are prioritized.

(4) **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.

(5) **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.

### *Cross-Cutting Equity Objectives*

(1) **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.

(2) **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.

(3) **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 upon this Equity Framework.

(4) **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.

(5) **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).

(6) **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 AFFH approach given AB 1487'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.

### *Equity Metrics*

Each of the four program tracks described above contain a set of Metrics that are designed to measure BAHFA's progress towards meeting the Equity Objectives. While some of these Metrics are particular to an individual program track, many fall within the following broad categories:

- Amount and percent of funding allocated to each programmatic approach
- Number and type of housing units, disaggregated by attributes including but not limited to:
  - Affordability levels (e.g., extremely low-income, very low-income, etc.)
  - Location (e.g., EPCs, Transit Priority Areas, etc.)
  - Tenure types (e.g., rental vs traditional homeownership, permanent supportive housing, collective ownership models, etc.)
  - Accessibility features for people with disabilities
- Number and characteristics of people served, disaggregated by race, income, family size, disability status, etc.
- Types of organizations funded (e.g., community-based developers, BIPOC-led organizations, etc.)

In some instances, there are different metrics for BAHFA vs cities and counties due to differing requirements in AB 1487 about how revenue may be used. For example, cities and counties may pursue homeownership opportunities with their minimum 52% of ballot measure generated funds for "production" whereas BAHFA is limited in this same category to rental housing.

### ***Appendices to the Draft Equity Framework***

Attachment B contains a compilation of the appendices for the Draft Equity Framework, summarized as follows:

- **Appendix A (Definitions)** covers definitions of key terms referenced throughout the Equity Objectives and Metrics, including various developer types (community-based developers, BIPOC-led developers etc.) and geographic typologies (Equity Priority Communities, etc.)

- **Appendix B (Equity Working Group Members)** provides a list of the 11 members of the Equity Working Group who participated in co-creating the Equity Framework, in addition to a list of criteria used for selecting Equity Working Group members.

- **Appendix C (Stakeholder Engagement Report)** a comprehensive summary of feedback and recommendations received through the Equity Framework stakeholder engagement process, expanding upon the brief discussions of "Opportunities and Challenges" within the main body of the Equity Framework.

- **Appendix D (Guiding Questions for Program Development and Design)** is a set of "rubrics" that have been developed as planning tools to help generate ideas and evaluate program strategies that further Equity Objectives. BAHFA will use these questions to apply the Equity Framework as it further develops and implements the Business Plan and Funding Programs, as well as other future programs.
- **Appendix E (Data Sources)** provides a table of the metrics for the Equity Framework's Social Equity Goals and identifies data sources for each. It also includes a discussion of opportunities and challenges related to data collection.

## Next Steps:

Following presentation of the Draft Equity Framework to the newly formed BAHFA Advisory Committee as well as the BAHFA Oversight and ABAG Housing Committees this month, OBI will host another public workshop(s) in February-March. Feedback will be incorporated into a proposed Final Equity Framework that will be reviewed by the Equity Working Group and the BAHFA Advisory Committee in April. Staff anticipate bringing the Final Equity Framework to the BAHFA Oversight and ABAG Housing Committees in May seeking a recommendation to the full BAHFA Board and ABAG Executive Board for adoption.

## Issues:

None

## Recommended Action:

Information

## Attachments:

A. Draft Equity Framework

B. Draft Equity Framework Appendices A – E (combined)

C. Presentation

## Reviewed:

Brad Paul

BAY AREA HOUSING FINANCE AUTHORITY BUSINESS PLAN

# EQUITY FRAMEWORK

DRAFT

JANUARY 2023

[cover photo TBD]

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# Introduction

Across the Bay Area, countless residents are experiencing the pain of insurmountable housing costs that have been escalating for years. Living one paycheck away from eviction, in overcrowded or unsafe conditions, out of a car or tent, and other harsh realities are the lived experience of the crisis. People are moving to the edges of the region, the climate crisis is worsened by "mega commutes," employers have difficulty hiring workers, and community networks are disrupted as people are displaced.

The harmful impacts of the Bay Area's chronic affordability challenges are far from equally distributed. Low-income communities as well as Black, Indigenous and other People of Color (BIPOC), immigrants, people with disabilities, and other members of protected classes are underhoused or unhoused at persistently higher demographic proportions. BIPOC residents own their homes at a rate of 49 percent, compared to 63 percent of white residents.[1] Twenty-five percent of BIPOC renters experience extreme rent burden compared to 20 percent of white renters,[2] with Black renters experiencing the most burden. Despite making up less than 7 percent of the region's population, Black residents comprise nearly 30 percent of people experiencing homelessness.[3]

In the context of race, these disparities are the direct result of explicitly discriminatory policies and practices, such as redlining and racial covenants, as well as ostensibly race-neutral, but implicitly discriminatory, mechanisms such as exclusionary zoning.[4] Research has documented how, throughout the Bay Area's history, local public and private sector institutions used housing policies and practices to exclude people of color, and in several cases, established models for exclusion that were replicated throughout the rest of the US.[5] This legacy, alongside other ongoing forms of structural racism,[6] continues to shape patterns of segregation and disparities in life outcomes across the region today.[7]

> **The Bay Area Housing Finance Authority (BAHFA) is committed to advancing racial and social equity by confronting the structural drivers of disparities in access to housing. BAHFA defines equity as "inclusion into a Bay Area where everyone can participate, prosper, and reach their full potential."[8] Because housing is a cornerstone of health, opportunity, and belonging, equity can only be achieved if every person has a stable, affordable, and safe home.**

The challenges of untangling the centuries-long threads of structural racism, ableism, classism and other forms of marginalization – all while building a new institution and responding to the urgency of the region's affordability challenges – are immense. BAHFA is committed to an equity-focused approach that values diversity as a strength from which everyone benefits, and which involves taking proactive steps to include communities that are most impacted by structural racism and housing insecurity. This means:

- Pursuing targeted strategies that actively reduce housing disparities faced by impacted communities, and furthermore, seeking to transform housing systems in ways that better enable the Bay Area to strive towards a future where housing is treated as a human right;
- A commitment to ongoing equity analyses, evaluation, iteration, and accountability as BAHFA develops its own institutional practices and infrastructure for equity; and
- Aligning with other public, nonprofit and private institutions in the broader effort to end structural racism and inequitable systems that perpetuate housing insecurity.

A comprehensive set of strategies that account for the particular capacities and barriers of every community will allow BAHFA to move the region toward a future where every Bay Area resident can thrive with a safe and affordable home. A future where residents from all walks of life – teachers, first responders, and service workers, families, veterans, and people with disabilities – are free to pursue their dreams, feel connected to their neighborhoods, and access the amenities that make the Bay Area such a great place to live. A future where the Bay Area's racial and ethnic diversity is preserved and recognized as one of its core strengths, where everyone – Black and white, Latinx and Asian, and Indigenous – can comfortably call the Bay Area home.

# Purpose of the Equity Framework

The Equity Framework serves as the foundation of the BAHFA Business Plan. It articulates BAHFA's commitments to advancing social equity and sets objectives for BAHFA's impact on equity through its programs.

The Business Plan identifies and describes the key funding and finance strategies, as well as Funding Programs, that can best meet the objectives and goals outlined in the Equity Framework. The funding and finance strategies shape how revenue will be generated and distributed across BAHFA's Funding Programs for each of the 3Ps. The Funding Programs serve as the implementation plan for the Equity Framework within BAHFA's statutory mandate.

As a new institution, BAHFA has a rare opportunity to integrate equity at its foundation and at every stage of its organizational development. This will involve building practices and an organizational culture where equity is a central and driving consideration, not simply an isolated analysis late in the process of program design or decision-making. The Equity Framework of the

Bay Area Housing Finance Authority

Business Plan is both a reflection of this dynamic and a blueprint for how BAHFA can deliver on this commitment in the years and decades to come.

# Affirmatively Furthering Fair Housing

Affirmatively Furthering Fair Housing (AFFH) is a thread woven throughout the Equity Framework. AFFH is rooted in the Fair Housing Act (1968), which requires the US Department of Housing and Urban Development (HUD) and its grantees to take proactive steps to further fair housing and end segregation. In 2015, HUD established a rule on the obligation to affirmatively further fair housing, though this rule was suspended and ultimately repealed by the Trump Administration only to be partially reinstated by the Biden Administration in 2021. During these shifts at the federal level, the State of California adopted Assembly Bill 686 (2018, Santiago) to codify and expand the 2015 federal AFFH rule as a matter of state law. Under California law, all state and local public agencies must affirmatively further fair housing through all programs and activities related to housing and community development.

> **Affirmatively Furthering Fair Housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.**
>
> **California Gov. Code Section 8899.50(a)(1); 24 C.F.R. Section 5.151**

All of the Bay Area's 109 local jurisdictions have a responsibility to AFFH through their own actions and policies. Local change is essential, but because racialized and other disparities in access to housing and opportunity are shaped by regional dynamics of the housing market, BAHFA recognizes that local jurisdictions' efforts must be complemented by a regionwide fair housing framework.

A regional AFFH framework does not mean that the same policies or programmatic interventions must be applied across all of the region's cities, neighborhoods, or populations. The region's housing crisis is multidimensional; therefore, addressing its many layered causes and impacts will require multiple strategies that add up to a targeted universalist approach.[9] While they should all point to the same overarching goal of equitable and fair housing, different strategies are needed to target the distinct forms of inequity experienced by individual communities, especially those most deeply impacted by housing insecurity. The strategies must each respond to how different groups are situated within structures, across geographies, and as a result of historic and structural harms that shape their access to housing.

While a comprehensive approach is essential, housing strategies are often framed as "either/or" choices: social mobility or community reinvestment, developing housing at greater scale or providing deeper affordability, immediate responses to urgent needs or long-term transformative solutions, individual wealth building or collective wealth building. These different strategies can indeed be in tension with each other and require difficult tradeoffs, especially in the context of limited resources.

The Equity Framework Objectives reflect the need to hold, and eventually overcome, these tensions by taking a "both/and" instead of an "either/or" approach. For example, this means:

- Investing in expanding access to existing high-resource areas for low-income and other marginalized households, while also investing in existing lower-resource areas to stop displacement, maintain cultural vibrancy, and improve overall quality of life for existing residents;
- Investing in tried-and-true programs that can match the scale of the region's housing shortage that disproportionately impacts people of color, while also investing intentionally in emerging and/or community-led organizations even if they are currently operating at a smaller scale.

The Equity Framework does not conclusively resolve these tensions. Rather, it calls for ongoing analysis and engagement to define a comprehensive "both/and" strategy that effectively prioritizes and balances all of the region's needs. Through regular reporting on the metrics defined in the Equity Framework, along with other accountability and implementation strategies named in this report, BAHFA will continually evaluate, and when needed, recalibrate, its "both/and" approach.

# The Equity Framework Development Process

To create the Draft Equity Framework, a team led by the Othering and Belonging Institute at UC Berkeley (OBI) facilitated a planning process designed to achieve broad public access and be deeply informed by the communities who have been most impacted by housing insecurity. This planning process included:

- **Interviews:** over 20 interviews with housing and equity leaders involved in housing production, preservation, and protection.

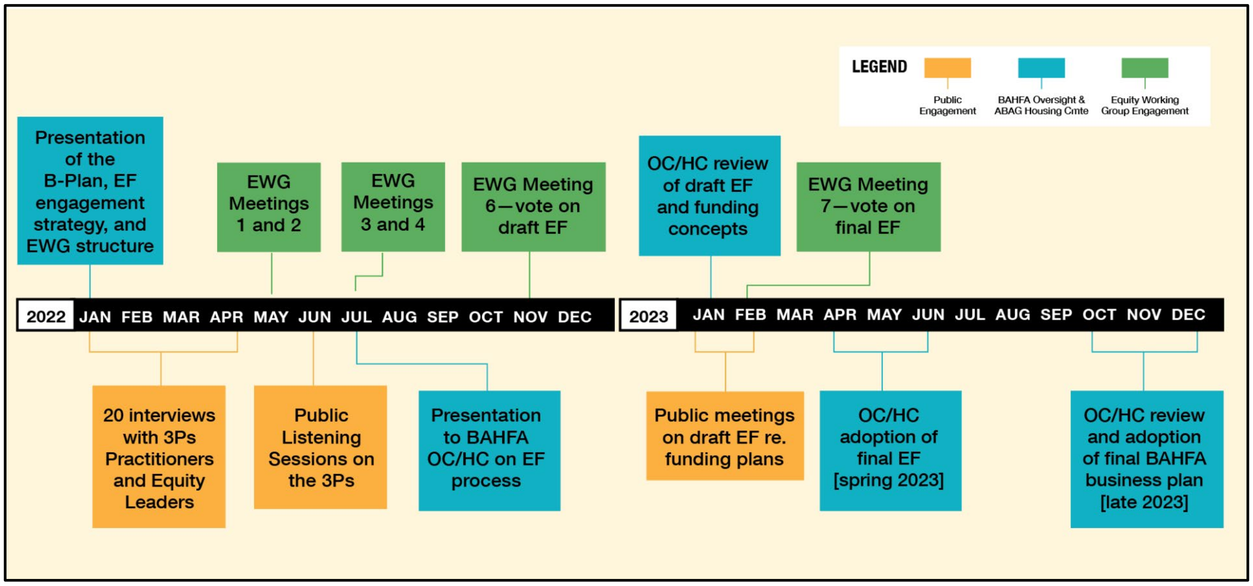
- **Public Listening Sessions:** three public listening sessions held in June 2022, during which 138 residents discussed and provided recommendations on draft goals, objectives, and metrics. Invitations for the sessions were distributed to over 300 stakeholders and 175 local government staff working across all 3Ps.

- **Equity Working Group Sessions:** several meetings with a group of 11 leaders from across the region between May and December 2022. The Equity Working Group used a consensus-based decision-making process to co-create the Equity Framework, drawing from their extensive experience related to housing preservation, production, protection, and social equity as well as relationships to the communities and places most impacted by the housing crisis. For a list of Equity Working Group members and criteria used in their selection, see Appendix B.

Drafting the Equity Framework was an iterative process of co-creation and numerous feedback loops through which BAHFA staff, Equity Working Group members, BAHFA's Business Plan consultant team, and members of the public provided specific language and ideas that were incorporated into working drafts, discussed at Equity Working Group meetings, and revised over the course of six months.

The goal of the Equity Working Group engagement process was to reach consensus on the content of a complete Draft Equity Framework to be reviewed, and ultimately adopted, by the BAFHA Board and ABAG Executive Board. The Draft Equity Framework presented here has been unanimously endorsed/approved by the Equity Working Group.

**Figure 1. Equity Framework engagement timeline**




# Structure of the Equity Framework

BAHFA recognizes that an equitable regional housing system and equitable housing conditions cannot be achieved by a single agency alone, but that the new regional agency has a critical role to play. The Equity Framework is designed to clarify specific outcomes BAHFA will aim to achieve (the "Objectives"); the ways that BAHFA will measure its impact (the "Metrics"); and the regional vision for an equitable future of housing that informs the Objectives (the "Goals").

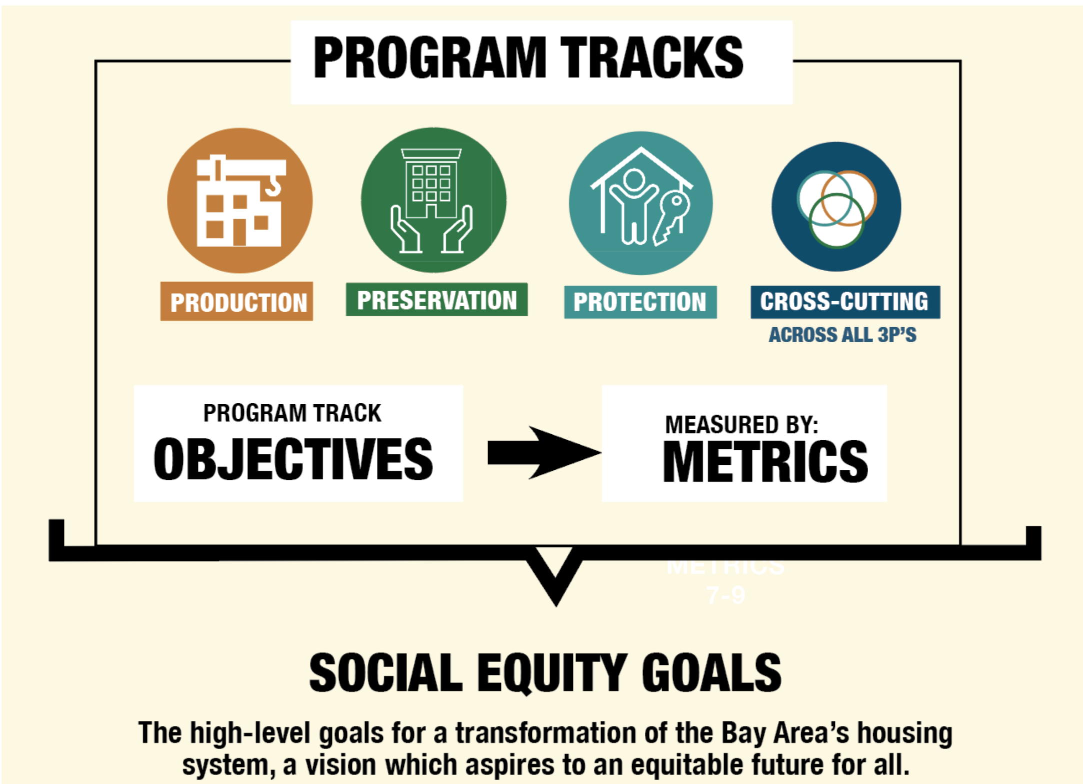
- **Objectives:** Specific outcomes that BAHFA's actions should reach in order to move the region closer to the overarching equity goals. The objectives are the "destination" BAHFA plans to reach in terms of its impact.

- **Metrics:** Specific measurements of social equity by which BAHFA will design and evaluate program strategies. The metrics are the 'yardsticks' to measure progress toward achieving the objectives. Different Metrics for BAHFA and the cities/counties ("Jurisdictions") are noted where relevant due to different governing requirements in AB 1487 for how revenue may be used.

- **Goals:** High level, overarching societal conditions that BAHFA's work should be oriented toward, but cannot be achieved by BAHFA actions alone. The goals are the "north star" for transformation of the region's housing system.

In its mandate, BAHFA has three major program strategies: Production, Preservation, and Protection. For each of these, the Equity Framework establishes specific Objectives and Metrics designed to guide and evaluate programs. An additional “cross-cutting” track captures strategies that advance all 3Ps or do not otherwise fit easily within one of the Ps. Figure 2 shows how the program tracks relate to the Objectives, Metrics, and Goals.

**Figure 2. Equity Framework conceptual structure**




Within each program track, the Equity Framework also presents a summary of “Opportunities and Challenges” uplifted by stakeholders for BAHFA to consider as it implements the Business Plan and designs programs to further the Equity Objectives. These include opportunities that BAHFA should take advantage of, such as a promising program concept that could be scaled up to serve the whole region; and challenges that BAHFA may need to account for and address, such as a gap in the capacity of existing housing organizations to meet a specific community need. A more expansive discussion of Opportunities and Challenges raised during the stakeholder engagement process is included in the Stakeholder Engagement Report (Appendix C).

This report has five appendices:

- **Appendix A (Definitions)** covers definitions of key terms referenced throughout the Equity Framework, including various developer types (community-based developers, BIPOC-led developers etc.) and geographic typologies (Equity Priority Communities, etc.)
- **Appendix B (Equity Working Group Members)** provides a list of the 11 members of the Equity Working Group who participated in co-creating the Equity Framework, in addition to a list of criteria used for selecting Equity Working Group members.
- **Appendix C (Stakeholder Engagement Report)** is a more comprehensive summary of feedback and recommendations received through the Equity Framework stakeholder engagement process, expanding upon the brief discussions of “Opportunities and Challenges” within the Equity Framework.
- **Appendix D (Guiding Questions for Program Development and Design)** is a set of “rubrics” that have been developed as planning tools to help generate ideas and evaluate program strategies that further the Objectives in the Equity Framework. BAHFA will use these questions to apply the Equity Framework as it further develops and implements its Business Plan and Funding Programs, as well as other future programs.
- **Appendix E (Data Sources)** provides a table of all Metrics included in the Equity Framework and identifies data sources for each. It also includes a discussion of opportunities and challenges related to data collection.

# Equity Objectives and Metrics

**Objectives** are the desired outcomes that BAHFA's programs will be designed to achieve. The Objectives can be thought of as the destinations that BAHFA should reach to move the region closer to the longer-term Social Equity Goals. While the Objectives set the destination for all of BAHFA's programs, they do not specify the path that BAHFA will take to reach that destination.

**Metrics** are how BAHFA will measure its success in achieving the Objectives. They can be thought of as the yardsticks that BAHFA will use to measure changes in progress toward achieving the Objectives. The metrics also serve as a prospective guide for program development; they will inform program design choices by illuminating how different options may potentially advance equity along these measures.

## PRODUCTION

Under AB 1487, "**Production**" for BAHFA-administered funds means creating new rental housing that is restricted by recorded document to be affordable to lower income households (up to 80% AMI) for at least 55 years.

### Production Objectives

1. **Produce more affordable housing, especially for extremely low-income (ELI) households.** Increase housing production, with different housing types, across the region, and provide special focus on the production of housing for ELI households and populations most disproportionately impacted by housing inequity.

a. BAHFA: limited to rental housing up to 80% AMI with a 55-year term
b. Jurisdictions: provide different tenure types

2. **Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that transform historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.

3. **Create affordable housing opportunities in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated and balanced living patterns in areas of concentrated affluence.

4. **Create programs that address homelessness.** More housing is critical to end homelessness, and BAHFA is committed to working with counties to increase housing types 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.

5. **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.

## Production Metrics

*Note: Metrics apply to both BAHFA- and Jurisdiction-sponsored developments unless noted*

1. Total funding value of production funds provided (including those generated/raised via non-ballot activities) and as a percent of total BAHFA funds
2. Number of homes entitled, permitted, and with certificates of occupancy
3. Number and percent of all homes created located in:
    a. Racially and ethnically concentrated areas of poverty (R/ECAPs) and racially concentrated areas of affluence (RCAAs)
    b. Equity Priority Communities
    c. Estimated Displacement Risk Area
    d. Transit Priority Areas
    e. Priority Development Areas
    f. High-Opportunity Areas
4. Average affordability at project levels

a. Number and percentage of ELI, very-low income (VLI), and low-income (LI) units

5. Number and percent of total homes created as permanent supportive housing (PSH)
    a. Number of 100% PSH buildings and, for all, source(s) of operating and services subsidies
6. Number and percent of total homes to accommodate people with disabilities
    a. Number and percent of total homes designed to meet California Building Code Chapter 11B requirements for 'Residential Dwelling Units with Mobility Features' and 'Residential Dwelling Units with Communication Features'
    b. Number and percent of total homes that exceed state and local accessibility requirements for people with disabilities through integration of design features and operational strategies for accessibility and inclusion[10]
    c. Number and percent of total homes reserved for people with disabilities
    d. Of homes with mobility and sensory accessibility features, percent occupied by people with disabilities
    e. Of buildings with these homes, average percent of total units designated for people with disabilities
7. Number and percent of homes in developments identified by BIPOC and impacted communities as priorities
8. Number and percent of homes produced that are community-owned
9. For jurisdictions only, tenure of housing created
    a. Number and percent homeownership units (note housing type, e.g., inclusionary; single-family; condominium; limited equity cooperative; other community-ownership models)
    b. Number and percent rental
10. Number and percent of total homes created that achieve high or highest performance ratings for sustainable building systems (e.g., gold or platinum LEED ratings; gold or emerald for National Green Building Standard; etc.)
11. Number and percent of all homes produced in areas with high environmental pollution burden, as measured by tracts in the top quintile of Pollution Burden using the CalEnviroScreen scoring system
12. Resident characteristics (race, age, family size, income, disability status, etc.) at move-in, only.[11]
13. By property, length of tenancy, disaggregated by:[12]
    a. Less than 3 years
    b. 3-5 years

c. Over 5 years

## Production Opportunities and Challenges

### Extremely Low-Income and Permanent Supportive Housing

Creating stable housing opportunities for extremely low-income households, including permanent supportive housing, is a top priority of many stakeholders. Production of ELI housing presents two main challenges: the tradeoff of providing fewer units in order to create deeper affordability, and especially in the case of permanent supportive housing, the need to secure ongoing funding for operating subsidies and supportive services. The need for supportive services arises from the focus on serving the most vulnerable members of our communities, including formerly homeless individuals and families, who face multifaceted and compounding effects of poverty and marginalization. Supporting these residents to remain housed for the long term often requires the right package of services as well as trauma-informed property management practices – all of which increases the cost of providing these specialized housing types. Adding to this challenge is the fact that currently bond proceeds cannot be used to support ongoing services, and thus BAHFA's most likely source of near-term revenue would need to be paired with other sources to make these projects feasible – and there is a severe shortage of funding for operating subsidies and supportive services.

One potential opportunity for BAHFA to explore is the use of mixed-income housing models, with higher-income units that can cross-subsidize ELI units. Facilitating the creation of integrated, mixed-income housing for people with disabilities (rather than segregating ELI and accessible housing in separate buildings) can also be a potential strategy for advancing equal access to choice and opportunity. Another opportunity is to explore partnerships with local housing authorities, which control the most reliable sources of funding for operating subsidies, to coordinate investments. Moreover, BAHFA has the opportunity to serve as a regional leader by promoting evidence-based best practices for supportive services and trauma-informed property management. This can help ensure that residents of BAHFA-funded properties stay successfully housed and avoid retraumatization that comes with evictions or additional periods of homelessness – which can have a particularly detrimental impact on families with children and people with disabilities.

### Balancing Social Mobility and Community Reinvestment Strategies

BAHFA's goal to address systemic racism in housing seeks to advance a "both/and" approach that increases affordable housing opportunities in historically disinvested communities facing displacement as well as historically exclusionary communities. To deliver new affordable housing at the necessary scale in all of these place types, BAHFA must leverage its funds with existing housing production programs, the largest of which by far is the Low Income Housing Tax Credit (LIHTC) program. However, LIHTC funds and other state and federal programs often come with their own explicit geographic targeting criteria (e.g., the California Tax Credit Allocation Committee "Opportunity Maps") or implicitly favor certain geographies over others (e.g., by privileging low-cost areas). The priorities set by these state or federal programs may not always coincide with BAHFA's "both/and" approach yet will influence BAHFA's expenditures to the extent that BAHFA seeks to take advantage of the leverage they offer. Furthermore, regular changes to these other funding programs create a level of uncertainty that presents a challenge for BAHFA to design its own programs in a way that complements or enhances the sources of leverage. To respond to the constantly evolving landscape of affordable housing finance, BAHFA will need to regularly evaluate its own program outcomes and adjust as needed to more effectively advance the Equity Framework objectives – especially ensuring an appropriate mix of investments that can overcome the lingering impacts of systemic racism as those manifest in different place types.

# PRESERVATION

Under AB 1487, "**Preservation**" funding must be used to preserve housing that is restricted by recorded document to be affordable to low- or moderate-income households (up to 120% AMI) for 55 years. Preservation funding may be used to acquire, rehabilitate, and preserve existing housing units restricted for affordability, as well as housing from the private market in order to prevent the loss of affordability.

## Preservation Objectives

1. **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.

2. **Preserve existing unsubsidized housing and convert to permanently affordable housing.** Convert existing unsubsidized housing to permanently 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.

3. **Target preservation investments for most impacted residents.** Tailor financing products to enable occupancy by ELI households and households at risk of homelessness.

4. **Create opportunities for community-owned housing.** Invest in developments that enable community control and/or equity growth, especially in Equity Priority Communities and for households facing discriminatory and/or structural barriers to homeownership.

## Preservation Metrics

1. Total funding value of Preservation funds provided (including those generated/raised via non-ballot activities) and as a percentage of total BAHFA funds

2. Number of existing subsidized homes preserved by affordability level and level of risk-of-loss[13]
3. Number of unsubsidized homes converted to affordable housing, by affordability level
4. Number and percentage of homes preserved or converted in:
    a. RCAAs and R/ECAPs
    b. Equity Priority Communities
    c. Estimated Displacement Risk Areas
    d. Transit Priority Areas
    e. Priority Development Areas
    f. High-Opportunity Areas
5. Per building, target average AMI cap to achieve over time
6. Number and percentage of homes identified by BIPOC and impacted communities as priorities
7. Number and percentage of existing units with Disabled Access
    a. Number and percentage of units with mobility accessibility features
    b. Number and percentage of units with sensory accessibility features
8. Number and percent of units made newly accessible and/or with enhanced accessibility features
9. Average affordability levels
    a. Number and percentage of units for each income band (ELI, VLI, LI, M)
    b. Number and percentage of units serving households that were formerly homeless or at-risk of homelessness (e.g., buildings assisted with Homekey)
10. Number and percentage of homes preserved or converted by tenure:
    a. Rental
    b. Individual household ownership
    c. Community ownership and similar models
11. Resident characteristics (race, age, family size, income, disability status, etc.), at permanent finance closing, only

## Preservation Opportunities and Challenges

### Embracing Innovation and Risk

Very few funding sources exist for the preservation of unsubsidized housing, especially for the conversion of unsubsidized units to community-controlled or shared equity models that are deed-restricted as permanently affordable. While these models have not been supported at scale, they are an effective means of preventing displacement, maintaining the existing affordable housing stock, and advancing community self-determination, especially for marginalized groups who have been historically excluded from homeownership opportunities. Because these types of development are less familiar to financing institutions and also have a variety of financing challenges distinct from new affordable housing construction, regional leadership is needed to expand funding programs designed for them. BAHFA can lead the sector in designing innovative preservation programs, including those specifically for community-controlled housing.

Innovation requires accepting and planning for risk. Too often, investment in emerging developers embedded in impacted communities is deemed too great of a risk because they have not yet established enough of a track record for traditional development. Stakeholders reported that this dynamic fails to recognize the value of community-controlled development organizations and reinforces the structural barriers that limit the self-determination of BIPOC and impacted communities. BAHFA could accept a small level of risk, for example, by creating a loan loss reserve to underwrite promising nascent organizations, which builds in a plan for a small percentage of potential loss. Additionally, BAHFA can incentivize partnerships between established and emerging or community-based developers to grow the capacity and track record of the latter.

AB 1487 requires a minimum of 15% of BAHFA's revenue to be used for preservation programs, which may be appropriate in the near term as the preservation ecosystem matures and develops the capacity to absorb more significant funding. However, in the medium to long term, a greater share may be required to create a transformative impact. BAHFA should actively monitor the capacity of the preservation community and the demand for preservation resources, and when appropriate, seek to create a greater balance in funding allocated to each of the 3Ps.

## Defining Community Priorities

BAHFA is committed to advancing equity-focused, community self-determination by investing in housing production and preservation developments that are identified by EPCs and other impacted communities as priorities. It is important to note that defining "community priorities" and assessing what projects have meaningful community support is a challenge. EPCs and other impacted communities are not monoliths, and groups within them may hold different, even conflicting, priorities. As BAHFA seeks to prioritize the needs of communities most impacted by housing unaffordability, BAHFA will need to develop a rigorous methodology for making equitable determinations about which projects most represent the widest held or highest impact, equity-focused community priorities and meaningfully advance community self-determination. One opportunity is to set community engagement standards for proposed projects and create scoring criteria that awards points based on community involvement or sponsorship by a community institution.

Furthermore, BAHFA has the opportunity to create structures and pathways through which communities can more formally determine and articulate their priorities. Equity Working Group members recommended that BAHFA invest in community planning initiatives, which could be supported or run by community engagement experts; an opportunity here is for BAHFA to collaborate with MTC and ABAG on their programs related to community planning and engagement.

BAHFA will also need to develop its own practice of community engagement and equitable decision-making that allows members of EPCs and other impacted communities to meaningfully inform BAHFA's programs and investments. BAHFA should experiment, assess, and iterate on its approach to identifying and uplifting community priorities as it seeks to advance community self-determination in line with equity principles.

# PROTECTION

Under AB 1487, “**Protection**” funding may be used for the following forms of tenant protection programs: preeviction 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; relocation assistance for lower-income households beyond; and collection and tracking of information related to displacement and displacement risk, rents, and evictions in the region.

## Protection Objectives

1. **Increase access to tenant services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, as well as improving tenant quality of life, such as legal assistance, counseling and advice, financial assistance, and enhanced relocation assistance.

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

3. **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 ELI, residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures – are prioritized.

4. **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.

5. **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.

## Protection Metrics

1. Total funding value of tenant protections provided (including those generated/raised via non-ballot activities) and as a percent of total BAHFA funds

2. Amount and percentage devoted to:
    a. Legal services, counseling, and advice and consultation
    b. Training, education and outreach
    c. Emergency rental assistance
        i. Value devoted to severely rent-burdened ELI seniors
    d. Relocation assistance to supplement landlord-required assistance
    e. Research, data collection and tracking, and regional coordination
    f. Other/innovative forms of tenant services (not included in AB 1487)
3. For legal assistance, counseling, or advice:
    a. Number of households served
    b. Tenant characteristics (race, age, family size, income, disability status, etc.)
    c. Case outcomes (tenancy preserved, "soft landing" secured, habitability improvements secured, etc.)
4. For Emergency rental assistance:
    a. Number of households served
    b. Tenant characteristics (race, age, family size, income, disability status, etc.)
    c. Average amount of rental assistance provided
    d. Household outcomes (drawing upon existing reporting systems of service providers)
5. For relocation assistance:
    a. Number of households served
    b. Average amount of relocation assistance provided
    c. Tenant characteristics (race, age, family size, income, disability status, etc.)
6. Number and percentage of tenants served in:
    a. RCAAs and R/ECAPs
    b. Equity Priority Communities
    c. Estimated Displacement Risk Areas
    d. Transit Priority Areas

e. Priority Development Areas
f. High-Opportunity Areas

## Protection Opportunities and Challenges

### Limited Funding to Match the Need and Urgency for Protections

Growing unaffordability, compounded by the lasting impacts of the Covid-19 pandemic, has elevated the region's already critical need for protection programs. AB 1487 revenue requirements specify that protection funding must account for, at minimum, 5% of BAHFA's revenue spending. With protection comprising the smallest percentage of BAHFA's funds, securing enough funding to match the need is a challenge. This challenge is further complicated by regulations that prohibit the use of certain forms of revenue, including those generated by a general obligation bond, for most types of tenant protections. BAHFA must therefore prioritize strategies and financing products that generate revenue that can be reinvested in its protection programs, while also pursuing funding opportunities for which tenant protections are an eligible expense (e.g., philanthropic donations, state or federal grants, etc.). Additionally, BAHFA should, within the scope of its authority, pursue and support actions that eliminate or mitigate existing constitutional prohibitions on the use of general obligation bonds for tenant protections and related services.

Stakeholders stressed the importance of protection programs that reduce people's vulnerability to displacement before reaching a crisis point of becoming unhoused. Recommendations for upstream interventions include permanent housing subsidies, expanded outreach and education programs that raise awareness of tenants' rights as well as available financial and legal resources, and overall strengthening of the region's institutional infrastructure (across public, nonprofit, and legal services agencies) to deliver these and other essential forms of support. Some of these interventions – such as long-term or permanent housing subsidies for ELI households who are not seniors – are not permitted uses of bond funds (as noted above) and also are limited by AB 1487 itself. As noted above, BAHFA should leverage its financing programs to generate unrestricted revenue that can be used to fund the full spectrum of tenant protection and homelessness prevention activities, complementing the activities that are enumerated in AB 1487. Additionally, BAHFA should consider pursuing amendments to AB 1487 that would expand eligibility of general obligation bond revenue to take full advantage of a potential constitutional change on that topic, as well as to enable a comprehensive suite of upstream as well as emergency interventions to protect against displacement and homelessness.

**Regional Leadership on Protection Policies**

In addition to programs that deliver protection services and assistance, many stakeholders emphasize the importance of local protection policies – specifically rent stabilization, just cause for eviction, and anti-harassment policies. While BAHFA does not have the authority to compel local governments to adopt these policies, it can lead the region by elevating the urgency of these specific policies as it coordinates with other regional agencies (e.g., MTC and ABAG) as well as local jurisdictions to, where possible, incentivize and support their adoption. BAHFA can promote best practices and emerging trends in tenant protections policies, such as pairing rent stabilization and just cause policies together, limiting no-fault evictions of families with school-age children during the academic year, and encouraging multijurisdictional collaboration on program administration to achieve greater economies of scale. One opportunity to explore is strengthening existing tenant protection policies by providing funding and technical assistance for enforcement to jurisdictions that have adopted these policies.

Another potential opportunity for BAHFA to explore is requiring or incentivizing tenant protections in BAHFA-funded developments. Lastly, BAHFA should explore collaborating with MTC on implementation of the Transit Oriented Communities Policy, which leverages transportation funding to incentivize housing policy adoption including tenant protections.

# CROSS-CUTTING

## Cross-Cutting Objectives and Metrics

The following objectives and metrics guide BAHFA's overall work to advance the Equity Framework Goals and address systemic racism and exclusion in housing. They apply broadly – both across, as well as beyond, all 3Ps.

### Cross-Cutting Objectives

1. **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.

2. **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.

3. **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 this Equity Framework.

4. **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.

5. **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).

6. **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 AFFH approach given AB 1487's parameters. Target any non-housing investments (e.g., 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.

## Cross-Cutting Metrics

1. Within each of the Ps, amount and percentage of total funding disbursed to community-based organizations (CBOs) & community-based developers:
    a. Community-based developers
        i. BIPOC-led
        ii. Emerging
        iii. Community-owned
    b. To BIPOC led developers
    c. To CBOs (for activities not related to development, e.g., tenant services CBOs)
        i. BIPOC-led CBOs
2. For BAHFA's 10% Local Government Incentive Program (if it exists and as allowed by funding sources):
    a. Amount and percentage of funding dedicated to:
        i. 3Ps activities (measure separately for Production, Preservation, Protection)
        ii. Technical assistance
        iii. Infrastructure needs (transportation, schools, parks, etc.)
        iv. One-time uses that address homelessness
        v. Homeownership programs
        vi. Other/innovative activities
    b. For each of the categories above, amount and percent of funds spent in:
        i. R/ECAPs and RCAAs
        ii. Equity Priority Communities
        iii. Estimated Displacement Risk Areas
        iv. Transit Priority Areas
        v. Priority Development Areas
        vi. High-Opportunity Areas
3. Number of units and dollar value of investment in the following housing types that enable wealth building through some sort of ownership structure, including:
    a. Deed-restricted traditional homeownership

    b. Shared equity models (community land trusts, limited equity cooperatives and similar models)
4. Engagement/participation of people from historically marginalized populations (including, but not limited to, BIPOC, people with disabilities, tenants, people with lived experience of homelessness) in:
    a. BAHFA's formal decision making bodies
    b. Public engagement initiatives
    c. BAHFA-funded community planning initiatives, and funds allocated for such initiatives
5. Number of counties and direct allocation jurisdictions that report to BAHFA and/or the public on the Equity Metrics contained herein for their own programs (regarding the 'return to source" provisions of a regional ballot measure)
6. Value and percentage of BAHFA's total funds secured from sources other than a ballot measure (e.g., state or federal grants, BAHFA's own revenue-generating activities, etc.)

## Cross-Cutting Opportunities and Challenges

**Capacity Building for Underrepresented Developers**

Stakeholders expressed consensus around the need to expand, diversify and strengthen the capacity of the region's housing ecosystem in order for BAHFA to address systemic racism and support projects prioritized by EPCs and other marginalized communities. One key recommendation for how to achieve this is the creation of programs that are designed to address the unique funding gaps faced by BIPOC, Emerging, Community-Based and Community-Owned Developers, especially for community-controlled or -stewarded housing models. Specific needs named by such developers include funding for organizational capacity building and pre-development capital. Investment in capacity building is necessary for the region as a whole; without growing the field, the region cannot deliver the wider range, in addition to a greater volume, of housing choices that communities need. While the need for capacity building is large, AB 1487 and regulations governing the use of general obligation bond revenue limit BAHFA's ability to fund organizational capacity building or enterprise level funding for developers. Moreover, BAHFA alone cannot meet the full range of community-based developers' funding needs, but it can play a leadership role in advancing strategic coordination among the many other institutions throughout the region who are dedicating resources and support toward advancing projects led by Emerging, Community-Based and Community-Owned Developers.

**Wealth Building**

Requirements set by AB 1487 also present a challenge to the objective of supporting wealth building for historically marginalized people. The legislation requires that regional housing revenue directly administered by BAHFA for production is utilized for rental housing only, not individual or collective homeownership opportunities. The Equity Working Group recommends that BAHFA pursue amending AB 1487 in the future to enable programs targeted toward homeownership and expand BAHFA's ability to fund capacity building for developers. Importantly, revenue raised by a regional ballot measure that is returned to the county of origin is eligible for homeownership; BAHFA could play a role in encouraging counties and other direct allocation jurisdictions to develop production funding portfolios with an appropriate mix of rental and wealth building programs.

# Regional Leadership and Technical Assistance

Achieving BAHFA's Equity Objectives will only be possible if the housing sector as a whole can increase its capacity and take bold, coordinated action to solve the housing crisis. This notion was strongly reinforced by stakeholders through the Equity Framework engagement process.

Part of BAHFA's role is to provide regional leadership and technical assistance that serves to expand, diversify and strengthen the capacity of the region's housing ecosystem and marshal the collective resources in service of equitable outcomes. BAHFA's contribution in this regard is at least three-fold. First, BAHFA can use its regional stature and financing powers to **spur transformation of the financing and funding landscape to be more streamlined, strategic, and targeted to achieve the Equity Objectives.** This will involve collaborating with local jurisdictions, state and federal agencies, as well as private financial institutions such as CDFIs and private banks. This is a long-term, systems change effort that is critical to delivering on the transformational vision in BAHFA's social equity goals. In the near term, BAHFA must take concrete, incremental steps towards making the housing finance system more efficient and equity-focused.

Second, BAHFA can demonstrate regional leadership by **supporting local jurisdictions in developing and implementing their own housing programs and practices.** For many of BAHFA's most powerful revenue mechanisms, 80% of the funds are administered directly by counties and larger cities. Additionally, local jurisdictions retain land use authority and bear ultimate responsibility to protect the health and wellbeing of residents within their boundaries. Therefore, it is critical that BAHFA assist, complement, and fortify the efforts of local jurisdictions to deliver projects and programs that will collectively move the needle on BAHFA's equity goals at a regional scale.

Third, BAHFA can support **enhancing the capacity of nonprofit developers, service providers, and other community-based organizations that operate on the front lines of housing precarity and within impacted communities.** The particular needs of these organizations vary across organization type, geography and the phase of an organization's development (e.g., emerging vs established organizations). Additionally, the capacity of the nonprofit and community-based housing ecosystem is not evenly spread across the region; some locations may require intentional and sustained efforts to build new or expand the scope of existing organizations to respond to their communities' housing needs. BAHFA – in partnership with community-serving organizations, impacted community members and local government partners – can play a role in strategically evaluating the highest priority capacity building needs across the region while working toward enhancing the capacity of the overall ecosystem throughout the Bay Area.

Taken together, these three components of BAHFA's mandate to provide regional leadership and increase the capacity of the Bay Area's housing practitioners function as necessary ingredients to enable effective coordination across sectors and institutions, driving collective impact and equitable outcomes.

All of these activities require financial resources of some kind, and ultimately BAHFA will need to devote significant resources to fully leverage the opportunity for regional leadership and to respond to the full range of technical assistance needs. However, requirements set forth by AB 1487 and limitations on the eligible uses of bond funding present challenges for funding this work. BAHFA will therefore need to secure unrestricted funding and leverage opportunities to partner with other regional agencies that fund or directly provide technical assistance, including MTC, ABAG and philanthropic institutions, as it develops its own technical assistance offerings.

There are some lower-cost steps that BAHFA can take in the near term to fulfill this mandate, while simultaneously pursuing strategies to raise funding for technical assistance and related activities. As the state's first regional housing finance agency, BAHFA has a powerful opportunity to lead by example as it develops its own programs in alignment with the Equity Framework, while also coordinating and providing resources that support local implementation. For example, BAHFA can establish models and best practices for various housing programs that advance equity, address shared needs across jurisdictions for data or other resources, and convene peer learning and strategy spaces.

BAHFA is committed to further engagement with local stakeholders to understand how the agency can effectively support their efforts through regional leadership and technical assistance. As the agency implements its technical assistance program, BAHFA will include a report on program activities and outcomes in its regular report on Metrics for each of the Equity Framework Objectives.

# Equity Framework Accountability and Implementation Strategies

To stay on track in its commitment to the Equity Objectives, BAHFA will need to implement practices for continually applying the Equity Framework and maintaining accountability to stakeholders and impacted communities. This section of the Equity Framework describes how BAHFA will apply and iterate upon the Equity Framework throughout future cycles of evaluation, program design, and engagement with local jurisdictions and impacted communities.

## Data collection and reporting on program outcomes

AB 1487 imposes annual statutory reporting obligations on BAHFA regarding its performance (e.g., funds raised, expenditures, satisfaction of 3Ps minimum allocations, and the characteristics of households served). In addition, BAHFA will report annually on the Metrics associated with each equity Objective and accept public comments on the annual report. This will require rigorous, consistent data collection and tracking of the agency's program activities and outcomes, with a goal of analyzing equity in outcomes by race, gender, income, and disability status (and their intersections) through disaggregated data on people served by BAHFA investments. BAHFA will seek to inform its equity reporting with the regional indicators associated with the Framework's social equity Goals as a means of analyzing broader trends and housing needs (see Appendix E). Where quantitative data is insufficient for assessing impact, BAHFA may also engage in qualitative evaluation methods, such as interviews and listening sessions. Reporting on broader regional indicators outside of BAHFA's control and qualitative evaluations are not anticipated every year, especially during the BAHFA's early years as it builds towards significant revenue and scaled programmatic and organizational infrastructure.

BAHFA will need to have dedicated staff and funding for data collection, analysis and reporting – though this will need to be scaled appropriately in accordance with BAHFA's operating budget and program revenues. To support counties and direct-allocation jurisdictions in their reporting, BAHFA will provide guidance on data collection practices and reporting forms to coordinate and standardize efforts across the region.

To strengthen efforts to gather information from the people whom BAHFA's programs are intended to serve, BAHFA could allocate funding toward partnerships with community-based organizations who have trusting relationships with "hard to reach" populations for community-led data collection efforts. Further out in the future, BAHFA could also consider conducting a survey of residents in BAHFA-supported affordable housing developments. Such forms of primary data collection could complement data collected through affordable housing providers, local jurisdictions, and other secondary data sources.

## Equity analysis as part of future program design

The Equity Framework includes a rubric that BAHFA will utilize to help identify, evaluate, and prioritize program strategies that most effectively further the Framework's Equity Objectives (Appendix C). BAHFA will contemplate these guiding questions as it develops and designs all future funding programs, with an eye toward forecasting program impacts (e.g., who will benefit or be burdened by different program design choices), examining the potential unintended consequences, and developing strategies to mitigate unintended negative consequences. To inform this analysis, the rubrics build in a process of reviewing available data and reports on precedents for potential programs. BAHFA will also gather input from stakeholders involved in the program area (Production, Preservation, or Protection) on the rubric questions. The resulting equity analysis will be included in relevant staff reports to the BAHFA Advisory Committee and Oversight Committee.

## Commitment to engaging with the BAHFA Advisory Committee, stakeholders, and equity leaders

As specified in AB 1487, BAHFA will work with a nine-member Advisory Committee that will assist in the development of funding guidelines and the overall implementation of the program. The composition of the BAHFA Advisory Committee reflects both racial diversity and gender equality, as well as elevating the voices of equity-focused housing practitioners working with communities across the diverse geographies of the region.

BAHFA will also continue its engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on equity-oriented organizations who are accountable to and part of communities most impacted by housing unaffordability. As part of its engagement with stakeholders, BAHFA will query organizations that are categorically eligible for funding, and/or have placed themselves on a notification list, but which did not apply for funding, as to why they did not apply.

BAHFA will also strive to create equitable structures that will inform its operations, in collaboration with MTC's newly formed Access(ibility), Culture, and Racial Equity Office and other equity leaders. One opportunity is to develop long-term relationships with existing equity-focused coalitions and resident-led spaces where BAHFA staff can periodically present updates and receive feedback, making an attempt to "meet people where they are at," rather than expecting impacted residents to attend formal meetings of the various advisory and governing bodies mentioned above in order to participate in BAHFA's work. This approach can support ongoing equity analysis and provide a direct connection to impacted communities as BAHFA implements the Equity Framework and Business Plan.

## Periodic reevaluation of the Equity Framework

The Equity Framework should be considered a living document that will be periodically reevaluated and, if needed, amended to remain relevant and responsive to the region's changing context and housing needs. Reevaluation will provide the opportunity to consider, for example, shifts in BAHFA's legislative mandate and other relevant state or federal policies, evolving equity priorities of stakeholders, and outcomes of BAHFA programs in prior periods. BAHFA will conduct this reevaluation every five years though could make adjustments more frequently as circumstances warrant. In accordance with the reevaluation and potential amendment of the Equity Framework in five years, BAHFA may seek to adjust the minimum percentages designated for each of the 3Ps under AB 1487.[14]

## Coordination and collaboration with local jurisdictions on program evaluation and Equity Framework implementation

Advancement of the Equity Framework will require a coordinated regional strategy that is designed to most effectively leverage the region's resources to advance equity goals. Toward this end, BAHFA will work with counties and other jurisdictions receiving a direct allocation of regional housing revenue to facilitate and support their alignment with the Equity Framework. This may involve, for example, collaboration on reporting and evaluation of program outcomes, modeling and incentivizing best practices, and providing technical assistance to local jurisdictions on implementing equity strategies.

These implementation strategies are important ways of facilitating BAHFA's accountability to the Equity Framework, stakeholders, and Bay Area residents and communities as a whole.

# Social Equity Goals

**The Social Equity Goals** detail BAHFA's long-term, aspirational vision for an equitable future of housing in the Bay Area. They represent the "north star" for transformation of the region's housing system that serves to orient BAHFA's work.

Each Goal is associated with **metrics** that serve to measure the region's progress towards the goal over the long term. It is important to note that progress on these metrics cannot be achieved by BAHFA's actions alone. While BAHFA can serve as a key leader, progress will ultimately require action and transformation across all institutions that comprise the region's housing ecosystem, in addition to change in other sectors and levels of government. Rather than direct measures of BAHFA's impact, these metrics thus serve to illuminate regional trends in housing that BAHFA should track and respond to, particularly with regard to how inequity in housing manifests and who it disproportionately impacts. These metrics can be applied longitudinally as new data become available as a way to guide strategic decisions and course correction of BAHFA programming based on changing conditions. Existing and potential data sources for all Equity Framework metrics are contained in **Appendix E**.

## Core Metrics

In addition to the metrics associated with each Goal, the following is a set of **core metrics** that apply across all of the Goals:

- Number and percentage of households experiencing housing cost burden by tenure, race/ethnicity, income level, and disability status
- Number and percentage of overall population and K-12 student population experiencing homelessness by race/ethnicity
- Percent homeowner households by race/ethnicity
- Median wealth by race/ethnicity
- Regional affordable housing shortfall by affordability level

## Individual-Level Outcomes

| GOALS | METRICS |
|---|---|
| **Choice and Opportunity.** All people, regardless of race or income, have autonomy in deciding where and how they live – whether that means staying in their existing home or community or moving to a different one – and accessing opportunities and resources within their community. These include quality schools and jobs, well-maintained transit and other public infrastructure systems, neighborhoods free from violence, and home- and community-based services and amenities that support health and wellbeing. | ● Change in number and share of BIPOC population by HCD/TCAC opportunity designation[15]<br>● Percent extreme commuters by race/ethnicity, poverty level, mode of transportation and housing tenure |
| **Stable, affordable housing for all.** Every resident enjoys a safe, stable, accessible, affordable, habitable home. | ● Percent of homes meeting the American Housing Survey (AHS) definition of physical adequacy[16]<br>● Percent of households living in overcrowded homes[17]<br>● Percent of regional housing supply accessible to people with disabilities |
| **Security, safety and belonging.** Every resident has a sense of security in and belonging to their local community and the region, which is manifested through social systems and trusting relationships that ensure that they are fully integrated into the community and that their full range of human needs are met and cared for. | ● Security, safety and belonging are difficult concepts to measure, but nonetheless crucial to an equitable future of housing. Evaluating progress towards this goal may be best accomplished using qualitative methods (e.g., surveys or focus groups of residents in Equity Priority Communities or BAHFA-supported housing developments). |

Bay Area Housing Finance Authority

## Community-Level Outcomes

### GOALS

**Neighborhood stabilization and cultural placekeeping.** Families and individuals have the ability to stay in their homes, maintain community connections, and preserve the cultural fabrics of their neighborhoods, without being displaced by unaffordable housing costs, policy decisions, or other forces.

### METRICS

- Percent of low-income households by race/ethnicity across areas with Estimated Displacement Risk (EDR)
- Metro comparison of displacement risk (Bay Area compared to other metros)
- Change in number and share of BIPOC populations within Equity Priority Community (EPCs)

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**Community self-determination and participation.** People most impacted by the housing affordability crisis have the power to collectively shape the future of their communities.

- Percent of elected officials by race/ethnicity compared to percent of regional population by race/ethnicity
- Number of housing units stewarded by community-owned housing organizations
- Voter turnout in local elections, including affordable housing ballot measures, by race/ethnicity

## Systems-Level Outcomes

| GOALS | METRICS |
|---|---|
| **Repair.** Public institutions and social systems are transformed in order to acknowledge and, when possible, repair the harms and indignities of historic and contemporary housing policies, practices, and systems that have perpetuated racial and social inequities. This includes the advancement of opportunities for historically marginalized communities to build economic and social wealth, at both individual and community levels. | ● Percent of census tracts designated as Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs)<br>● Percent of census tracts designated as Racially Concentrated Areas of Affluence (RCAAs) |
| **Environmental Health and Justice.** Homes have healthy living conditions and neighborhood environments such that no community is disproportionately exposed to air pollution, climate change effects, or other hazards. Persons and communities have viable opportunities to make choices that reduce climate impacts; and the design, location and construction of homes reduces climate impacts. | ● Percent of population by race/ethnicity and pollution burden quintile[18]<br>● Percent of sensitive populations by environmental exposure and adaptive capacity[19]<br>● Percent of population by race/ethnicity and Healthy Places Index (HPI) quintile[20] |
| **Prevention.** The Bay Area's housing ecosystem has built in structural safeguards that respond to moments of crisis to prevent people from experiencing housing precarity, thereby ending homelessness throughout the region. | ● Number and percent of households receiving Housing Choice Vouchers or other permanent housing subsidies<br>● Percent of households protected by rent stabilization, just cause eviction, right to legal counsel, and/or anti-harassment policies.<br>● Number of people who are unhoused by race/ethnicity |

# Conclusion

Achieving the long-term vision for equitable housing in the Bay Area would bring to their fullest potential the cherished diversity and dynamic cultures of the region. Beginning from where the region is today means starting with the varied interests and particular challenges that span the 101 cities and 9 counties around the Bay Area. The launch of BAHFA as the first regional housing finance authority provides a platform for collective efforts to chart a pathway toward an equitable housing system.

This Equity Framework articulates the specific Objectives that BAHFA will use to design and evaluate its programs, such that the homes built, preserved, and protected will make measurable progress in equitable ways for neighborhoods across the region. The Metrics provide a tool for the public and all stakeholders to observe what BAHFA's impact is and where improvement must be made.

BAHFA cannot achieve the vision in this Framework without partnerships with local jurisdictions, developers, tenants, lenders, and policymakers. Much of what BAHFA can accomplish will depend on the revenue that is made available, which in turn will rely on voter approval and thus reflects a need for BAHFA to demonstrate its value proposition to Bay Area residents as a whole.

The Bay Area faces a shortfall of over 220,000 homes affordable to its poorest residents. According to the State's Regional Housing Needs Determination, this translates to a collective responsibility to build at least 30,000 homes for moderate-, low- and extremely low-income residents each year over the next eight years. This is more than five times the number built each year in recent years. Even if production approaches this pace, protections for low-income tenants and preservation of affordable housing must expand substantially to stem the tide of displacement in the meanwhile. To accelerate the region's housing system and achieve this progress requires a transformation of what is normal.

What is at stake is the opportunity to live in a region where *everyone* thrives, where current residents can enjoy improvements in their neighborhoods without the threat of displacement, and where future generations of Bay Area residents can comfortably live and prosper.

[1] *Homeownership*. (2019). Bay Area Equity Atlas. https://bayareaequityatlas.org/indicators/homeownership#/

[2] *Housing burden*. (2019). Bay Area Equity Atlas. https://bayareaequityatlas.org/indicators/housing-burden

[3] Bellisario, J., Covert, A., Sciaruto, A., & Lopez, E. (2021, June). *Bay Area Homelessness - New Urgency, New Solutions*. Bay Area Council Economic Institute. http://www.bayareaeconomy.org/files/pdf/HomelessnessReportJune2021.pdf

[4] Rothstein, R. (2017). *The Color of Law: A Forgotten History of How Our Government Segregated America*. Liveright Publishing.

[5] Moore, E., Montojo, N., & Mauri, N. (2019). *Roots, Race and Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area*. Othering and Belonging Institute, University of California, Berkeley. https://belonging.berkeley.edu/rootsraceplace

[6] Structural racism refers to the totality of ways in which societies foster racial discrimination through mutually reinforcing systems of housing, education, employment, earnings, benefits, credit, media, health care, and criminal justice. These patterns and practices in turn reinforce discriminatory beliefs, values, and distribution of resources. See Bailey, Z. D., Krieger, N., Agénor, M., Graves, J., Linos, N., & Bassett, M. T. (2017). Structural racism and health inequities in the USA: evidence and interventions. *Lancet* (London, England), *389* (10077), 1453–1463. https://doi.org/10.1016/S0140-6736(17)30569-X

[7] Menendian, S., Gambhir, S., & Gailes, A. (2019). *Racial Segregation in the San Francisco Bay Area*. Othering and Belonging Institute, University of California, Berkeley. https://belonging.berkeley.edu/segregationinthebay

[8] *Equity Platform*. (2022). Metropolitan Transportation Commission. https://mtc.ca.gov/about-mtc/what-mtc/equity-platform

[9] powell, j., Menendian, S., & Ake, W. (2019). *Targeted Universalism - Policy & Practice*. Othering and Belonging Institute, University of California, Berkeley. https://belonging.berkeley.edu/targeted-universalism

[10] Examples of design features and operational strategies for accessibility and inclusion include: design charrettes with people with disabilities, 100% visitability, wayfinding and cognitively clear signage, accessible community spaces that enables connection with nature and neighbors, flexible shower arrangements, usable kitchens, wide corridors, and disability-friendly parking. For more information, see The Kelsey, Housing Design Standards for Accessibility and Inclusion (2022), page 14)

[11] Any demographic information collected for these metrics would be requested, but not required, of residents via questionnaire.

[12] BAHFA anticipates collecting this information from housing providers on a periodic basis, likely initially on five-year intervals to coincide with the update to the Equity Framework.

[13] The California Housing Partnership (CHPC) analyzes conversion patterns among the state's stock of subsidized affordable rental housing to identify which homes are most at risk of converting to market rate. "At-risk homes" are defined as affordable homes with very high, high and moderate risk of losing affordability in the next 10 years. For more information on risk levels see CHPC's 2022 report *Affordable Homes at Risk*.

[14] Government Code Section 64650(b)(3) authorizes the BAHFA Board and the ABAG Executive Board to reconsider the minimum expenditures across the 3Ps no earlier than five years after approval of a regional ballot measure.

[15] The HCD/TCAC Opportunity Map is designed with specific policy goals in mind, including the goal of increasing access to opportunity for low-income families. It should not be used for understanding the general opportunity landscape. BAHFA should evaluate other existing and future opportunity models in the context of its programs. For more details in the HCD/TCAC Opportunity Maps, see the detailed methodology document.

[16] Housing adequacy is measured at the metro level in the biennial AHS. For more details on how adequacy is defined, see this HUD report on the AHS.

[17] The U.S. Census defines an overcrowded home as one that is occupied by more than 1 person per room, excluding bathrooms and kitchens. Homes with more than 1.5 persons per room are considered severely overcrowded.

[18] Using CalEnviroScreen 4.0 pollution scores, CalEPA has found clear disparities between the racial composition of neighborhoods and highest pollution burden, especially for Black and Latino populations. For more details, see this report from the Office of Environmental Health Hazard Assessment at CalEPA.

[19] Climate Change & Health Vulnerability Indicators for California (CCHVIs) are produced by the California Department of Public Health (CDPH). Sensitive communities include, but are not limited to, children, the elderly, and those with physical or mental disabilities. For more details, see CDPH's data visualization platform for CCHVIs.

[20] HPI is a health equity project of the Public Health Alliance of Southern California. HPI can be used to compare the health and well-being of communities, identify health inequities and quantify the factors that shape health. For more details, see the HPI homepage.

Bay Area Housing Finance Authority

BAY AREA HOUSING FINANCE AUTHORITY BUSINESS PLAN
DRAFT EQUITY FRAMEWORK

# APPENDICES

DRAFT

JANUARY 2023

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## Appendix A

# Definitions

**Housing Affordability Levels**

Most federal and state housing assistance programs set maximum incomes for eligibility to live in subsidized housing, and maximum rents and housing costs that may be charged to eligible residents, usually based on "Area Median Income" (AMI). AMI refers to the median family income, adjusted for family size, of a geographic area of the state, as annually estimated by the United States Department of Housing and Urban Development. Affordability levels for subsidized housing are based on four AMI bands:

- Extremely low-income (ELI): 0-30% of AMI
- Very low-income (VLI): 30% to 50% of AMI
- Low- or lower-income (LI): 50% to 80% of AMI (the term may also be used to mean 0% to 80% of AMI)
- Moderate-income: 80% to 120% of AMI

**Community-based Developers**

California Department of Housing Community Development's (HCD) Multifamily Housing Program (MHP) sets experience guidelines for entities applying as Community-Based Developers, which include demonstration of community knowledge, commitment to long-term community investment, and population-specific cultural competency, all through a combination of the following: receipt of grant funds for services within the relevant neighborhood or community, cultural and linguistic competency on staff, a record of hiring from the community, and membership in or recruitment from a local Urban League (or substantially equivalent) organization. More detailed information is available in the 2021 Multifamily Housing Program Final Guidelines.

**BIPOC-led Developers**

"BIPOC" means Black, Indigenous, and Other People of Color. HCD's MHP also sets experience guidelines for entities applying as Emerging BIPOC Developers. To be considered a qualifying BIPOC nonprofit organization, the entity must have a BIPOC Executive Director/Chief Executive Officer and 51% of the organization's board must be BIPOC. For purposes of this paragraph, People of Color means "a person who checked the Black or African American, American Indian and Alaska Native, Asian, or Native Hawaiian and Other Pacific Islanders race category or who answered yes to the Hispanic Origin question on the 2020 United

States Census or, if that data is not yet publicly available, the 2010 United States Census. More detailed information is available in the 2021 Multifamily Housing Program Final Guidelines.

**Emerging Developers**

HCD's MHP also sets experience guidelines for entities applying as Emerging Developers. Entities, including Tribal Entities, applying as Emerging Developers must have developed, owned, or operated at least one (1) but not more than three (3) Affordable Housing Developments that are equivalent to the proposed Affordable Housing Development in size, scale, amenity, and target population. More detailed information is available in the 2021 Multifamily Housing Program Final Guidelines.

**Community Ownership and Community-Owned Developers**

Community Ownership is a category of tenure – separate from traditional, single-household rental and ownership tenures – that combine the legal and financial characteristics of both owning and renting. Community ownership encompasses multiple tenure types, including community land trusts, limited equity cooperatives, resident self-managed rental housing and non-equity cooperatives. These housing models, also referred to as "community-controlled housing" and included within a broader category of social housing, strive for permanent affordability, democratic resident control, and social inclusivity.[1] The Equity Framework refers to organizations that produce or preserve housing through community ownership models as "community-owned developers."

**Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs)**

R/ECAPs are defined by the US Department of Housing and Urban Development as census tracts with populations that are 50 percent or more persons of color and 40 percent or more of individuals living at or below the poverty line. For more details on the use of R/ECAPs, see HCD's *Affirmatively Furthering Fair Housing: Guidance for All Public Entities and for Housing Elements*.

**Racially Concentrated Areas of Affluence (RCAAs)**

HCD developed a regionally-normalized version of RCAAs which reflect predominantly white areas with high income relative to regions. HCD encourages local jurisdictions to use both R/ECAPs and RCAAs in their housing element analyses. For more details on the use of RCAAs, see HCD's *Affirmatively Furthering Fair Housing: Guidance for All Public Entities and for Housing Elements*.

[1] Ham, K., Strominger, M., & Gordon, L. (2022). *Advancing Community-Controlled Housing Preservation through the New Bay Area Housing Finance Authority*. https://www.urbanhabitat.org/resources

**Transit Priority Areas (TPAs)**
A TPA is defined in California Public Resource Code, Section 21099 as an area within one-half mile of a major transit stop that is existing or planned, if the planned stop is scheduled to be completed within the planning horizon included in a Transportation Improvement Program or applicable regional transportation plan.

**Estimated Displacement Risk (EDR)**
The EDR "Overall Displacement" model was developed by the Urban Displacement Project and identifies varying levels of displacement risk for low-income renter households in California while controlling for regions. UDP defines displacement risk as a census tract with characteristics which are strongly correlated with more low-income population loss than gain. For the broader purpose of this metric, all categories forecasting displacement risk for extremely-low, very-low, and low-income households should be combined into a singular category representing at-risk neighborhoods. For more details on the EDR methodology, see HCD's Affirmatively Furthering Fair Housing Data and Mapping Resources.

**Equity Priority Communities (EPCs)**
EPCs are identified as census tracts with a significant concentration of historically underserved populations, including (but not limited to) people with low incomes, people of color, seniors, people with disabilities, single-parent families and severely rent-burdened households. More detailed information on Equity Priority Communities can be found in the Plan Bay Area 2050 Equity Analysis Report.

**High-Opportunity Areas (HOAs)**
HOAs are derived from the TCAC Opportunity Map, which identifies areas in every region of the state whose characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families—particularly long-term outcomes for children. More detailed information is available in the Opportunity Mapping Methodology. Opportunity mapping is a way to measure and visualize place-based characteristics linked to critical life outcomes, such as educational attainment, earnings from employment, and economic mobility.

**Priority Development Areas**
MTC/ABAG define two types of PDAs, both within one-half mile of quality transit: 1) Transit-Rich PDAs, which have high-quality transportation infrastructure already in place to support additional growth, and 2) Connected Community PDAs, which offer basic transit services and have committed to policies that increase mobility options and reduce automobile travel. More detailed information of PDAs is available from MTC/ABAG's PDA page.

Bay Area Housing Finance Authority

## Appendix B

# Equity Working Group

**The Equity Working Group is comprised of 11 individuals:**

- **Aboubacar "Asn" Ndiaye,** PowerSwitch Action*
- **Allie Cannington,** The Kelsey
- **Andy Madeira,** East Bay Local Asian Development Corporation
- **Anthony Carrasco,** UC Berkeley*
- **Debra Ballinger,** Monument Impact
- **Duane Bay,** East Palo Alto Community Alliance & Neighborhood Development Org.
- **Katie Lamont,** Tenderloin Neighborhood Development Corporation
- **Melissa Jones,** Bay Area Regional Health Inequities Initiative
- **Poncho Guevara,** Sacred Heart Community Service
- **Raquelle "Kelly" Myers,** National Indian Justice Center
- **Steve King,** Oakland Community Land Trust

** organizational affiliation listed for identification purposes only*

The Othering & Belonging Institute, with input from the consultant team and BAHFA staff, developed the following criteria for the selection of Equity Working Group members.

**The Equity Working Group includes representatives from organizations who:**

1. Explicitly name racial and/or social equity as part of their mission statement and/or guiding principles;
2. Are embedded in and accountable to impacted communities through at least one of the following:
    a. Formal decision-making structures that directly involve people from marginalized communities with lived experience of racial or social inequities in housing, or
    b. Leadership (board, staff) and membership bases that are made up of at least a majority people directly impacted by racial or social inequities.

3. Approach housing from a holistic lens (in relationship to other racial equity issues, e.g. health or broader community development);
4. Have direct experience producing or preserving housing, or protecting people facing various forms of housing instability;
5. Add diversity in representation across the following dimensions:
    a. Geography - major parts of the region (North Bay, East Bay, South Bay/Silicon Valley, San Francisco), urban/large city and suburban/small or mid-sized cities
    b. 3Ps - production, preservation, protection
    c. Marginalized populations and racial groups - including Black, Indigenous, Latinx, Asian and Pacific Islander communities, and people with disabilities
    d. Sector - including nonprofit advocacy & organizing; legal & support services, and community-based development.
6. If representing a membership organization, must be able to respond to potential recommendations within the schedule described in Equity Working Group Scope;
7. On balance, the Working Group should embody all the criteria listed above and also have experience working with public institutions in government processes, especially those with formal public decision-making processes.

Appendix C

# Stakeholder Engagement Report

## Introduction

Development of the Draft Equity Framework involved an iterative, year-long process of broad community engagement and co-creation with the BAHFA Equity Working Group. This Stakeholder Engagement Report, which serves as a companion to the Draft Equity Framework, provides a comprehensive summary of the feedback received through the stakeholder engagement process. Any adoption or implementation of a recommendation forwarded by stakeholders by BAHFA will be done in accordance with federal and state law.

The recommendations documented here include those presented in the Draft Equity Framework (under each of the four "Challenges and Opportunities" sections of the main report) alongside additional themes and recommendations not covered in the main report.

### The Equity Framework Stakeholder Engagement Process

To create the Draft Equity Framework, a team led by the Othering and Belonging Institute at UC Berkeley (OBI) facilitated a planning process designed to achieve broad public access and be deeply informed by the communities who have been most impacted by housing insecurity. This planning process included:

- **Interviews:** over 20 interviews with housing and equity leaders involved in housing production, preservation, and protection.
- **Public Listening Sessions:** three public listening sessions held in June 2022, during which 138 residents discussed and provided recommendations on draft goals, objectives, and metrics. Invitations for the sessions were distributed to over 300 stakeholders and 175 local government staff working across all 3Ps.
- **Equity Working Group Engagement:** several meetings with a group of 11 leaders from across the region between May and December 2022. The Equity Working Group used a consensus-based decision-making process to co-create the Draft Equity Framework, drawing from their extensive experience related to housing preservation, production,

protection, and social equity as well as relationships to the communities and places most impacted by the housing crisis. For a list of Equity Working Group members and criteria used in their selection, see Appendix B.

The Equity Framework is currently in draft form, and stakeholder engagement will continue to inform the next phase of revisions before the final draft of the Equity Framework is considered for adoption, currently slated for spring 2023.

## Key Themes

Stakeholder recommendations presented in this report are organized into five sections:

- Defining Equity
- Cross-Cutting Challenges and Opportunities
- Production Challenges and Opportunities
- Preservation Challenges and Opportunities
- Protection Challenges and Opportunities

# Defining Equity

Stakeholders emphasized the importance of setting a clear definition of equity as a foundation for BAHFA's Equity Framework and organizational practice. The following are key elements of how stakeholders defined equity and described opportunities for BAHFA to make equity actionable.

- **Directing resources to the most critical community needs and most vulnerable populations**. BAHFA can achieve this by prioritizing solutions to homelessness, displacement and housing instability through targeted, race-conscious interventions (to the extent legally permissible) that directly respond to the unique ways in which structural inequity is experienced by different groups.

- **Repairing legacies of structural racism, wealth extraction, and other forms of harm** perpetuated through housing policies and practices that have historically driven underinvestment and disenfranchisement of Black, Indigenous and other People of Color (BIPOC) and other marginalized communities. BAHFA can take steps toward this by leading with a rigorous "problem definition" that the region must solve for, grounded in a structural analysis of disparities shaped by housing inequality as well as the root causes (both historic and current) of these disparities.

- **Transforming public systems and structures** so that they are designed to ensure that all people's needs are cared for and met, enabling individuals to determine their own future and, as integral members of their communities, shape the future of the region. Structural transformation needed for equity cannot be achieved by BAHFA alone, but BAHFA has the opportunity to set a bold vision for what this transformation can look like and coordinate with its partners to make inroads toward this vision.
- **Establishing pathways for resident engagement** that prioritize the voices of people who have been excluded from decision-making spaces. Numerous stakeholders envision a form of governance that involves direct participation of people from marginalized communities, with equal representation of stakeholders from each of the 3Ps. While operationalizing this form of participatory decision-making would need to be explored, BAHFA can begin "meeting people where they're at" by building new institutional connections and direct relationships with established community organizations and networks. Forming such partnerships should start with deep listening and creating transparency and accessibility of information.

# Cross-Cutting Opportunities and Challenges

## Capacity Building for Underrepresented Developers

Stakeholders reported a need for capacity building opportunities geared toward developers based in marginalized communities, including emerging developers who face high barriers to entry into the affordable housing industry. Capacity building for underrepresented developers is seen as a fundamental part of a broader strategy to expand, diversify and strengthen the capacity of the region's housing ecosystem. Without growing the field, the region cannot deliver the wider range, in addition to a greater volume, of housing choices that communities need.

While the need for capacity building is large, AB 1487 and regulations governing the use of general obligation bond revenue limit BAHFA's ability to fund organizational capacity building or enterprise level funding for developers. Moreover, BAHFA alone cannot meet the full range of community-based developers' funding needs, but it can play a leadership role in advancing strategic coordination among the many other institutions throughout the region who are dedicating resources and support toward advancing projects led by BIPOC, Emerging, Community-Based and Community-Owned Developers.

**Stakeholder Recommendations**

- Create programs that are designed to address the unique funding gaps faced by BIPOC, Emerging, Community-Based and Community-Owned Developers, especially for alternative, community-stewarded housing models. One model to consider is a “catalyst fund” dedicated to helping BIPOC emerging developers scale up by providing resources for organizational capacity building and pre-development capital.

- Ensure BIPOC-led, Emerging, Community-Owned and Community-Based developers receive information about NOFAs, engagement and partnership opportunities, and available land.

- Maintain engagement with underrepresented developers to understand structural barriers to accessing resources as the funding landscape evolves. Conduct regular surveys of organizations that are categorically eligible for funding, and/or have placed themselves on a notification list, and which did not apply for funding, to understand why they did not apply.

- Facilitate partnerships between emerging and established developers, as well as between developers and local governments, designed to build capacity across all participants. These relationships could be aimed at mutual learning as well as joint development projects, and while they should be encouraged, they should not necessarily be a requirement of funding.

- Explore the creation of a cohort-based institute or incubator program that supports emerging developers in building capacity needed to become eligible for BAHFA funding. This type of program would be beneficial not just for the developers, but also for the local jurisdictions they are interfacing with, by ensuring that the projects that come forward are well designed, feasible, and sustained over the long term.

- Support or collaborate with existing capacity building programs designed to meet specific needs of emerging developers (e.g. California Community Land Trust Network Real Estate Institute, LISC Housing Development Training Institute).

- For capacity building needs that BAHFA cannot directly provide, explore developing a coordinated funding strategy with philanthropic institutions that may be better positioned to meet these needs through grant funding.

## Individual and Community Wealth Building

Closing the racial wealth gap is a priority of many stakeholders. Stakeholder conversations highlighted the importance of strategies for both individual economic wealth building and collective wealth building that uplifts communities as a whole.

Requirements set by AB 1487 present a challenge to the objective of supporting wealth building for historically marginalized people. The legislation requires that regional housing revenue directly administered by BAHFA for production is utilized for rental housing only, not individual or collective homeownership opportunities.

**Stakeholder Recommendations**

- Pursue amending AB 1487 in the future to enable regional programs targeted toward individual and collective homeownership.
- Encourage counties and other direct allocation jurisdictions (which can use revenue for local homeownership programs) to develop production funding portfolios with an appropriate mix of rental and wealth building programs. In addition to programs that create opportunities for first-time homebuyers, stakeholders recommended program concepts aimed at sustaining homeownership, such as accessory dwelling unit (ADU) production support to provide stabilizing revenue for low-income homeowners, foreclosure prevention education and assistance, and financial assistance for improvements and repairs that enable homeowners to age in place.
- Explore how BAHFA can play a role in the development of a regional social housing and community wealth building strategy that moves land into public or nonprofit community control. Strategies to consider include land banking, facilitating disposition of surplus/underutilized public land, and designing financing products that enable Community or Tenant Opportunity to Purchase Act (COPA/TOPA) acquisitions. One model program to explore is LA Metro’s transit-oriented development and land banking programs.
- Support wealth building through affordable housing industry practices and jobs. For example, BAHFA could advance workforce and economic development in marginalized communities through requirements for Disadvantaged Business Enterprise and Small Business Enterprise contractors for affordable housing contracts. BAHFA can also look to community plans such as the Golden Gate Village Resident Council Revitalization Plan for Golden Gate Village in Marin City, which includes green renovation and job training programs that will provide residents with opportunities to become skilled tradespeople.

- Explore the possibility of transferring portions of regional revenue to community-controlled funds or BIPOC-led CDFIs as a way for these institutions to build their own capital cycles.
- Advance the use of community ownership tenure models as a means for collective wealth generation. One model is the community land ownership model of the Agua Caliente Band of Cahuilla Indians, which holds legal title to 28,000 acres of land in the Coachella Valley and generates collective wealth through leasing portions of their land.

## Regional Public Sector Leadership

Achieving BAHFA's Equity Objectives will only be possible if BAHFA works closely with the housing sector as a whole to increase its capacity and take bold, coordinated action to solve the housing crisis. Stakeholder feedback related to this theme is incorporated into the "Regional Leadership and Technical Assistance" section of the Equity Framework.

**Stakeholder Recommendations**

- Provide capacity building and technical assistance to local jurisdictions that helps them align with a clearly defined regional vision for housing equity. Many local officials are seeking to apply an equity lens to their work, but they require additional resources and guidance to implement equitable policies and practices. Stakeholders noted the following as potential forms of support: spaces for peer learning on race and equity for local government staff and elected officials, grants to increase staffing capacity, and resources that clarify best practices for local implementation of housing programs.
- Serve as a centralized resource for data collection and reporting on regional housing trends. Provide local jurisdictions with data and other research that can support officials in creating equitable housing policies.
- Work with equity-oriented organizations to develop a toolkit for local governments on how to assess racial equity impacts of program implementation and make real-time course corrections to address inequitable program outcomes.
- Serve as a leader in advancing a regionalist approach to housing equity; facilitate region-wide, cross-sector efforts to advocate with one voice at higher levels of government to ensure that the Bay Area has the resources necessary for advancing equity.

# Production Opportunities and Challenges

## Extremely Low-Income and Permanent Supportive Housing

Creating stable housing opportunities for extremely low-income households, including permanent supportive housing, is a top priority of many stakeholders. Production of ELI housing presents two main challenges: the tradeoff of providing fewer units in order to create deeper affordability, and especially in the case of permanent supportive housing, the need to secure ongoing funding for operating subsidies and supportive services. The need for supportive services arises from the focus on serving the most vulnerable members of our communities, including formerly homeless individuals and families, who face multifaceted and compounding effects of poverty and marginalization. Supporting these residents to remain housed for the long term often requires the right package of services as well as trauma-informed property management practices – all of which increases the cost of providing these specialized housing types.  Adding to this challenge is the fact that currently bond proceeds cannot be used to support ongoing services, and thus BAHFA's most likely source of near-term revenue would need to be paired with other sources to make these projects feasible – and there is a severe shortage of funding for operating subsidies and supportive services.

**Stakeholder Recommendations**

- Establish set-asides or preferences for projects that include a minimum percentage of ELI housing or other projects that meet criteria aligned with Equity Objectives. The County of Santa Clara's Measure A Program, which prioritizes funding for ELI developments, is one model for BAHFA to consider.
- Explore the potential of mixed-income housing models that use rents generated from higher- income units to cross-subsidize ELI units. Facilitating the creation of mixed-income housing and integrated housing for people with disabilities (rather than segregating ELI units and accessible housing in separate buildings) is also an important strategy for advancing equal access to choice and opportunity.
- Explore partnerships with local housing authorities, which control the most reliable sources of funding for operating subsidies, to coordinate investments.
- Serve as a regional leader to promote evidence-based best practices for supportive services and trauma-informed property management. This can help ensure that residents of BAHFA-funded properties stay successfully housed and avoid retraumatization that

comes with evictions or additional periods of homelessness – which can have a particularly detrimental impact on families with children and people with disabilities.

## Balancing Social Mobility and Community Reinvestment Strategies

BAHFA seeks to address systemic racism in housing by advancing a “both/and” approach that increases affordable housing opportunities in historically disinvested communities facing displacement as well as in historically exclusionary communities. To deliver new affordable housing at the necessary scale in all of these place types, BAHFA must leverage its funds with existing housing production programs, the largest of which by far is the Low Income Housing Tax Credit (LIHTC) program. However, LIHTC funds and other state and federal programs often come with their own explicit geographic targeting criteria (e.g., TCAC’s “Opportunity Map”) or implicitly favor certain geographies over others (e.g., by privileging low cost areas).

The priorities set by these state or federal programs may not always coincide with BAHFA’s “both/and” approach yet will influence BAHFA’s expenditures to the extent that BAHFA seeks to take advantage of the leverage they offer. Furthermore, regular changes to these other funding programs create a level of uncertainty that presents a challenge for BAHFA to design its own programs in a way that complements or enhances the sources of leverage.

**Stakeholder Recommendations**

- To respond to the constantly evolving landscape of affordable housing finance, BAHFA will need to regularly evaluate its own program outcomes and adjust as needed to more effectively advance the Equity Framework objectives – especially ensuring an appropriate mix of investments that can redress the lingering impacts of systemic racism as those manifest in different place types.
- Join with affordable housing partners throughout the region to advocate for changes to state affordable housing funding programs that would advance equity through a “both/and” approach.

## Holistically Designed Housing

Numerous stakeholders articulated their vision for affordable housing that is designed according to far different standards than the status quo. Instead of buildings and units designed to be competitive for LIHTC funding, many envision homes that are designed first and foremost to meet the holistic needs of residents. This requires listening to and engaging community members in the design process, rather than assuming what residents want and need.

**Stakeholder Recommendations**

- To expand possibilities for affordable housing design, include funding programs that do not rely on leveraging LIHTC funds within BAHFA's portfolio. Design funding sources to enable elements of holistically designed housing, such as incorporation of community serving amenities (meeting and gathering places, ground floor spaces for community-based anchor and cultural institutions), integration with broader community development (walkability and proximity to essential services, transit and employment opportunities) and alignment with equitable design standards (Housing Design Standards for Accessibility and Inclusion, Crime Prevention Through Environmental Design, LEED, and National Green Building Standards).
- Prioritize the uniqueness of developers that are co-designing concepts with communities who are most impacted by housing unaffordability. For example, design NOFAs and RFPs to award points for projects that were designed through participatory or community-led processes that center the voices of marginalized residents. One model is a NOFA released by the City of Oakland in 2020 for the Bond Measure KK Acquisition & Conversion to Affordable Housing Program, which awards points for projects with tenant involvement.

## Equity in Resident Selection and Property Management

Equity in BAHFA's Production Programs ultimately hinges upon who is able to move in and stay in newly built affordable housing units. It will be important for BAHFA to track resident characteristics (race, age, family size, income, disability status, etc.) at move-in to identify and address potential disparities in access.

**Stakeholder Recommendations**

- Where disparities in accessing new affordable housing opportunities exist, examine barriers that are causing people in need to "fall through the cracks."
- Ensure that information about new affordable housing opportunities as they come online are shared widely and made accessible. Partner with community-based organizations to conduct intentional outreach to marginalized populations, including people of color, immigrants and refugees, and domestic violence survivors, as new affordable housing

opportunities arise. Because applying for affordable housing can be an unfamiliar process that requires the disclosure of highly sensitive personal information, this form of outreach and application support is best conducted through trusted community-based institutions. Encourage affordable housing developers and managers to partner with community anchor and legal aid organizations serving marginalized populations to facilitate outreach and greater understanding of community needs throughout the housing application process.

- Create data collection practices that affordable housing applicants and residents can trust. Make disclosure of sensitive information voluntary, and implement rigorous privacy and data security protections for any personal information collected by BAHFA and housing providers as part of housing application and program evaluation processes. Work with trusted community anchor and legal aid organizations to develop data security practices and gather resident data.
- Encourage the formation of democratic, resident-led property management structures and equitable resident engagement processes in affordable housing developments.

# Preservation Opportunities and Challenges

## Embracing Innovation and Risk

Very few funding sources exist for the preservation of unsubsidized housing, especially for the conversion of unsubsidized units to community-controlled or shared equity models that are deed-restricted as permanently affordable. While these models have not been deployed at scale, they are an effective means of preventing displacement, maintaining the existing affordable housing stock, and advancing community self-determination, especially for marginalized groups who have been historically excluded from homeownership opportunities. Because these types of development are less familiar to financing institutions and also have a variety of financing challenges distinct from new affordable housing construction, regional leadership is needed to expand funding programs designed for them. BAHFA can lead the sector in designing innovative preservation programs, including those specifically for community-controlled housing.

Innovation requires accepting and planning for risk. Too often, investment in emerging developers embedded in BIPOC communities is deemed too great of a risk because they have not yet established enough of a track record for development. Stakeholders reported that this dynamic fails to recognize the value of community-controlled development organizations, and reinforces the structural barriers that limit the self-determination of BIPOC and other impacted communities.

**Stakeholder Recommendations**

- Actively monitor the capacity of the preservation community and the demand for preservation resources, and seek to create a greater balance in funding allocated to each of the 3Ps.
- Create a preservation funding program and financial products that are specifically designed to work with community ownership models and/or small sites, separate from programs that are designed for a broader range of tenure and building types. For financial products designed for broader purposes, include terms that are accessible for community ownership models.
- Design funding programs to allow for greater flexibility around risk. For example, build in a loan loss reserve to underwrite promising nascent organizations and plan ahead a small percentage of potential loss, or explore partnering with CDFIs or other institutions to increase the availability of loan guarantees.
- See also recommendations regarding “Capacity Building for Underrepresented Developers,” under “Cross-Cutting Opportunities and Challenges” above.

## Defining and Advancing Community Priorities

Stakeholders emphasized the importance of advancing equity-focused, community self-determination by investing in housing production and preservation developments that are identified by BIPOC and impacted communities as priorities. It is important to note that defining “community priorities” and assessing what projects have meaningful community support is a challenge. BIPOC and impacted communities are not monoliths, and groups within them may hold different, even conflicting, priorities. As BAHFA seeks to prioritize the needs of communities most impacted by housing unaffordability, BAHFA will need to develop a rigorous methodology for making equitable determinations about which projects most represent the widest held or highest impact, equity-focused community priorities and meaningfully advance community self-determination.

**Stakeholder Recommendations**

- Explore setting community engagement standards for proposed projects and scoring criteria that award points based on community involvement or sponsorship by a community institution. As previously noted, one model is the City of Oakland's 2020 NOFA for the Bond Measure KK Acquisition & Conversion to Affordable Housing Program, which awards points for projects with tenant involvement.

- Create structures and pathways through which communities can formally determine and articulate their priorities. Allocate funding to community planning and needs assessment initiatives led by organizations embedded in and accountable to BIPOC and other marginalized communities, which provide a foundation for future housing production and preservation project proposals. Invest in support for equitable community engagement experts, who can provide technical assistance to developers on community engagement or directly run community engagement processes themselves. An opportunity here is for BAHFA to collaborate with MTC and ABAG on their programs related to community planning and engagement.
- Support Community/Tenant Opportunity to Purchase policies (COPA/TOPA) and coordinate a regional COPA/TOPA strategy; incentivizing adoption Community/Tenant Opportunity to Purchase policies through preservation funding programs.
- Experiment, assess, and iterate on BAHFA's approach to identifying and uplifting community priorities through equitable community engagement practices and decision-making structures. Directly reach out to marginalized communities to identify community priorities, and create opportunities for community leaders to participate in evaluating and selecting project proposals for funding.

## Additional Recommendations

The following are additional stakeholder recommendations related to preservation:

- Integrate environmental sustainability objectives into preservation projects by incentivizing electric upgrades or other decarbonization strategies, pairing funding for preservation projects with funding for transit and walkability improvement.
- Provide funding for piecemeal rehabilitation work, including upgrades for accessibility and safety, in unsubsidized homes.
- Examine and address barriers to accessing preservation funding for projects in specific marginalized geographies with unique conditions, such as the Bayview in San Francisco, which consists of predominantly single-family homes.

# Protection Opportunities and Challenges

## Limited Funding to Match the Need and Urgency for Protections

Growing unaffordability, compounded by the lasting impacts of the Covid-19 pandemic, has elevated the region's already critical need for protection programs. AB 1487 revenue requirements specify that protection funding must account for, at minimum, 5 percent of BAHFA's revenue spending. With protection comprising the smallest percentage of BAHFA's funds, securing enough funding to match the need is a challenge.

This challenge is further complicated by regulations that prohibit the use of certain forms of revenue, including those generated by a general obligation bond, for most types of tenant protections. BAHFA must therefore prioritize strategies and financing products that generate revenue that can be reinvested in its protection programs, while also pursuing funding opportunities for which tenant protections are an eligible expense (e.g., philanthropic donations, federal/state grants, etc.).

**Stakeholder Recommendations**

- While focusing limited resources for maximum impact, also create protection programs that span a range of needs. In addition to emergency assistance for tenants at risk of displacement, the region needs protections for individuals living without permanent housing (people who are unhoused as well as people who are precariously housed and living in hotels, garages, or transitional housing) as well as "upstream" interventions for tenants. Upstream interventions include permanent housing subsidies, shallow subsidies, expanded outreach and education programs that raise awareness of tenants' rights as well as available financial and legal resources, and overall strengthening of the region's institutional infrastructure (across public, nonprofit, and legal services agencies) to deliver these and other essential forms of support. It is important to note that in addition to limitations on the use of general obligation bond revenues for protection programs, some upstream interventions – such as long-term or permanent housing subsidies for ELI households who are not seniors – are limited by AB 1487 itself.

- Pursue and support actions that eliminate or mitigate existing constitutional prohibitions on the use of general obligation bonds for tenant protections and related services. In addition, consider pursuing related amendments to AB 1487 that would expand eligibility of general obligation bond revenue to take full advantage of a potential constitutional change, as well as to enable a comprehensive suite of upstream as well as emergency interventions to protect against displacement and homelessness.

- Explore opportunities for impact through pilot initiatives that leverage existing resources and expertise throughout the region. For example, create a platform for disseminating existing training and educational materials developed by legal aid organizations, which can be used to inform property owners and managers of their responsibilities to their tenants. Stakeholders reported a need for additional education for landlords and property managers on complying with fair housing and tenant protection laws, providing accommodations for and respecting the dignity of tenants with disabilities, and protecting tenants who are domestic violence survivors. Additionally, support local jurisdictions by providing guidance and convening peer learning spaces on how to most effectively deploy existing local funds for homelessness intervention and prevention programs.

## Regional Leadership on Protection Policies

Many stakeholders emphasized the importance of pairing regional protection programs with local protection policies – specifically rent stabilization, just cause for eviction, and anti-harassment policies. While BAHFA does not have the authority to compel local governments to adopt these policies, it can lead the region by elevating the urgency of these specific policies as it coordinates with other regional agencies (e.g., MTC and ABAG) as well as local jurisdictions to, where possible, incentivize and support their adoption.

**Stakeholder Recommendations**

- Promote best practices and emerging trends in tenant protections policies, such as pairing rent stabilization and just cause policies together, and limiting no-fault evictions of families with school-age children during the academic year.

- Support multijurisdictional and multisectoral collaboration on protection program administration to achieve greater economies of scale and strengthen the region's tenant protection infrastructure.

- Provide funding and technical assistance to local jurisdictions and community-serving institutions to support their efforts to strengthen enforcement of existing tenant protection policies. The Alameda County Housing Secure Program, through which Centro Legal de la Raza provides legal services to residents in addition to technical assistance to Alameda County, is one model to explore.

- Explore collaborating with MTC on implementation of the Transit Oriented Communities Policy, which leverages transportation funding to incentivize housing policy adoption including tenant protections. Because construction of transportation infrastructure, particularly freeways, has produced racial exclusion and displacement, stakeholders expressed that it is appropriate for transportation funding to be leveraged to address inequities and benefit BIPOC communities.

## Data Collection and Analysis

To effectively target interventions, BAHFA will need to ground its program design process in evidence-based analysis of the underlying causes of homelessness and housing insecurity that different populations face.

**Stakeholder Recommendations**

- Examine the unique, intersectional barriers to affordable housing faced by marginalized groups, such as transition-aged foster youth and domestic violence survivors.
- Conduct a survey of affordable housing residents that tenants can participate in anonymously and comment on their experiences and concerns as residents.
- Establish a regional rent registry for both subsidized and unsubsidized rental units that tracks rents, evictions, lengths of tenancy, and ownership (e.g. units owned by LLCs or other corporate entities, number of units owned per landlord). Make registry data publicly available (with personal tenant information de-identified) to allow stakeholders and policymakers to conduct their own analysis of the data.

## Additional Recommendations

The following are additional stakeholder recommendations related to Protection:

- Require or incentivize tenant protections in BAHFA-supported developments, and track tenant evictions and complaints in affordable housing developments to ensure that residents are treated equitably.
- Explore options for immediate or near-term action to support tenants at-risk of displacement following the lifting of Covid-19 eviction moratoria.
- In addition to emergency rental assistance, provide financial assistance for security deposits and relocation assistance for people who are displaced due to code enforcement and habitability issues.

- For a holistic approach to homelessness prevention, pair financial assistance programs with legal assistance and additional supportive services (such as mental and behavioral health services).

## Next Steps

The Equity Framework stakeholder engagement process will continue in early 2023, and additional feedback received will inform the next phase of revisions before the Final Equity Framework is considered for adoption in spring 2023. Members of the public are invited to provide comments on the Draft Equity Framework at upcoming public workshop(s). Timing of the workshop(s) will be posted on the BAHFA webpage. This Stakeholder Engagement Report will be updated to reflect additional feedback during the public workshop(s).

Appendix D

# Guiding Questions for Program Development and Design

This set of guiding questions is a planning tool to help generate ideas and evaluate housing program strategies that further the Equity Objectives in the BAHFA Equity Framework. The guide provides open-ended questions designed to provoke analysis of how the potential program could best meet Equity Objectives. The guide is not a scoring system or checklist. It is intended to help BAHFA answer questions such as, "Which Equity Objectives can X program best achieve, and how?"

The guide has three parts: Part 1 sets the context for the program design by asking a couple of questions to identify any key limits or requirements related to the potential program, based on the likely funding source, BAHFA authority, or other factors. Part 2 asks questions about how the program is expected to perform on the relevant metrics and how it could be designed to meet the Equity Objectives. Part 3 asks about which metrics are most relevant to the program, and whether there is data or precedents showing how similar programs have performed according to these metrics.

## Part 1. Limits and Requirements

- What is currently known about which funding source(s) are likely to be used?
- What requirements and limits would there be related to the likely funding sources? For example, what types of developers or organizations can we expect would be able to access these funds? What types of projects would be eligible and competitive for any assumed source of leverage?
- What limits or requirements are important to note that relate to BAHFA's legal authority and mandate?

## Part 2. Alignment with Equity Objectives

## 2a. Global Questions about Expected Program Outcomes

- Which Equity Objective(s) is this program intended/designed to meet? To the extent that the program is designed to meet multiple Equity Objectives, is one or more Objectives prioritized over the others?
- How is the program expected to perform on each of the relevant metrics?
    - How many people/families can we expect the program to serve?
    - How many housing units will the program provide? At what affordability level? Over what time frame?
    - For innovative programs (e.g. Innovation Fund), is there a multiplier effect if the innovation is more broadly adopted in the sector?
- How might this program affect or support BAHFA's efforts to meet other equity objectives that it is not designed for? For example:
    - Does this program complement other BAHFA programs' ability to deliver on the Equity Objectives? For example, does it advance specific Equity Objectives that the other programs do not?
    - Does this program help to mitigate any unintended consequences or undesirable benefits/burdens from the other programs?
    - What potential undesirable benefits/burdens might this program create, and how will these be mitigated by the program's design or by other programs?
    - For Production/Preservation programs, does this program generate revenue that can be used to support other Equity Objectives?
    - For Protection programs, could this program be paired with or designed to complement BAHFA's Preservation or Production Funding Programs to strengthen anti-displacement goals?

## 2b. 3Ps Objectives

Part 2b provides questions related to the objectives under each of the 3Ps (Production, Preservation and Protection). Refer only to the questions under the program track(s) that are relevant to the program being considered.

## Production

1.1. Produce more affordable housing, especially for extremely low-income (ELI) households
- What communities (geographic, demographic, household type) will be specifically targeted to benefit from this program?
- How will the program be designed to generate the targeted benefits (e.g. incentives, threshold requirements, or other mechanisms such as points or set-asides)?

1.2. Invest in historically disinvested areas
- What program elements will function to prioritize projects with demonstrated support from impacted communities?
- How will the program support investment in lower-resource communities and other areas subject to historic disinvestment?

1.3. Create affordable housing opportunities in historically exclusionary areas
- How will the program support new affordable housing opportunities in existing areas of opportunity?

1.4. Create programs that address homelessness
- How will the program be designed to ensure that people without housing benefit from the homes this program produces?
- How will the costs unique to permanent supportive housing be covered?

1.5. Achieve regional climate and environmental justice goals
- How will the program be designed to support projects with climate/environmental justice criteria (e.g. TPA or PDA location, LEED design)?

## Preservation

2.1. Preserve expiring use affordable housing to prevent displacement
2.2. Preserve existing unsubsidized housing and convert to permanently affordable housing

For Objectives 1 and 2 (answer separately for each type of program, if relevant):

- What types of projects would be eligible and competitive for these funds? Considerations: How might this be shaped by requirements of other funding sources that would need to be leveraged?
- What types of developers can we expect would be able to access these funds? Considerations: How are these types of developers distributed across the region?
- What communities (geographic, demographic, household type) will be specifically targeted to benefit from this program?

2.3. Target preservation investments for most impacted residents

- How can/will the program be designed to ensure that ELI households and people at risk of homelessness benefit from the homes this program preserves (e.g. by creating deeper affordability compared to market rate rents)?

2.4. Create opportunities for community-owned housing

- How can/will the program be designed to support projects that enable community control and/or equity growth, especially in EPCs and for households facing discriminatory and/or structural barriers to homeownership?
- What program elements will function to prioritize projects with demonstrated support from impacted communities?

## Protection

3.1. Increase access to tenant services

- How can/will the program increase access to tenant services that prevent displacement and homelessness?

3.2. Support tenant education and advocacy

- How can/will the program empower tenants through enhanced training, education, outreach and/or community resources?

3.3. Prioritize protections and investments in households and communities facing the greatest housing precarity

- How can/will the program reach and meet the particular needs of ELI, residents of Equity Priority Communities, and other communities facing the greatest housing precarity?

3.4. Ensure adequate funding for tenant protections

- To what degree would the program meet the regional needs for protection services?

- How can the program leverage new revenue streams?

3.5. Elevate the urgency of tenant protections through regional leadership
- What research, coordination, or communications will occur through the program that elevate the urgency of tenant protections and adoption of best practices in the region?

## 2c. Cross-Cutting Objectives

4.1. Support community-based and community-owned organizations and developers
- How will inclusion be achieved for Community-Based and Community-Owned Organizations and Developers (e.g. complementary capacity building, set-asides, DBE/SBE requirements, accessible baseline requirements for developers, accessible program terms)? Could the program be designed to be more inclusive?

4.2. Support individual and community wealth building
- How will the program support historically marginalized people and residents historically excluded from homeownership to build wealth and access home ownership?

4.3. Serve as a regional leader on local equitable programs and practices
- How do jurisdictions need to be aligned with BAHFA's objectives for this program to be successful? What types of jurisdictions need to be aligned?
- What incentives, requirements or other mechanisms could be included in the program to encourage participation of local jurisdictions in achieving the equity objectives?
- Is the program designed to incentivize counties and other direct allocation jurisdictions to advance the Equity Objectives? If so:
    - i. Which objectives?
    - ii. What incentives, requirements or other mechanisms will be used to encourage participation of these local jurisdictions in achieving the program's equity objectives?
- What form(s) of technical assistance and/or model practices can be offered to support local jurisdictions' alignment with the Equity Objectives?

4.4. Commit to ongoing, meaningful, and equitable engagement

- What processes could be devised for historically marginalized community members to be involved in program design and/or evaluation?
- To what extent does the program respond to priorities, opportunities and challenges communicated by stakeholders through the Equity Framework public engagement process? Could the program be designed to be more responsive?

4.5. Secure more flexible and unrestricted funding

- Can/should the program generate new revenue that can be used for unmet Equity Objectives? If so, what features of program design would be necessary and what are the trade-offs?
- Will this program be able to access any flexible or unrestricted funding generated through other programs or funding sources? How can other programs or sources be designed to secure additional resources for this program?

4.6. Target most flexible BAHFA funding to accelerate AFFH

- Can/should the program be woven together with the 10% Local Government Incentive Program to address Affirmatively Furthering Fair Housing? If so, what features of program design would be necessary?

# Part 3. Knowledge Base on Relevant Metrics

Refer to the metrics associated with the relevant Program Track(s). What lessons can be learned from existing data, precedents, or other evidence about how programs similar to the proposed program have performed on any of the Equity Framework metrics that are relevant to this program?

Appendix E

# Data Sources for Metrics

| Equity Goal | Metric | Data source |
|---|---|---|
| Core Metrics | % cost burdened renter households by race/ethnicity, income level, disability status | California Housing Partnership, American Housing Survey |
| | # and % of overall population experiencing homelessness by race/ethnicity, # and % of overall population and K-12 student population experiencing homelessness by race/ethnicity | CA Homeless Data Integration System, CA Department of Education |
| | % homeowners by race/ethnicity | American Community Survey |
| | Affordable housing shortfall | California Housing Partnership |
| | Wealth by race/ethnicity | TBD |
| 1. Choice and Opportunity | # and % of population by race/ethnicity and neighborhood resource level | American Community Survey, CA Tax Credit Allocation Committee/Housing and Community Development |
| | % extreme commuters by race/ethnicity, poverty level, mode of transportation, and housing tenure | American Community Survey, Bay Area Equity Atlas |
| 2. Stable, Affordable Housing for All | % of homes meeting the American Housing Survey (AHS) Definition of physical adequacy | American Housing Survey, Comprehensive Housing Affordability Strategy data |
| | % of households living in overcrowded homes (more than 1 occupant per room) | American Community Survey |

| | | |
|---|---|---|
| | % of regional housing supply accessible to people with disabilities | American Housing Survey |
| 3. Security, Safety and Belonging | TBD | TBD. Evaluating progress towards this goal is likely best accomplished using qualitative methods. |
| 4. Neighborhood Stabilization and Cultural Placekeeping | % of low-income households by race/ethnicity across areas with Estimated Displacement Risk (EDR) | American Community Survey, Metropolitan Transportation Commission HCD Affirmatively Furthering Fair Housing Data and Mapping Resources |
| | Metro comparison of displacement risk (Bay Area compared to other metros) | Metropolitan Transportation Commission |
| | Change in number and share of BIPOC populations within Equity Priority Community (EPCs) | Metropolitan Transportation Commission |
| 5. Community Self-Determination and Participation | % of elected officials by race/ethnicity | Bay Area Equity Atlas |
| | # of units stewarded by community-owned housing organizations | California CLT Network |
| | Voter turnout by race/ethnicity | Bay Area Equity Atlas |
| | Voter turnout for affordable housing ballot measures | Statewide Database |
| 6. Repair | % of tracts designated as Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs) | CA Dept. of Housing and Community Development |
| | % of tracts designated as Racially Concentrated Areas of Affluence (RCAAs) | CA Dept. of Housing and Community Development |
| 7. Environmental Health and | % of population by race/ethnicity and pollution burden quintile | American Community Survey, CalEnviroScreen |

| | | |
|---|---|---|
| Justice | | |
| | % sensitive populations (elderly, children, people with disabilities, etc) by environmental exposure (air quality, sea level rise, wildfires, etc.) and adaptive capacity | Climate Change & Health Vulnerability Indicators for California |
| | % of population by race/ethnicity and Healthy Places Index quintile | American Community Survey, Public Health Alliance of Southern California |
| 8. Prevention | % of population protected by rent stabilization and just cause for eviction policies. | American Housing Survey |
| | # of households receiving Housing Choice Vouchers or other permanent housing subsidies | American Housing Survey |

**Data Challenges and Limitations**

While the Equity Framework metrics – related to both the Objectives as well as the broader Social Equity Goals – will be vital to the design and evaluation of BAHFA's program strategies, there are inherent challenges and opportunities related to data and metrics that are important to note.

Data unavailability, geographic inconsistencies of available data, and infrequency in new data made available by existing sources all represent challenges to BAHFA leveraging the Equity Framework metrics to advance equity. Additionally, indicators of progress, especially towards the longer-term goals, will be influenced by external factors that are beyond BAHA's direct control.

Other challenges are related to notions which are central to the Equity Framework, such as "community self-determination," "cultural placekeeping," and "belonging." These multidimensional concepts were identified as critical to an equitable housing future in the Bay Area during the Equity Framework's development and stakeholder engagement process, but nevertheless can be difficult to define and thus also difficult to measure quantitatively.

Despite these challenges, BAHFA has the opportunity to be an innovator in data collection and equity measurement for the region. Components of the Equity Framework that may be difficult to measure quantitatively may be better evaluated through qualitative methods such as interviews and listening sessions with residents and equity leaders. For some quantitative measures where data is lacking, such as wealth by race/ethnicity, BAHFA may consider partnering with other entities, such as the Federal Reserve Bank of San Francisco, to produce this data at the scale necessary to track the reduction of racial disparities in wealth across the region, similar to the methodology used in the Federal Reserve Bank of San Francisco 2016 report, "The Color of Wealth in Los Angeles."[2]

[2] Data revealing persistent racial disparities in wealth (difference between gross assets and debt) are available through the Federal Reserve's 2019 Survey of Consumer Finances. However, data are not currently available at the metro level. One opportunity to consider is partnering with the Federal Reserve Bank of San Francisco to produce similar data that facilitates the tracking of racial disparities in wealth across the Bay Area.

# BAHFA Business Plan – Draft Equity Framework

## BAHFA Oversight& ABAG Housing Committees

## January 12, 2023

Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

# Agenda

1. Equity Framework Purpose and Stakeholder Engagement Process
2. Draft Equity Objectives, Metrics, and Goals
3. Applying the Equity Framework
4. Next Steps

# 1. Equity Framework Purpose and Stakeholder Engagement Process

# Purpose of the Equity Framework

## The Equity Framework is the foundation of the BAHFA Business Plan.

- Articulates BAHFA's **commitment** to advancing equity
- Sets **objectives** for BAHFA's impact on equity through its programs, guided by overarching **goals**
- Defines **metrics** for measuring impact of programs
- Provides a regional framework for **Affirmatively Furthering Fair Housing**

### Business Plan

Describes Funding Programs and revenue generation strategies designed to meet Equity Objectives

# Stakeholder Engagement Process

1. Review of regional plans, policies, and community proposals
2. Interviews with 20+ equity leaders (November 2021– March 2022)
3. Formation of 11-member Equity Working Group (March – May)
4. Meetings of Equity Working Group (May – December)
5. 3 Public Listening Sessions attended by 138 stakeholders (June)
6. Equity Working Group vote on Draft Equity Framework (November-December)

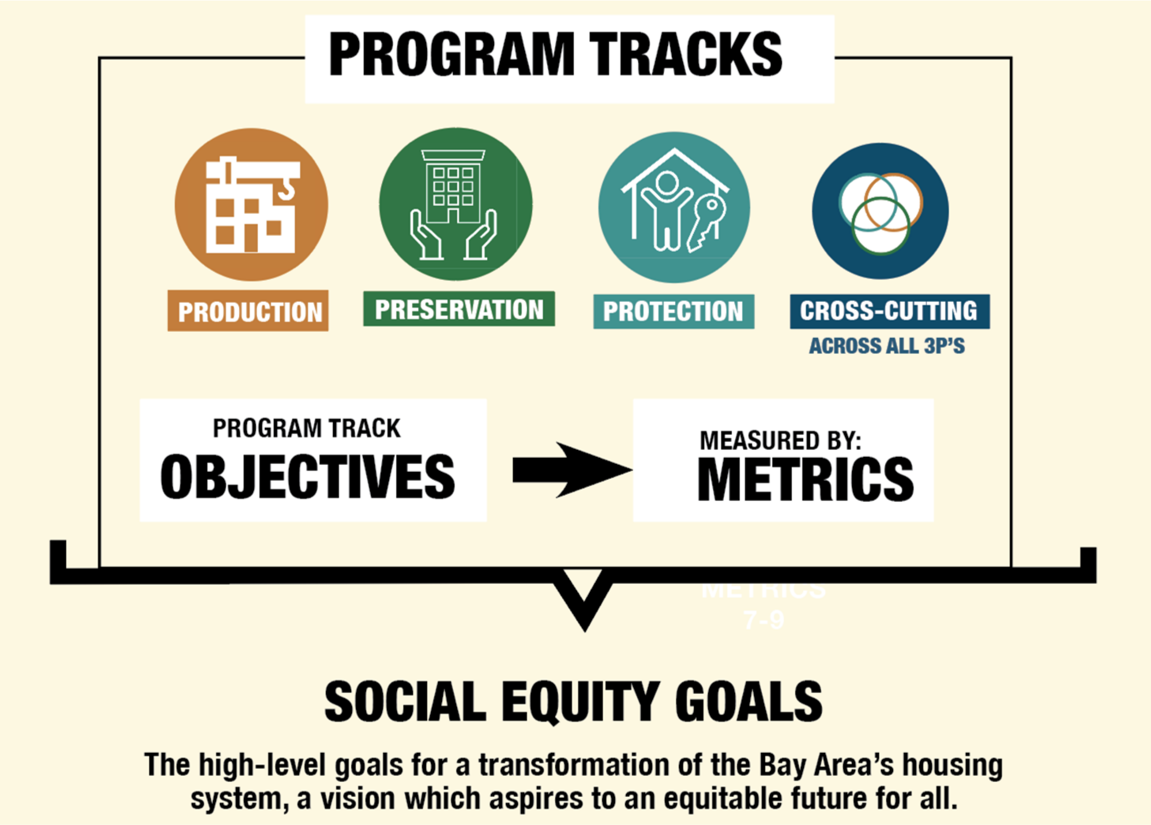
# Stakeholder Engagement: Equity Working Group

- **Aboubacar "Asn" Ndiaye,** PowerSwitch Action*
- **Allie Cannington,** The Kelsey
- **Andy Madeira,** East Bay Local Asian Development Corporation
- **Anthony Carrasco,** UC Berkeley*
- **Debra Ballinger,** Monument Impact
- **Duane Bay,** East Palo Alto Community Alliance & Neighborhood Development Org.
- **Katie Lamont,** Tenderloin Neighborhood Development Corporation
- **Melissa Jones,** Bay Area Regional Health Inequities Initiative
- **Poncho Guevara,** Sacred Heart Community Service
- **Raquelle "Kelly" Myers,** National Indian Justice Center
- **Steve King,** Oakland Community Land Trust



** organizational affiliation listed for identification purposes only*

# Equity Framework: Operationalizing



# 2. Equity Objectives, Metrics, and Goals

# Equity Objectives: Key Themes

- **Targeting resources toward residents most impacted by housing insecurity**
  - Populations (e.g. ELI households, unhoused residents)
  - Geographies (e.g. Equity Priority Communities, Transit Priority Areas)

- **Areas where BAHFA can serve as a regional leader**
  - Lifting up community priorities
  - Advancing local alignment with regional equity priorities
  - Commitment to ongoing, equitable engagement focused on impacted communities

- **“Both/And” Approaches**
  - Social mobility and community reinvestment
  - Achieving scale and supporting emerging developers
  - Individual and collective wealth building
  - Rental, homeownership, and community ownership

# Equity Objectives: Production

1. Produce more affordable housing, especially for Extremely Low Income (ELI) households
2. Invest in historically disinvested areas
3. Create affordable housing opportunities in historically exclusionary areas
4. Create programs that address homelessness
5. Achieve regional climate and environmental justice goals

# Equity Objectives: Preservation

1. Preserve expiring-use affordable housing to prevent displacement
2. Preserve existing unsubsidized housing and convert to permanently affordable housing
3. Target preservation investments for most impacted residents
4. Create opportunities for community-owned housing

# Equity Objectives: Protection

1. Increase access to tenant services
2. Support tenant education and advocacy
3. Prioritize protections and investments in households and communities facing the greatest housing precarity
4. Ensure adequate funding for tenant protections
5. Elevate the urgency of tenant protections through regional leadership

# Equity Objectives: Cross-Cutting

1. Support community-based and community-owned organizations and developers
2. Support individual and community wealth building
3. Serve as a regional leader on local equitable programs and practices
4. Commit to ongoing, meaningful, and equitable engagement
5. Secure more flexible and unrestricted funding
6. Target most flexible BAHFA funding to accelerate AFFH

# Metrics

How BAHFA will **measure its progress and success** in achieving the Equity Objectives

- **Retrospective:** "Yardsticks" that BAHFA will use to track impact of programs over time
- **Prospective:** Guide for program development by illuminating how different program design options will potentially advance equity along these measures.

# Types of Metrics

## Program Activities

- Amount and percent of funding disbursed to each program type (across & within the 3 Ps)
- Types of organizations funded
  - BIPOC-led
  - Emerging developers
  - Community-based
  - Community-owned
- Types of development projects funded

## Program Outcomes

- Types of development projects in pipeline
  - Affordability level
  - Location (by geographic typologies)
  - Units designed for specific populations
  - Units designed with specific features
  - Tenure type
  - Projects prioritized by impacted communities
- Resident characteristics upon occupancy

# Goals: long-term vision for an equitable housing system

1. Choice and opportunity
2. Stable, affordable housing for all
3. Security, safety, and belonging
4. Neighborhood stabilization and cultural placekeeping
5. Community self-determination and participation
6. Repair
7. Environmental health and justice
8. Prevention

# Applying the Equity Framework

- **Accountability and Implementation Strategies**
  - Data collection and reporting on program outcomes
  - Equity evaluation as part of program design for all future funding programs
  - Commitment to engage BAHFA Advisory Committee, stakeholders, & equity leaders
  - Periodic reevaluation of the Equity Framework
  - Coordination, evaluation and collaboration with local jurisdictions

- **Program Design and Prioritization Using the Equity Framework**
  - What is the process for determining priorities and program details essential to equity?
  - How will impacted communities be engaged in the process?

- **Addressing Barriers to Equity**
  - Need for legislative changes
  - Limits of GO Bond, importance of revenue source
  - Legal concerns about racial equity

See stakeholder recommendations documented in ***"Opportunities & Challenges"*** sections and **Stakeholder Engagement Report**

# Equity Framework Next Steps

- **February - March:** Additional public workshop(s)
- **February – early April:** Incorporation of feedback from BAHFA/ABAG Committees and public workshop(s)
- **April:**
  - Equity Working Group review of Final Equity Framework
  - Present proposed Final Equity Framework to BAHFA Advisory Committee
- **May:** BAHFA Oversight & ABAG Housing Committees recommend Final Equity Framework to BAHFA Board & ABAG Exec Board for adoption

# Thank You


Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

375 Beale Street, Suite 800
San Francisco, CA 94105

# Metropolitan Transportation Commission

## Legislation Details (With Text)

| | | | | | |
|---|---|---|---|---|---|
| **File #:** | 23-0088 | **Version:** 1 | **Name:** | | |
| **Type:** | Report | | **Status:** | Informational | |
| **File created:** | 12/9/2022 | | **In control:** | ABAG Housing Committee | |
| **On agenda:** | 1/12/2023 | | **Final action:** | | |
| **Title:** | Presentation of Draft Funding Programs for the BAHFA Business Plan | | | | |
| **Sponsors:** | | | | | |
| **Indexes:** | | | | | |
| **Code sections:** | | | | | |
| **Attachments:** | 10a 1 Summary Sheet BAHFA Business Plan Update_v1.pdf<br>10a 2 Attachment A BAHFA Business Plan Presentation.pdf<br>10a 3 Attachment B BAHFA Production Program.pdf<br>10a 4 Attachment C BAHFA Preservation Program.pdf<br>10a 5 Attachment D BAHFA Protections Program.pdf<br>10a 6 Attachment E BAHFA Innovation Program.pdf | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|

Presentation of Draft Funding Programs for the BAHFA Business Plan

Kate Hartley and Forsyth Street Advisors

Information

## Subject:

Presentation of the draft Funding Programs of the BAHFA Business Plan.

## Background:

BAHFA launched its business planning process (Business Plan) in 2021 with the goal of creating bold, regional solutions to the Bay Area's housing challenges. The principal means by which BAHFA and its partners will deliver effective outcomes is by deploying BAHFA and ABAG's new statutory authority to place a regional revenue measure on the ballot across all nine counties. The Business Plan, supported by a consultant team led by Forsyth Street Advisors, has three main threads of work:

(1) The **Equity Framework**, which focuses BAHFA's Business Plan on delivery of 3P programs that prioritize equity, racial justice, and protection of communities most impacted by the region's affordability challenges.

(2) The **Funding Programs**, which propose strong, impactful, and self-sustaining funding programs that can successfully establish BAHFA as a permanent agency that consistently achieves its 3P mission.

(3) The **Business Plan**, which is the integrated, strategic plan inclusive of both the Equity Framework and Funding Programs that recommends best practices and phasing for BAHFA's allocation of the resources it secures, including a potential regional general obligation bond in 2024.

Staff provided updates to these Committees about progress on the Business Plan drafting in January, April and July of 2022. This presentation of the Draft Funding Programs represents a major milestone. Also appearing on the Joint Housing Committees' January 12, 2023 agenda is a separate presentation of the Draft Equity Framework.

## Funding Programs Summary:

Following the mandate prescribed for BAHFA's work in its enabling legislation, Assembly Bill 1487 (Chiu, 2019), the Business Plan's Funding Programs for BAHFA's regional housing revenues are set forth in four sections:

- <u>Production</u>: New construction investments that typically leverage third-party funding and achieve beneficial housing outcomes at scale.

- <u>Preservation</u>: Investments in existing buildings with the goal of preventing displacement of low-income households and stabilizing communities.

- Protections: Specific interventions aimed at keeping vulnerable residents housed and preventing homelessness, including, e.g., rental subsidies and legal assistance.

- Innovations: Investments (typically in Production) that deviate from traditional affordable housing financing structures, seeking instead to achieve faster, more cost-effective housing delivery than current funding methods.

While AB 1487 establishes similar rules for Bay Area counties, cities, and BAHFA's use of funding generated by a BAHFA revenue measure, the Funding Programs described in the Business Plan are specifically for BAHFA's use of regional funds (Regional Housing Revenues; RHR). Cities and counties will establish their funding priorities in compliance with AB 1487 in future expenditure plans submitted to BAHFA following a successful revenue measure.

All four RHR Funding Programs pursue these overarching goals:

- Integration of Equity Framework Objectives. These include, but are not limited to:
  - Delivery of housing that serves highly impacted households and communities, such as permanent supportive housing and investments in historically disinvested communities (such as Equity Priority Communities).
  - Promotion of climate and environmental justice through investments in transit-oriented projects that also employ sustainable construction and design standards.
  - Expansion of opportunities for community-based and emerging developers on projects that reflect strong community support.

- Operational Self-Sustainability for BAHFA. BAHFA must generate revenue and fees through its lending practices that will enable it to both maintain high-quality operations and reinvest in 3P projects, especially for Protections, for which funding is not readily available.

- Demonstrated Leadership Through Coordination and Streamlining. BAHFA will approach its work collaboratively, seeking to assist jurisdictions by streamlining, standardizing, coordinating, and consolidating access to financial resources and technical assistance throughout the region.

- Achieving Scale: Only by providing new financial resources, innovative investment approaches, and coordinated efforts can the region meet its housing needs: over 441,000 new housing units identified in the 6th RHNA Cycle for 2023-2031, with over 253,000 of those needing affordability below 80% of area median income.

## Production Program Summary (*see detailed Production Program attached as Attachment B*)

New construction affordable housing is almost always funded by stacking 4% or 9% low-income housing tax credits with tax-exempt or taxable debt and/or local or state subsidies, also known as "gap funding." Gap funding is typically in short supply and is disbursed competitively at both the state and local levels. Since 2020, tax-exempt bond funding and 4% low-income housing tax credits are also now over-subscribed, creating a significant bottleneck at the state level – in 2021 and the first funding round of 2022, Bay Area projects' application success rate was only 39%. The net effect of our current funding system is to increase costs through multiple and duplicative applications that take time and offer no certainty, which itself drives up costs and prevents efficient resource allocations.

BAHFA's Regional Housing Revenue Production Program will address these issues by:

- Packaging below-market loans with gap funding, which will simplify project-level financing, reduce costs, and increase project benefits.
- Bringing additional resources to jurisdictions' funding programs, thus enabling more projects to move through the pipeline faster.
- Pursuing additional lending programs beyond tax-credit developments, both at large and small scale, to expand the ways we finance and create more housing.

Note that by providing construction, permanent, and mezzanine loans to projects, BAHFA will generate the fees and interest it needs for operations and re-investments into more affordable housing and services.

## Preservation Program Summary (*see detailed Preservation Program attached as Attachment C*)

Bay Area housing costs began to rise significantly in 2012 as the country emerged from the Great Recession. For many low-income households, this created the need to relocate from their existing communities to new areas with lower housing costs, which were often farther away from Bay Area job centers. Relocation in search of housing affordability strains families, fractures communities and diminishes regional economic and environmental health. To address these issues and help residents in existing buildings enjoy permanent housing affordability, BAHFA's Preservation Programs will:

- Create a regional, coordinated source for Preservation acquisition/ rehabilitation loans, first mortgage loans, and subsidy loans.
- Support community development and wealth generation for low-income households through investments in small buildings, cooperatives, and limited equity housing.
- Ensure that buildings with long-term affordability restrictions nearing their expiration date can remain affordable for another 55 years.

Like the Production Program, Preservation funding will generate fees and interest payments through below-market loans that will sustain BAHFA and allow for reinvestments.

## Protections Program Summary (*see detailed Protections Program attached as Attachment D*)

The Protections activities authorized under AB 1487 include pre-eviction and eviction legal services; counseling, training and renter education; emergency rental assistance; and relocation assistance. If BAHFA pursues a general obligation affordable housing bond in 2024, it will not be able to fund those Protections with bond funds due to California Constitutional restrictions. However, California housing advocates are currently pursuing a constitutional amendment that would allow affordable housing general obligation bonds to be used for some tenant and homelessness protection investments. If this effort is successful, it may enable BAHFA to implement Protections, including homelessness prevention and other interventions, with RHR.

Regardless of the outcome of the constitutional amendment pursuit, BAHFA will provide regional leadership and advocacy, along with technical and financial support, to create regional systems and services that protect tenants from displacement and prevent homelessness. This will include:

- Facilitating regional collaboration.
- Conducting research and providing technical assistance in areas such as eviction diversion programs with demonstrated beneficial outcomes.
- Collaborating with and supporting local jurisdictions to better integrate and grow homelessness prevention programs.

## Innovations Program Summary (*see detailed Innovations Program attached as Attachment E*)

As described earlier, it is essential that BAHFA provide leadership in financing and housing delivery and pursue new, innovative ways to better address the region's housing needs. Overarching Innovation Program goals are to expand the range of financeable projects and produce housing faster and more cost-effectively, while not sacrificing the quality of habitability. BAHFA expects to stay opportunistic and push forward new ideas that show promise. Early programs it seeks to pursue include:

- "Efficient Delivery" projects, both for permanent supportive housing in collaboration with jurisdictions able to provide operating subsidies as well as for middle-income housing. These projects will, by definition, be lower cost and target fast development timelines (approximately three years from start to finish). Projects structured in this way can be financed with low-cost debt and relatively low gap funding investments, or for middle-income housing, with debt only.
- "Affordable Unit Buy-Down", a subsidy program that will pay the cost of adding affordable housing units in market rate projects, with payments coming in when

construction is complete. For jurisdictions with existing inclusionary requirements, this program will increase the percentage of affordable units in the project beyond what the jurisdiction requires.

- “Adaptive Re-Use”, which, by providing funding for conversion of buildings from residential to commercial, acknowledges the need to reimagine commercial districts and reinvigorate aging and obsolete malls and office parks.

## Next Steps:

As OBI and the Business Plan consultant team solicit additional feedback on the Draft Equity Framework, Forsyth Street will continue to lead the final drafting of the Business Plan, which will include refinements of the Funding Programs and a new section on BAHFA’s operations and structure, analyzing what is required for near-term and long-term operational sustainability. The BAHFA team expects to present the full Business Plan for the Committees’ review and referral to the BAHFA Board for approval in Q4 2023.

## Issues:

None

## Recommended Action:

Information

## Attachment:

A. Presentation
B. Production Program
C. Preservation Program
D. Protections Program
E. Innovations Program

## Reviewed:

Brad Paul

Brad Paul

# BAHFA Business Plan Update

## ABAG Housing Committee & BAHFA Oversight Committee

Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

January 12, 2023

# Agenda

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

# 1. Legislation Review

# AB 1487: 3Ps Funding Guidelines

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

**The Legislation stipulates funding parameters for each P:**

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

**Guidelines for County/City Funding:**

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

# AB 1487: Initial Revenue Sources

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

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

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

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

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

# Pending Constitutional & Legislative Changes

## What is BAHFA doing legislatively to meet its goals?

1. BAHFA is working in collaboration with stakeholders who are pursuing a **statewide constitutional amendment** in 2024 that would:
   - Lower the voter threshold; and
   - Expand the eligible uses of GO bond proceeds to allow funding of homelessness interventions and other protections for vulnerable residents.

2. BAHFA and MTC colleagues are **pursuing a clean-up legislative amendment for AB 1487** that would:
   - Allow application of the constitutional amendment described above;
   - Clarify the full range of BAHFA's lending authority; and
   - Other technical clean-ups.

# 2. Initial Funding Programs

# 3Ps Funding Program Development

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

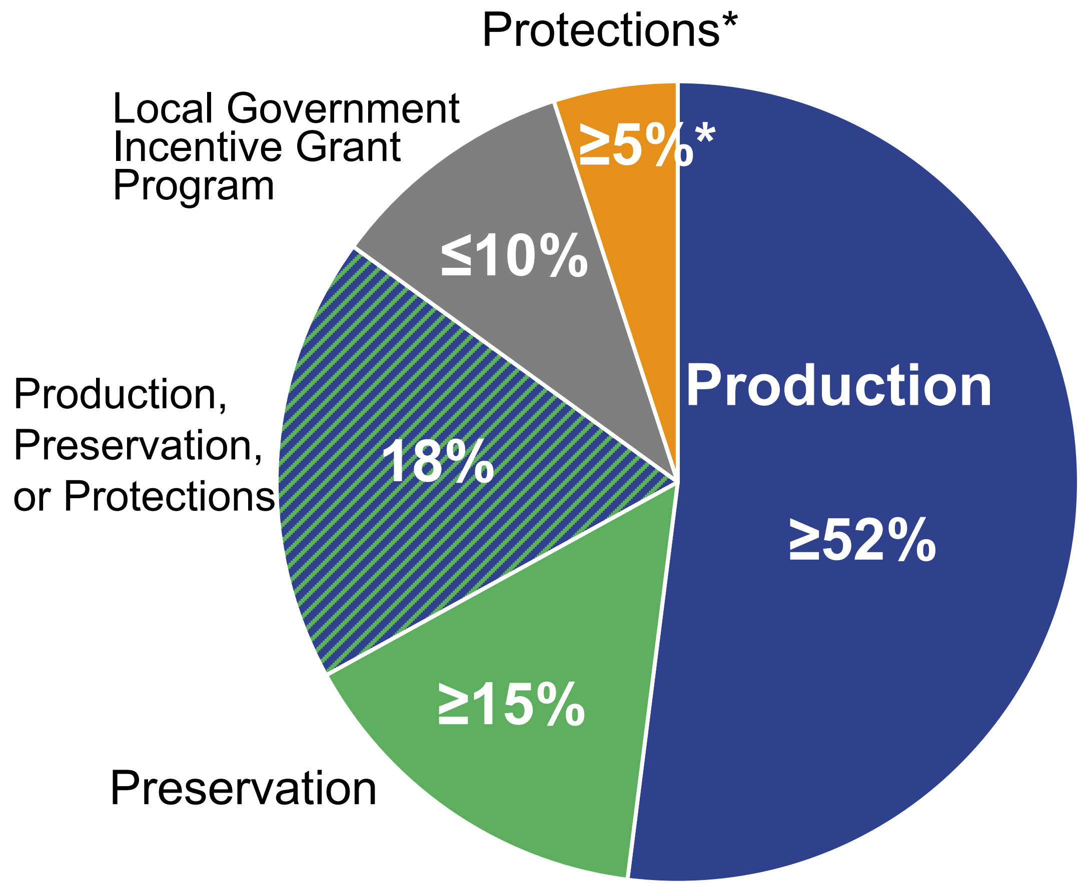
These Funding Programs must:

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

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

# Allocation of Regional Housing Revenue

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




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

# Production | Description

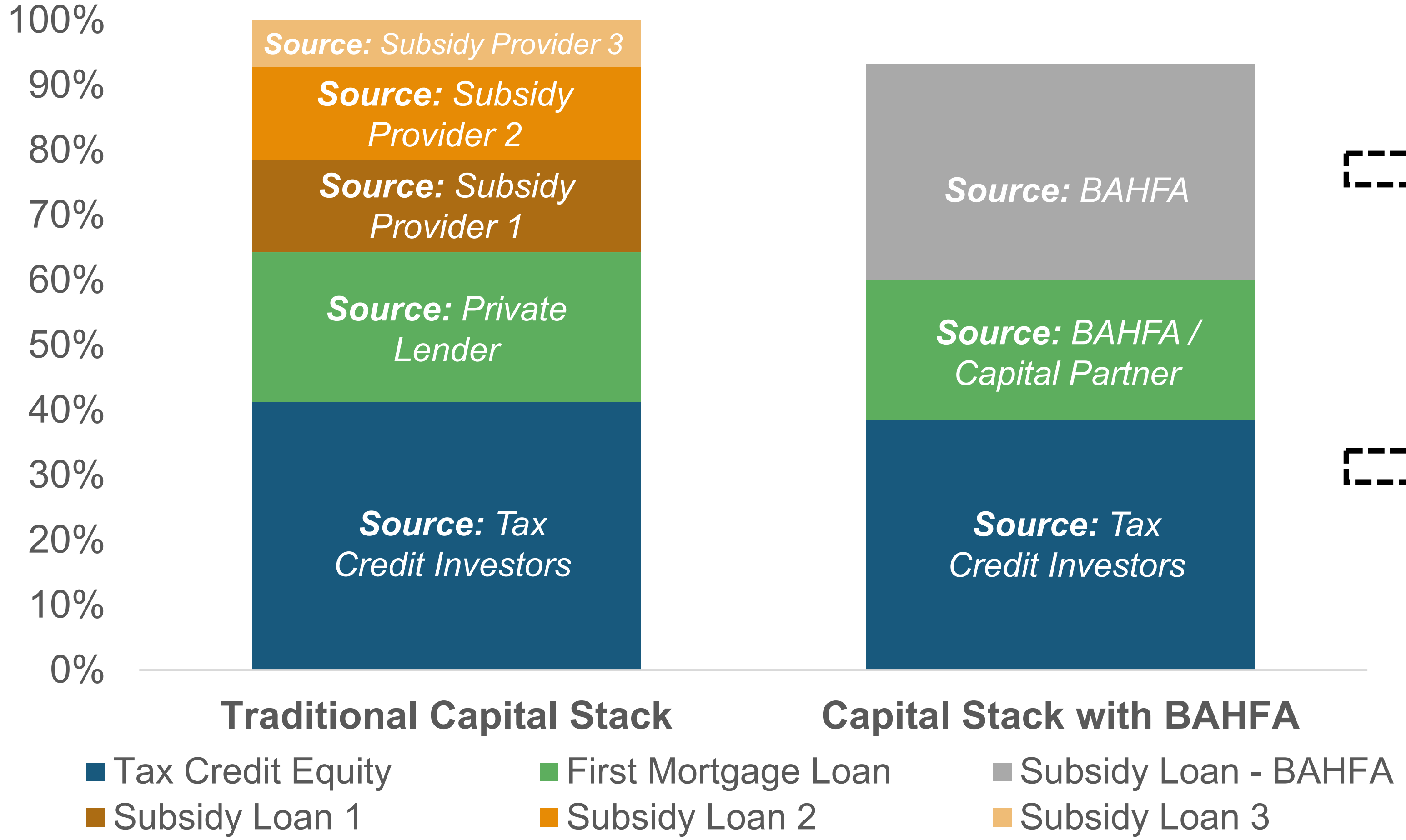
## Overview

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

## Goals

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

# Production | Sample Capital Stack




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

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

# Innovation | Description

## Overview

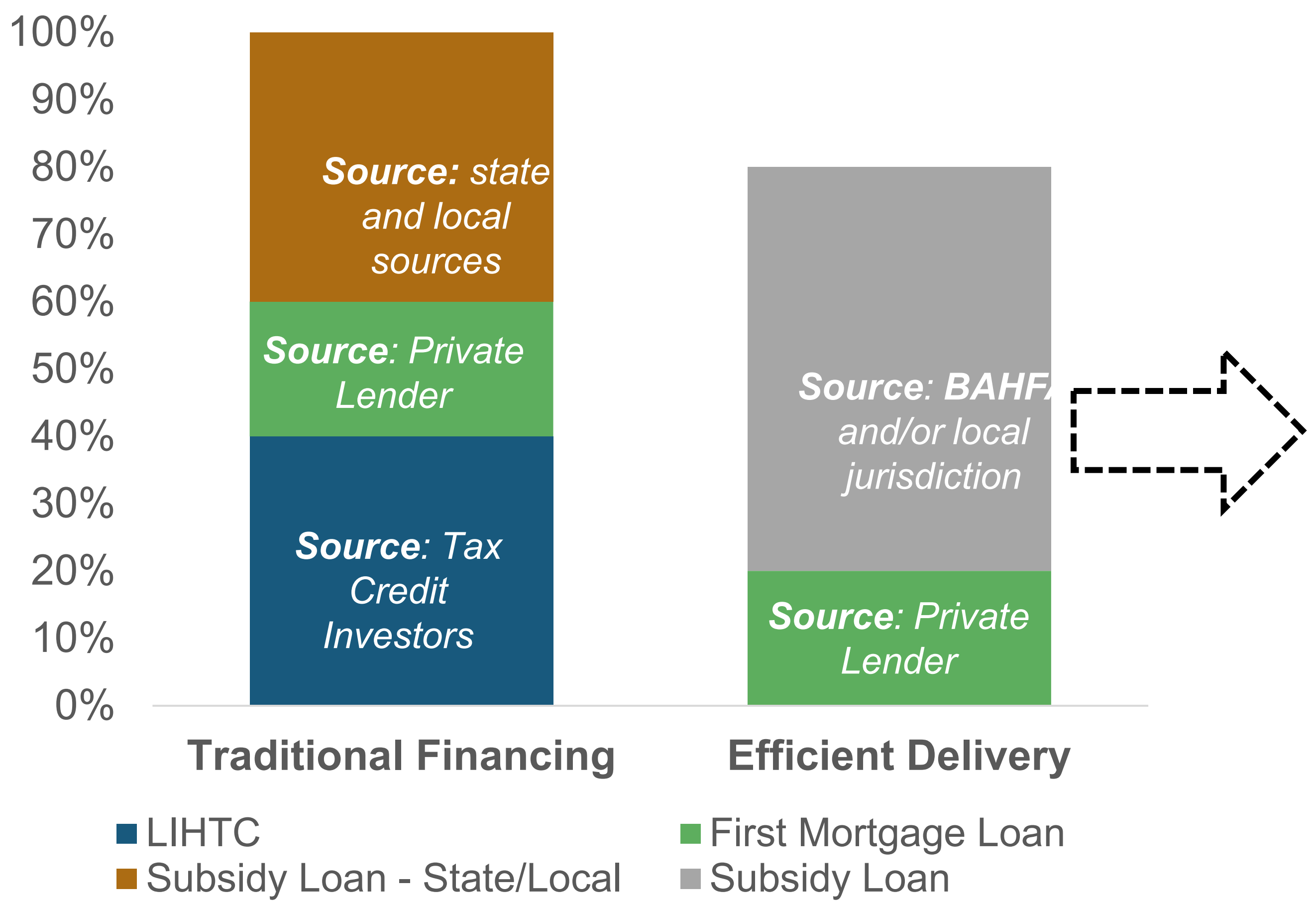
BAHFA's **Innovation Program** will fund projects:

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

## Goals

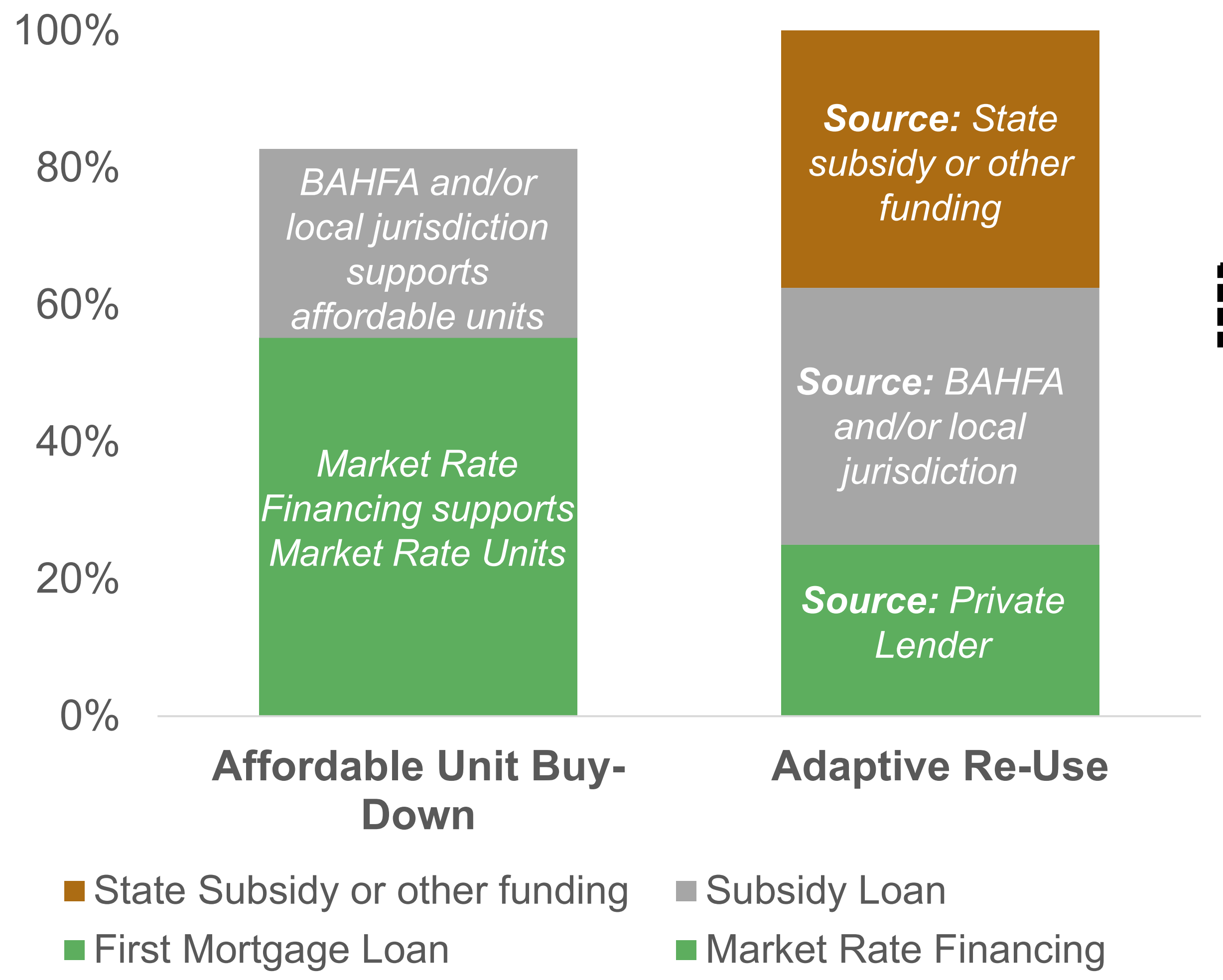
- Expand the **range of financeable projects**
- Achieve **faster**, more **cost-effective housing delivery**
- Pilot **alternative approaches** for delivering housing

# **Production** | Innovation: Efficient Delivery




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

# **Production** | Innovation: Alternative Delivery




Alternative methods to deliver units:

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

# Preservation | Description

## Overview

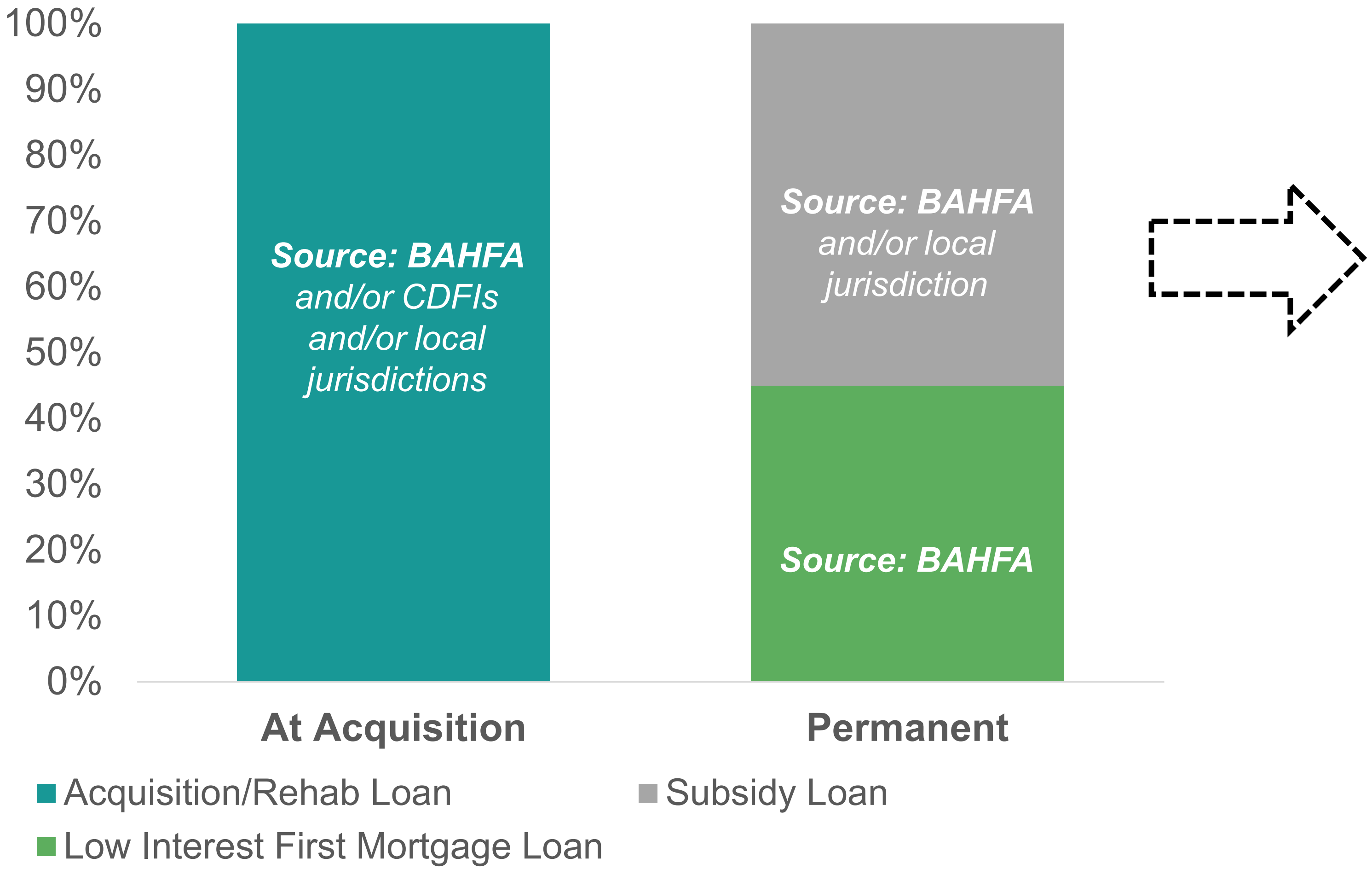
Provide **first mortgage loans and subsidy loans** to acquire, rehabilitate, and preserve affordability in existing buildings:

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

## Goals

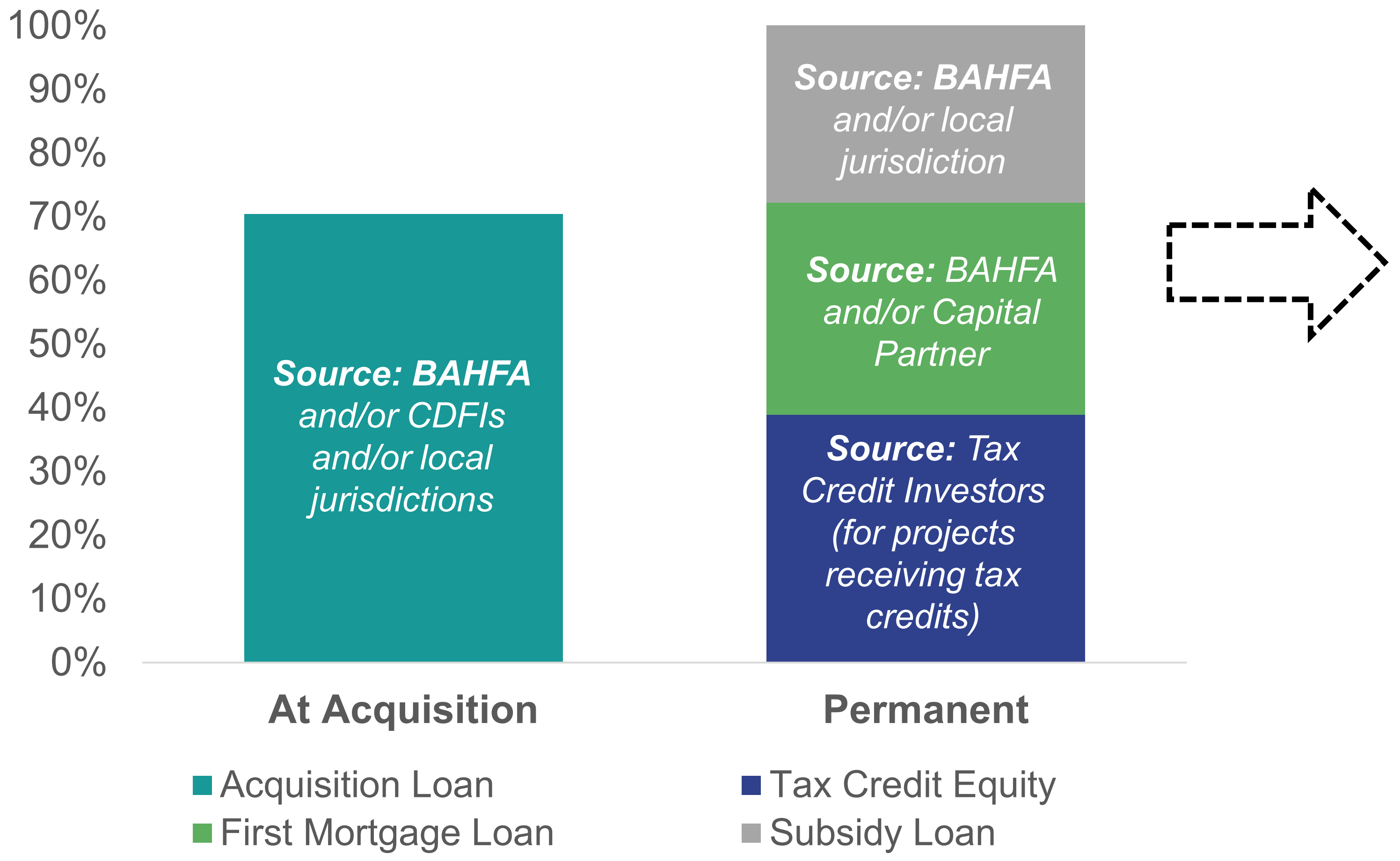
- **Prevent Displacement:** For low- and moderate-income households by acquiring properties and preserving their affordability
- **Streamline Financing**: Create a regional coordinated source for acquisition/ rehabilitation loans, first mortgage loans, and subsidy loans
- **Advance Equity:** Achieve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

# Preservation | Unregulated Properties




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

# Preservation | Expiring Use Properties




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

# Protections | Overview

## Overview

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

Funds may support programs and services including:

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

## Goals

(Near Term)

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

# **Protections** | Future Outlook

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

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

## Goals
(Longer Term)

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

# 3. Next Steps

# Business Plan Timeline

## 2022

*EQUITY FRAMEWORK: Background Research, Stakeholder Engagement:* ***OBI Lead***

Draft Equity Framework

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

Draft Funding Program Concepts

## 2023

**Equity Framework Adoption: Q2 2023**

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

Refined Funding Programs

**Business Plan Adoption: Q4 2023**

## 2024

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

# 3. Business Plan Next Steps

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

# Thank You


Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

# BAHFA PROGRAM DESCRIPTION

## PRODUCTION: MULTIFAMILY RENTAL PROGRAM

*— DRAFT —*

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| **Program Objectives** | The objectives of BAHFA's Multifamily Rental Production Program (the "Program") are to:<br>• **Support BAHFA's Legislated Production Goals.** The majority of Regional Housing Revenue[1] ("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% AMI for at least 55 years ("Production"). The Program would provide financing for housing meeting the Production criteria.<br>• **Achieve Transformative Scale.** Across the Bay Area, the cost to produce affordable, new rental housing continues to climb. 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 only major source of affordable housing funding in the U.S. is the Low Income Housing Tax Credit ("LIHTC" or "tax credit") program, and BAHFA's Production Program is intended to be compatible with LIHTCs, as well as state and local subsidy sources. Noting that LIHTCs and their companion funding source, 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.<br>• **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 |

[1] 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.

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 one-stop, coordinated source of both hard debt and significant subsidy, BAHFA will streamline project financing.
- **Advance Equity Goals.** The Program will invest in projects that support achievement of the Equity Framework's Production (P) and Cross-Cutting (CC) Objectives. The Program will seek to:

  P1. **Produce more affordable housing**, **especially for Extremely Low Income (ELI) households.** Increase housing production, with different housing types, across the region, and provide special focus on the production of housing for 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 transform historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.

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

  P4. **Create programs that address homelessness.** More housing is critical to end homelessness, and BAHFA is committed to working with counties to increase housing types 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.

  P5. **Achieve regional climate and environmental justice goals.** Prioritize housing placement near high-quality transit and

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| | invest in housing that achieves high performance scores in recognized sustainable building systems.<br><br>CC1. **Support community-based, and community-controlled 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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 not contemplated in AB 1487 or would be difficult to fund with likely fund sources (e.g., general obligation bond).<br><br>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 parameters. Target any non-housing investments (i.e., infrastructure, community or cultural spaces, and public services) in communities that have |

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| | faced historic disinvestment and/or are home to the region's most impacted residents. |
| **Current Financing Overview** | Currently, new affordable rental housing production relies on the following principal financing sources:<br>• **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.<br>• **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.<br>• **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 |

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| | 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).<br><br>• **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.<br><br>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.<br><br>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.<br><br>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

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| **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.<br>• **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.<br>• **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 |

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| | competitive allocation process for projects financed with 4% tax credits and PABs, respectively.<br><br>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.[2] Assuming tax credits could be sold, on average, for $0.90 to investors, tax credit equity funded an estimated 46% of these project costs.<br><br>○ **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.<br><br>○ **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.<br><br>• **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 requires 88% of the PABs be for new construction projects, with specific pools focused on homeless, ELI and VLI households. Further, 3% of funds are available to developers with at least 51% BIPOC |

[2] 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.

ownership or leadership. 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 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.

- **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

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| **Opportunities for BAHFA** | If BAHFA can position itself competitively as a conduit issuer (subject to determination of its legal ability to do so), or play a role in permanent lending (described further in Funding Scenarios section), and also provide subsidy loans, it can provide competitive project-level benefits while |

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| | enabling stabilized operations and the ability to reinvest interest and fees accrued.<br><br>For the Program to be compelling and add value for projects, BAHFA will need to:<br><br>• **Package its hard debt products with subsidy,** to reduce the overall cost of BAHFA's financing package, 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.<br><br>• **Compete to provide a lower-cost debt product (lowest possible interest rate, minimum fees).** Initially, this will be extremely difficult/infeasible for BAHFA to do unless BAHFA chooses to apply its Regional Housing Revenue to directly funding hard debt loans as discussed below in the Funding Scenarios. The best possible, lowest-cost capital markets debt executions are only available to entities that have a multi-year track record, a strong credit rating from ratings agencies, and/or credit enhancement from federal risk-sharing and guarantee programs (e.g., HUD/FHA Risk-Sharing). Until BAHFA can achieve better executions, it will need to compensate for the comparatively higher cost of its debt product by providing more subsidy than would be available from its competitors. In the meantime, 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. For conduit bond issuances during the construction period, in which BAHFA is issuing the construction bonds (subject to its legal authority to do so) but a bank is providing the actual debt, BAHFA can charge a fee comparable to other issuers.<br><br>• **Reduce project costs and ease of execution** through streamlined, standardized reporting, documentation, and other administrative requirements and simplification of each project's capital stack.<br><br>• **Communicate, coordinate and collaborate with local jurisdictions**, especially to the extent BAHFA cannot provide all the subsidy a |

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| | project needs and additional subsidy from a local jurisdiction is needed.<br>For BAHFA to achieve its equity objectives, it must structure funding opportunities in a way that prioritizes equitable investments, including:<br>• Developments that serve extremely low-income and homeless households;<br>• Investments in low-income communities, where LIHTC funding has a demonstrated stabilizing and revitalizing effect; and<br>• Developments that achieve climate change goals through their physical locations near transit and use of sustainable building materials.<br>Each investment strategy will need specific funding components to achieve feasibility, for example, developments with a large proportion of units for extremely low-income and homeless households will require large capitalized operating reserves or annual subsidies to help pay for operating expenses. |
| **Proposed Funding Products** | 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 BAHFA's Innovation Program). These funding needs present opportunities for BAHFA to provide permanent and construction-period financing and improve on current financing approaches.<br>*Note: Some of these opportunities are contingent on establishing BAHFA's powers to issue project revenue bonds and/or be a conduit bond issuer.*<br>**<u>Permanent Financing</u>**<br>• **Subsidy Loans,** which may be structured as **residual receipts loans** and/or **subordinated, must-pay loans**, while also accessing a permanent senior loan from BAHFA or from another source acceptable to BAHFA<br>    ○ BAHFA role: Lender |

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| | ◦ Anticipated term: 55-57 years<br>◦ Anticipated interest rate:<br>▪ For Residual Receipts Loans: Concessionary; payable from surplus project cash flow with unpaid interest deferred and accruing; balance due at loan maturity/property sale/refinance<br>▪ For Subordinate Loans: Below-market interest rate; must-pay, "hard" debt service serviceable from project cash flow. Required payments may also include principal amortization.<br>◦ Funding amount: Up to $250,000 per unit<br>◦ Funding source: RHR<br>• **Taxable[3] First Mortgage Loans**<br>◦ BAHFA role: Lender; or Lender and Issuer<br>◦ Anticipated terms: 17-35 year loan term; 30-35 year amortization schedule<br>◦ Anticipated interest rate: Market or below-market, depending on BAHFA funding source and project type. Loans funded from project revenue bond issuance proceeds will be subject to capital market requirements and at market taxable rates. Loans funded from RHR may be at below-market rates.<br>◦ Funding amount: Sized to minimum [1.15] debt service coverage ratio<br>◦ Funding source: RHR, and/or BAHFA taxable housing revenue bond issuance proceeds<br>• **Tax-Exempt First Mortgage Loans** for 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. May include: 4% tax credit projects (awarded PABs); 501(c)3 owned projects; publicly-owned workforce housing projects.<br>◦ BAHFA role: Lender and Issuer |

[3] Includes all first-mortgage loans funded by BAHFA from RHR, which are neither "taxable" nor "tax-exempt."

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| | ○ Anticipated terms: 17-40 year loan term; 30-40 year amortization schedule<br>○ Anticipated interest rate: Market. Loans funded from project revenue bond issuance proceeds will be subject to capital market requirements and at market tax-exempt rates.<br>○ Funding amount: Sized to minimum [1.15] debt service coverage ratio<br>○ Funding source: BAHFA tax-exempt housing revenue bond issuance proceeds<br>• **Conduit Bond Issuer** on a taxable or tax-exempt basis, for permanent-phase bonds privately placed or publicly sold<br>○ BAHFA role: Issuer<br>○ Anticipated rates: N/A; Separate role from the lender. BAHFA receives issuance and ongoing monitoring fees.<br>**Construction Financing**<br>• **Subsidy Loans**<br>○ 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 or during construction) and remain as a permanent loan.<br>• **Construction Loan** for especially-innovative projects that are low-cost and rapid to complete, not receiving LIHTCs, are a priority for BAHFA, and for which BAHFA also expects to be the permanent lender[4]<br>○ BAHFA role: Lender<br>○ Anticipated terms: Construction loan funds all eligible project costs from property acquisition through completion or construction, including predevelopment; converting to permanent loan at construction completion<br>○ Anticipated interest rate: Below market<br>○ Funding amount: Up to [100]% of eligible costs |

[4] To be expanded on in BAHFA's Innovation Program Description.

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| | ○ Funding source: RHR<br>• **Conduit Bond Issuer** on a taxable or tax-exempt basis, for construction-only or construction-to-permanent phase bonds privately placed or publicly sold<br>○ BAHFA role: Issuer<br>○ Anticipated rates: N/A; Separate role from the lender. BAHFA receives issuance and ongoing monitoring fees. |
| **Funding Scenarios** | If $2 billion in RHR becomes available to BAHFA, a minimum of 52% or $1.04 billion would be allocated to Production. Assuming $1.04 billion is allocated to this Program and drawn via five bond issuances every three years, $208 million would be drawn per issuance. This schedule could be accelerated if the region expends funds more quickly.<br>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.<br>Several options for how BAHFA could seek to do so are outlined below, and are all subject to further development and evaluation by BAHFA and its consultant team. 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 accessing the capital markets, would expand the total resources BAHFA has available for the Program and provide BAHFA with additional sources of revenue.<br>• **Baseline.** BAHFA funds the Program entirely from RHR.<br>○ 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.<br>○ 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 |

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| | 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.<br><br>• **Subsidy Only**: BAHFA dedicates its resources to providing subsidies, forgoing any role as a senior lender or issuer.<br>  ○ 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.<br>  ○ 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 residual receipts 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.<br><br>• **Open Indenture**. BAHFA establishes an open (or "pooled") indenture pursuant to which it issues housing revenue bonds secured by a pool of projects.[5] Bond proceeds are used by BAHFA to fund its permanent first mortgage lending program.<br>  ○ 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 |

[5] For an overview of the open indenture structure, see May 31, 2022 memo to BAHFA: "BAHFA – Financing Project Revenue Bonds via an Open Indenture"

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| | 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.<br>◦ 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 AB 1487 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. Further, 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.<br>• **Loan Participation**: BAHFA funds *a share of* each permanent loan from RHR, while banks or other financing partners fund the balance of each loan.<br>◦ 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.<br>◦ 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. |

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| | 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.<br><br>See **Table 3** below for a breakdown of the various funding scenarios. All funding options will continue to be researched, evaluated for feasibility, and further developed over the next phase of the business planning process. |

## Table 3: Production Lending Scenarios

| **Production: Lending Options for BAHFA; Units Financed with Regional Housing Revenue** | **Baseline:** BAHFA is Perm Lender via Regional Housing Revenue (GO Bonds) | **Subsidy Only:** BAHFA provides subsidy loans only; separate 3rd Party Lenders | **Open Indenture:** BAHFA is Perm Lender via Open Indenture | **Loan Participation:** BAHFA Co-Lends 20% of Perm Loan via Regional Housing Revenue (GO Bonds) |
|---|---|---|---|---|
| **Sample Project[1]:** | | | | |
| Project Cost | $75,000,000 | $75,000,000 | $75,000,000 | $75,000,000 |
| Units (2BRs) | 100 | 100 | 100 | 100 |
| Annual NOI/Project @50% AMI rents | $1,362,080 | $1,362,080 | $1,362,080 | $1,362,080 |
| First Mortgage @ 1.15 DSCR | $21,918,000 | $18,594,000 | $17,058,000 | $19,194,000 |
| First Mortgage Interest Rate[2] | 4.13% | 5.41% | 6.13% | 5.15% |
| Interest Rate Spread to BAHFA | 4.00% | 0.00% | 1.50% | 0.80% |
| Term | 35 | 35 | 35 | 35 |
| Amortization | 35 | 35 | 35 | 35 |
| Subsidy Loan @250k/unit | $25,000,000 | $25,000,000 | $25,000,000 | $25,000,000 |
| **BAHFA RHR Funding/Project** | $46,918,000 | $25,000,000 | $25,000,000 | $28,838,800 |
| **Sample Portfolio:** | | | | |
| Total RHR Available for Production Program[3] | $1,040,000,000 | $1,040,000,000 | $1,040,000,000 | $1,040,000,000 |
| External Bank Portion for Perm. Loans | | | | 553,747,313 |
| RHR for Collateral (Open Ind.) or Perm Loans (Baseline, Loa | 485,841,681 | $0 | 25,000,000 | 138,436,828 |
| RHR For Subsidy Loans @ $250k/unit | 554,158,319 | 1,040,000,000 | 1,015,000,000 | 901,563,172 |
| % of Permanent Loan funded by RHR | 100% | 0% | 0% | 20% |
| **Units financed by BAHFA** | **2,217** | **4,160** | **4,060** | **3,606** |
| Projects financed at 100 units | 22 | 42 | 41 | 36 |
| **RHR Principal Repaid to BAHFA (First Mtgs)[4]** | **$485,841,681** | **$0** | **$0** | **$138,436,828** |
| **Interest Paid to BAHFA over term (First Mtgs)[4]** | **417,655,702** | **0** | **241,493,300** | **124,121,544** |
| **Interest Paid to BAHFA for 35 years (Subordinate Loans)[5]** | **191,805,208** | **359,754,137** | **350,996,564** | **311,897,849** |
| **Total Payments to BAHFA over 35 years** | **$1,095,302,592** | **$359,754,137** | **$592,489,864** | **$574,456,221** |
| | | | | |
| RHR Available Per Bond Issuance[6] | $208,000,000 | $208,000,000 | $208,000,000 | $208,000,000 |
| **Units financed per Bond Issuance** | **443** | **832** | **812** | **721** |
| Projects financed per Bond Issuance | 4.4 | 8.3 | 8.1 | 7.2 |
| **Principal Repaid to BAHFA in first 5 Years (First Mtgs)** | $2,670,857 | N/A | N/A | $616,039 |
| **Interest Repaid to BAHFA in first 5 Years (First Mtgs)** | $7,654,827 | N/A | $4,113,981 | $2,187,717 |
| **Interest Repaid in first 5 Years (Subordinate Loans)** | $1,870,282 | $3,481,924 | $3,383,606 | $3,022,627 |
| **Total Payments to BAHFA in first 5 Years[7]** | **$12,195,966** | **$3,481,924** | **$7,497,586** | **$5,826,383** |

**Table 3 Assumptions:**

1. Sample Project uses 2022 2BR 50% AMI rents and estimated development cost in Santa Clara County.

2. First Mortgage Interest Rates are based on comparable competitor term sheets as of July 2022

3. "RHR" is the total estimated Regional Housing Revenue that BAHFA would allocate to Program, estimating 5 equal bond issuances every 3 years (15 years).

4. Assumes Principal repaid to BAHFA is on permanent First Mortgages where it uses RHR and not external capital. Interest repaid is the spread paid to BAHFA during the loan term. Payments are over the term of the loan and do not account for time-value of money. For ex, some loans will be issued in Year 10 and be fully repaid in Year 45.

5. Assumes Subordinate Loans have enough surplus cash flow to repay 1% interest annually and no principal on each project. Calculates interest for 35 years. Loan expected to have term of 55 years.

6. Estimates 5 bond issuances every 3 years: beginning in 2025, with 5th issuance in 2037. Each Bond Issuance spent over 3 years. Assumes units financed per Bond Issuance are spread equally over 3 years.

7. The first 2 years of a project are assumed to be construction period, with no interest or principal payments.  Revenue projection does not include any conduit bond issuer, loan origination, monitoring, or other fees.

# BAHFA PROGRAM DESCRIPTION

## PRESERVATION: ANTI-DISPLACEMENT AND PRESERVATION PROGRAM

*— DRAFT —*

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| **Program Objectives** | The objectives of BAHFA's Anti-Displacement and Preservation Program (the "Program") are to:<br>• **Support BAHFA's Legislated Preservation Goals.** A minimum of 15% of Regional Housing Revenue[1] ("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.<br>• **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 and stabilization of:<br>  ○ **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[2]." As these properties come up for sale, they are often targeted for acquisition by |

[1] 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.
[2] The Equity Framework refers to currently Unregulated Properties as existing unsubsidized housing.

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."

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

- **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 have to 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.
- **Advance Equity Goals.** The Program will invest in projects that support achievement of the Equity Framework's Preservation (P) and Cross-Cutting (CC) Objectives. The Program 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

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| | without intervention could be converted to market-rate housing and result in displacement of lower-income residents.<br><br>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 and residents of Equity Priority Communities ("EPCs") and other marginalized communities.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>CC4. **Commit to ongoing, meaningful, and equitable engagement**. Advance community participation among |

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| | 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.<br><br>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 not contemplated in AB 1487 or would be difficult to fund with likely fund sources (e.g., general obligation bond).<br><br>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 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. |
| **Current Financing Overview** | Project-by-project, specific financing needs will vary. In general, however, sources commonly used for Preservation Properties include:<br><br>• **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.<br><br>• **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

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| | 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.<br><br>• **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," with the following findings:<br><br>• 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.

**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

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| | 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.<br>○ 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 1** below.<br>○ 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 |

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| | possible if MOHCD funding were required to be in place at closing.<br>• Elsewhere across the Bay Area, similar programs have been explored; however, these efforts have seen only limited traction. For example:<br>○ 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.<br>○ 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.<br>○ 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.<br>○ 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.<br>• At a state-wide level:<br>○ 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. |

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| | ◦ 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 the risk of foreclosure, currently in the foreclosure process, or at foreclosure auction.<br>• 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.<br>• 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.

**Table 1: 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

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| **Opportunities for BAHFA** | BAHFA has a region-wide opportunity to provide both permanent senior loans and subsidy loans for Preservation Properties.[3] BAHFA also has an opportunity to provide fast-acting, early-stage acquisition, rehabilitation/stabilization, and predevelopment funding to these projects, or to partner with existing CDFIs to deliver this product. |
| **Proposed Funding Products** | BAHFA's proposed funding products for the Program are intended to be responsive to the regional financing needs and opportunities identified for Preservation Properties, including both Unregulated Properties and Expiring Use Properties.<br><br>All units receiving BAHFA financing will have recorded long-term affordability restrictions for a minimum 55 year term.<br><br>**<u>Permanent Financing</u>**<br><br>• **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<br>  ○ BAHFA role: Lender<br>  ○ Anticipated term: 55-57 years<br>  ○ Anticipated interest rate:<br>    ▪ For Residual Receipts Loans: Concessionary; payable from surplus project cash flow with unpaid interest deferred and accruing; balance due at loan maturity/property sale/refinance.<br>    ▪ For Subordinate Loans: Below-market interest rate; must-pay, "hard" debt service serviceable from |

[3] 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 Anti-Displacement and Preservation Program may include smaller properties with as little 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 (see Funding Scenarios: Re-Capitalization).

project cash flow. Required payments may also include principal amortization.

- Funding amount: Remaining amount of project funding need after permanent senior loan is sized, up to $[300,000] per unit for projects determined to be a high priority based on their meeting criteria to be established by BAHFA. Alternatively, remaining amount of project funding need, up to $[200,000] per unit, for projects receiving matching subsidy funding from the local jurisdiction.
- Funding source: RHR

- **First Mortgage Loans**
    - BAHFA role: Lender (also, Seller-Servicer and/or Issuer; see “Recapitalization” under Funding Scenarios, below)
    - Anticipated terms: Up to [40] year loan term; fully self-amortizing over the term
    - Anticipated interest rate: Below-market or market
    - Funding amount: Sized to minimum [1.15] debt service coverage ratio (DSCR) from property stabilization; BAHFA may underwrite to higher minimum DSCR on project-by-project basis
    - Funding source: RHR

**Acquisition and Rehabilitation/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 or during rehabilitation) and remain as a permanent loan.
- **Acquisition/Rehabilitation Loans** for Unregulated Properties and, for Expiring Use Properties, **Acquisition/Stabilization-to-Permanent Loans**.
    - BAHFA role: Lender; or, partner with a CDFI that provides acquisition/rehabilitation financing, repaid when BAHFA funds the permanent financing.

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| | ○ Anticipated terms: Acquisition/Rehabilitation loan funds all eligible project costs for [2-3] years from property acquisition through completion of construction, including predevelopment; converting to First Mortgage and Subsidy Loan after construction completion. For Expiring Use Properties, properties may close directly into a single Acquisition/Stabilization-to-Permanent loan with an up to [40] year term, proceeds from which can be used to fund eligible costs including acquisition and rehabilitation and can remain as a permanent loan once rehabilitation is complete; alternatively, for projects expected to be refinanced after acquisition with other permanent funding sources, e.g. LIHTCs or HUD rental assistance, BAHFA may provide a shorter-term loan up to [5] years if needed to provide for building stabilization while accommodating applications to and refinancing with those other funding sources.<br>○ Anticipated interest rate: Below-market, if provided by BAHFA; CDFI-established lending rates, if provided by CDFI. Interest-only during rehabilitation/stabilization period, and may be capitalized into loan amount.<br>○ Funding amount: Up to [100]% of eligible costs<br>○ Funding source: RHR |
| **Funding Scenarios** | If $2 billion in RHR becomes available to BAHFA, a minimum of 15% or $300 million would be allocated to Preservation. Assuming $300 million is allocated to this Program and drawn via five bond issuances at three-year intervals, $60 million would be drawn per issuance and the entire $300 million within 12 years of initial issuance. This schedule could be accelerated if the region expends funds more quickly.<br>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.<br>Several options for how BAHFA could seek to do so are outlined below, and are all subject to further development and evaluation by BAHFA and its consultant team. The **Baseline** scenario assumes BAHFA is unable to leverage *any* funding aside from RHR. The **Permanent Lender** scenario utilizes CDFIs to fund *and* staff projects through completion of rehabilitation, while the **Re-capitalization** scenario would allow BAHFA to |

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| | access the capital markets to sell stabilized loans and generate a new source of revenue to provide additional loans.<br>• **Baseline.** BAHFA funds the Program entirely from RHR.<br>  ○ Pros: BAHFA controls all aspects of the Program. BAHFA can set the interest rate and terms on all financing it provides, earns 100% of the construction and permanent period interest rate charged, and receives all repaid principal.<br>  ○ Cons: Least accelerated, least leveraged, and most operationally-intensive scenario. RHR is a scarce resource and it would need to use funds for early-stage acquisition and rehabilitation financing in addition to providing permanent financing. Requires BAHFA to have the staffing and capacity to move very quickly to underwrite and provide acquisition financing when needed at closing. Requires BAHFA to have construction-loan administration capacity for rehabilitation component of financing.<br>• **Permanent Lender.** BAHFA provides permanent financing, funded entirely from RHR, and partners with CDFIs to deliver acquisition and rehabilitation financing.[4]<br>  ○ Pros: BAHFA can focus its capacity and available RHR on providing permanent financing, on which it can set the interest rate and other terms, and earns 100% of the permanent period interest rate charged and receives all repaid principal. Leverages existing, regional CDFI capacity to underwrite projects and provide early-stage, short-term bridge financing for acquisition on an expedited basis and to monitor rehabilitation. Accelerates anti-displacement and preservation activity by making it possible for CDFIs to begin originating early-stage financing to priority projects as soon as a source of RHR (such as a general obligation bond) is approved, perhaps 12 months in advance of BAHFA having the RHR needed for permanent financing in hand. |

[4] Expiring Use Projects allocated private activity bonds as a part of their re-capitalization will need to be refinanced through the issuance of bonds. If BAHFA does not issue these bonds, or cannot do so due to limitations on its bond issuance powers, an authorized issuer will need to do so and BAHFA's permanent financing for that project will need to be coordinated with that issuer.

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| | ○ Cons: Depends on CDFI partners to implement early-stage financing program in accordance with BAHFA policy and priorities. CDFIs earn construction period interest instead of BAHFA. Possibility of over-subscribed permanent financing programs and/or additional project carry costs if CDFIs originate more early-stage financing than can be repaid from BAHFA's RHR available for permanent financing; or if RHR availability for bridge loan takeout is delayed.<br>• **Re-Capitalization.** Same as above, either "Baseline" or "Permanent Lender"; in addition, BAHFA warehouses whole, senior mortgage loans it has funded from RHR until they have seasoned and the corresponding projects have completed their rehabilitation, are fully leased-up, and stabilized. At that time, BAHFA packages and re-sells all or a portion of its permanent Program loan portfolio to third parties, for example to Fannie Mae or Freddie Mac pursuant to a multifamily seller-servicer program, subject to meeting program project, loan, and seller-servicer eligibility criteria; to another purchaser(s); or issues bonds secured by Program loan revenues. All projects will have minimum 55 year recorded affordability restrictions which will remain with the project upon sale of the loans.<br>○ Pros: BAHFA can re-capitalize the Program, using any proceeds from the sale of loans or from bond issuance to make additional Program loans. Subject to the mechanics of the specific execution and the terms available from loan and/or bond purchasers, BAHFA may also be able to continue to collect fees, spread, and other revenues from the loan portfolio.<br>○ Cons: At time of loan sale/bond issuance, the Program loan portfolio will need to conform to all purchaser requirements—including minimum debt service coverage ratio, maximum loan to value, maximum term and amortization provisions, timely reporting, and more. To the extent BAHFA has loans, projects and/or borrowers that do not, or cannot reliably, meet these requirements, they may need to be excluded from the re-capitalization. Total proceeds to BAHFA from a re-capitalization will depend on BAHFA loan terms, restrictions, performance, and market conditions; for example, if required market yield is greater than the interest rate on BAHFA's loan portfolio, then |

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| | purchasers will require a discount to par; other jurisdictions have reported that some of their loans are structured with terms that would result in only "pennies on the dollar" in proceeds if sold or securitized. For BAHFA it would only make sense to pursue a recapitalization for buildings that have healthy cash flow due to strong rental revenue from likely relatively higher-income tenants, and not for lower-revenue buildings with vulnerable residents for whom BAHFA could not guarantee continued stabilized occupancy in a well-maintained building notwithstanding its deed restriction. In addition, any sale of a loan would need to be done in cooperation with the building owner, which likely would be a community-based organization. If BAHFA is acting as a seller-servicer, it will need to meet all operational, staffing, financial, and other criteria to qualify for, be accepted into, and be eligible to continue to participate in the seller-servicer program. BAHFA's ability to pursue a Program re-capitalization via a bond issuance is subject to BAHFA's establishing its power to issue project revenue bonds.<br><br>See **Table 2** below for a comparison of the Baseline and Permanent Lender scenarios. Scenarios assume the acquisition and rehabilitation of an Unregulated unit (which would be multiplied by the number of units in the building), financed with a Subsidy Loan and First Mortgage Loan provided by BAHFA at a below-market interest rate. |

**Table 2: Preservation Lending Scenarios**

| **Preservation: Lending Options for BAHFA; Units Financed with Regional Housing Revenue** | **Baseline:** BAHFA provides First Mortgage and Subsidy Loan from GO Bonds during construction and permanent. | **Permanent Lender:** BAHFA provides First Mortgage and Subsidy Loan from GO Bonds for permanent period only. Construction funded by CDFI. |
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| **Sample Unit[1]:** | | |
| Unit Cost | $500,000 | $500,000 |
| 1-BR Unit Monthly Rent (Santa Clara Cty) | $1,896 | $1,896 |
| Monthly Operating Expenses/Unit | ($625) | ($625) |
| Monthly NOI/Unit at 60% AMI | $1,271 | $1,271 |
| Available for Debt Service | $1,059 | $1,059 |
| First Mortgage @ 1.20 DSCR | $221,000 | $221,000 |
| DSCR | 1.20 | 1.20 |
| Interest Rate | 4.0% | 4.0% |
| Term | 30 | 30 |
| Amortization | 30 | 30 |
| Subsidy Loan | $279,000 | $279,000 |
| **BAHFA RHR Funding/Unit** | **$500,000** | **$500,000** |
| **Sample Portfolio:** | | |
| Total RHR Available for Preservation Program[2] | $300,000,000 | $300,000,000 |
| **Units financed by BAHFA** | **600** | **600** |
| **RHR Principal Repaid to BAHFA (First Mtgs)[3]** | **$132,600,000** | **$132,600,000** |
| **Interest Paid to BAHFA (First Mtgs)[3]** | **$100,602,965** | **$95,298,965** |
| | | |
| RHR Available Per Bond Issuance[4] | $60,000,000 | $60,000,000 |
| **Units financed per Bond Issuance** | **120** | **120** |
| **Principal Repaid in first 5 Years** | **$1,621,483** | **$1,621,483** |
| **Interest Repaid in first 5 Years[5]** | **$5,210,938** | **$3,442,938** |

**Table 2 Assumptions:**

1. Sample Unit uses 2022 60% AMI rents and estimated acquisition/rehabilitation cost in Mountain View/Santa Clara County.
2. "RHR" is the total estimated Regional Housing Revenue that BAHFA would allocate to Program, estimating 5 equal bond issuances every 3 years (15 years).
3. Assumes only First Mortgage Loans are repaid (and not Subsidy Loans) over the term of each loan. Amount is the sum, does not account for time-value of money. For example, some loans will be issued in Year 10 and be fully repaid in Year 40.
4. Estimates 5 GO bond issuances, one every 3 years: beginning in 2025, with 5th issuance in 2037. Proceeds of each GO bond issuance assumed to be spent over 3 years. Assumes units financed per GO bond issuance are spread equally over 3 years. (For example, in the above scenarios, 40 units financed in each 2025, 2026, and 2027.)
5. The first 12-18 months of project is assumed to be construction period, with capitalized interest and no principal payments. Baseline scenario incorporates interest received during construction period. Revenue projection does not include any loan origination, monitoring, or other fees.

# BAHFA Program Description: 2022-2032

## Protections: Tenant Protections and Homelessness Prevention Program

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| **BAHFA Role and Program Objectives** | 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. BAHFA's Protections Program (the "Program") seeks to fill those gaps in support of jurisdictions and tenants. The Program will support both "tenant protections" and "homelessness prevention."<br><br>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.<br><br>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.<br><br>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. Near- and longer-term goals are described below. |

Near-Term Tenant Protections Objectives:

- **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. BAHFA anticipates beginning this work in 2023, which will include:
    - 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:

- **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 (see Funding Strategies section for an overview of other potential funding sources). BAHFA will pursue the following homelessness prevention objectives based on that need:

<u>Near-Term Homelessness Prevention Objective:</u>

- **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.

<u>Longer-Term Tenant Protections and Homelessness Prevention Objective:</u>

- **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.

<u>Throughout All Program Interventions:</u>

- **Advance Equity Goals.** BAHFA is committed to advancing equity through its Protection Program and to achieving the Equity Objectives identified in the Equity Framework. The Protection Program objectives were designed with the Equity Objectives in mind, as were the potential funding sources detailed later in the document. The Program will seek to:
    1. **Increase access to tenant services.** Deploy BAHFA funding to organizations with a track record of preventing displacement and improving tenant quality of life, such as legal assistance, counseling and advice, rental assistance, and enhanced relocation assistance.
    2. **Support tenant education and advocacy.** Invest in training, education, advocacy, and outreach that raises awareness of tenants' rights and community resources available to support housing stability. Support tenant associations and similar organizations that reduce power disparities between renters and property owners.
    3. **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 ELI, residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures – are prioritized.

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| | 4. **Ensure adequate funding for tenant protections.** For BAHFA revenue sources that prohibit expenditures on Protections (e.g., GO 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.<br>5. **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.<br><br>As described above, 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** which outlines the priority programs it will create pending available funds. Therefore, while BAHFA plans to advance all areas the Equity Objectives, some may be prioritized in the near-term according to Program needs and funding availability. |
| **Landscape Analysis: Existing Conditions** | In 2019, the Bay Area had over 1 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.[1]<br><br>**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 |

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

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).

**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

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| | 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.[2]<br>• 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 AB 1482 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.[3]<br>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:<br>● Production and preservation of more affordable housing targeted to extremely low-income and formerly homeless households;<br>● 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;<br>● 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<br>● 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 |

[2] "Rising Housing Costs and Resegregation in the San Francisco Bay Area." Urban Displacement Project, 2018.
[3] "Rising Rents, Not Enough Data: How a Lack of Transparency Threatens to Undermine California's Rent Cap." The Terner Center, September 28 2022.

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| | (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.<br><br>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.<br><br>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 in order to terminate a tenancy and also limits annual rent increases.<br><br>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.<br><br>**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.<br><br>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. |

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| **Funding Strategies** | While AB 1487 states that a minimum of 5% of BAHFA revenues 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 (general obligation bonds and commercial linkage fees). As a result, BAHFA will need to consider several strategies to fund these critical activities. Sources and strategies may include:<br><br>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 use at least 5% of the GO bond revenues for these purposes. Assuming the success of a $10 billion measure, this equates to $500 million across the region. For BAHFA, available resources would total $100 million. With bond funding allocated in approximately 5 tranches, this translates to about $20,000,000 from each bond issuance for tenant protections/homelessness prevention activities just for BAHFA, or approximately $7M annually over a 15-year period.<br>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.<br>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.<br>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 |

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| | 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.<br>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.<br>See **Table 1** Draft Protections Program Budget below, which prioritizes potential programs based on near-term funding availability. |

**Table 1: 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.

| Program | Activities and Description | Budget Amount and Sources | Timeline |
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| **Tenant Protections Regional Research, Coordination, and Technical Assistance: Help solve for the lack of coordination and support for a regional lens on tenant protections.** | Contract with qualified firm(s) to gain knowledge about opportunities and challenges relating to tenant protection programs.<br><br>Findings will support regional interventions supporting tenant protections, including eviction diversion and mediation, right to counsel, and tenant outreach and education programs.<br><br>BAHFA will ensure coordination with other MTC/ABAG research and technical assistance efforts. | *Total cost:* $150,000<br><br>*Sources:*<br>• BAHFA pilot funds: $130,000<br>• Fundraised private funds: $20,000 | 2023-2024 |
| | In response to requests and need for more collaboration and learning between jurisdictions, BAHFA will regularly convene stakeholders working on tenant protections to:<br>• Share promising practices and research<br>• Discuss available funding sources and how to maximize funding | *Total cost:* $10,000 annually<br><br>*Sources:*<br>• In-lieu costs (e.g., event space, staffing) provided by BAHFA<br>• Other costs covered by fundraised private funds | 2023-2032 |

| Program | Activities and Description | Budget Amount and Sources | Timeline |
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| | • Build a shared vision and priorities for regional and state tenant protections<br><br>*Note:* This activity may evolve over time in response to needs of the region. | | |
| | Through the MTC Regional Planning Program (RPP), provide regional technical assistance on tenant protections (as part of the "3Ps").<br><br>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.<br><br>*Note: Significant inter-agency coordination for this technical assistance project is currently underway and new activities are expected to launch in 2023.* | *Total cost:* Approximately $15 million program budget, though TBD how much funding will be focused on Protections (vs the other "Ps").<br><br>*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. | 2023-2026 |

| Program | Activities and Description | Budget Amount and Sources | Timeline |
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| **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. | 2022-2032 |
| **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:<br><br>1) Improve eviction outcomes for tenants in pre-eviction and eviction proceedings.<br>2) Increase tenant knowledge of existing rights and responsibilities.<br><br>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.<br><br>*Sources:*<br><br>• Revenue from lending programs projected to be up to $2M per year after the initial start-up years.<br>• Private funds to be determined. | 2025-2032 |
| **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 | • 2024 GO bond (if statewide amendment also approved): A minimum of $5M annually. | 2025-2032 |

| Program | Activities and Description | Budget Amount and Sources | Timeline |
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| | 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.<br><br>BAHFA anticipates that this support would complement the jurisdiction's deployment of new resources generated by the regional ballot measure. | • BAHFA funds to be complemented by local jurisdiction funding, e.g., regional bond funds returned to source. | |

# BAHFA PROGRAM DESCRIPTION

## INNOVATION PROGRAM

*— DRAFT —*

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| **Program Objectives:** | The objectives of BAHFA's Innovation Funding Program (the "Program") are to:<br>• **Support BAHFA's Legislated Production and Preservation Goals.** A combined minimum 67% of Regional Housing Revenue[1] ("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"), while an additional 18% may be used for Production, Preservation, or Protections (or a combination of). 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.<br>• **Expand the Range of Financeable Projects.** Much housing development across the region is driven by the requirements of major funding programs, especially the low income housing tax credit (LIHTC). 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.<br>• **Avoid Competitive Bottlenecks in Current State Funding Programs.** While the Innovation Program's goals include encouragement of new housing delivery methods, finding such methods is imperative, given the current scarcity of affordable housing's principal funding sources: |

[1] 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.

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| | tax-exempt bonds and tax credits. Building at scale will be impossible without innovation, given the current over-subscription of those sources.<br>• **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 with "Efficient Delivery":<br>○ Reduce project costs: A core objective of the Program is to reduce project costs. Cost reductions could be achieved through a faster pace of development, lower-cost land, innovative construction, and other techniques.<br>○ Deliver projects at a faster time to market: An additional core objective of the Program is to achieve faster time to market (acquisition and/or construction through lease-up) by supporting projects that benefit from, 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.<br>• **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.<br>• **Advance Equity Goals.** The Program will invest in projects that support achievement of the Equity Framework's Production, Preservation, and Cross-Cutting Objectives. These objectives are further outlined in BAHFA's Program Descriptions for its Multifamily Rental Production Program and its Anti-Displacement and Preservation Program. In particular, by producing more housing that's 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 Production Objectives of producing |

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| | more affordable housing including for ELI households. Further by not relying on tax credits as a funding source (which currently prioritize investments in “high opportunity” census tracts), the Program will allow for more flexibility to invest in communities identified in the Equity Framework such as those that have been historically disinvested in. |
| **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.[2] 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.<br><br>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 highly oversubscribed.<br><br>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.<br><br>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 |

[2] 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 and Regional Anti-Displacement and Preservation Program descriptions.

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| | 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.<br><br>The Program will expand the region's affordable housing pipeline, and expand the universe of projects that are possible, by making additional, non-tax-credit development pathways viable. |
| **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:<br><br>– **Various programs in Los Angeles**, at both the city and county level:<br>    – **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.<br><br>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. As of 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 1 is expected to be completed within 30 months of award. Positively, of the six projects under construction, the average cost of the Housing Challenge units is 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):

- 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 Innovation Programs include: 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.

- **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 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 2 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 has not yet been posted.

- **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 established the California Investment and Innovation Program 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.

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| | – **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.<br>– **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 |

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| | adaptive re-use; such a funding source, if it were to become available, could augment any funding BAHFA provides for this purpose.<br><br>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 / Proposed Funding Products** | Through the Program, BAHFA will support production and preservation projects outside of the traditional financing models and support the delivery of housing that is cost-effective and on a faster timeline to meet the region's housing needs. While BAHFA's other funding programs for production and preservation seek to leverage other financing sources, this Program aims to exclusively support projects that can be developed at significantly lower cost and delivered to the market at a faster timeline.<br><br>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); 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.<br><br>**The principal product BAHFA intends to deliver through the Program is:**<br><br>• **Innovation Loan for Efficient Delivery**: Flexible financing to pay for all eligible acquisition, construction, and predevelopment costs until building completion and stabilization. The loan is anticipated to be paid down to the extent possible from permanent sources at building stabilization, but any remaining balance thereafter can remain as a permanent source. |

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| | ○ BAHFA role: Lender<br>○ Anticipated terms: Funds all project predevelopment costs, acquisition costs, through construction/rehabilitation completion, up to $[450,000] per unit. Preference will be given for projects that are able to repay BAHFA's acquisition/construction loan, though, if necessary, a portion of BAHFA's loan may convert to a permanent loan (either or both a first mortgage and subsidy loan). The maximum subsidy loan BAHFA will provide to a project is $[200,000] per unit. Max term 55-57 years from stabilization.<br>○ Anticipated interest rate: Below-market, underwritten to support project's feasibility.<br>○ Funding amount: Up to 100% of eligible project costs.<br>○ Funding source: RHR<br>○ Repayment source: Preference will be given to projects that can credibly demonstrate availability of capital or long term operating or rent subsidies, and/or an abatement lease, and/or other sources that would reduce the upfront subsidy loan needed from BAHFA, or maximize repayment of the loan over time.<br><br>In addition, BAHFA intends to provide through the Program the following products to support alternative delivery mechanisms for mixed-income housing and for adaptive re-use:<br><br>• **Affordable Unit Buy-Down**: Payments of up to $[250,000] per unit in exchange for 55-year deeded affordability restrictions on units in otherwise market-rate developments. 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.<br>• **Adaptive Re-Use Loan**: Same as the Innovation Loan for Efficient Delivery, but with higher permitted maximum per-unit total development cost and an allowance for an extended development timeframe, subject to the specific requirements of the project. |

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| | **Additional product types (for example, guarantees) may be made available as needed to support additional innovative cost- and time-saving approaches, subject to meeting BAHFA's legislated Production and Preservation requirements, the requirements of BAHFA's available funding sources (e.g., GO Bonds), and alignment with BAHFA's equity and other programmatic objectives.**<br><br>Note that BAHFA's Innovation 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.<br><br>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 can repay all or a portion of BAHFA's early-stage financing with some combination of: higher in-place rents, local jurisdiction capital subsidies, local jurisdiction operating subsidies, local jurisdiction abatement lease (lease payments from which can be applied to servicing permanent debt service). |
| **Funding Scenarios** | As stated above, 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 Regional Anti-Displacement and Preservation Program. Assuming $2 billion in RHR becomes available to BAHFA pursuant to a GO bond measure, up to $1.7 billion would be available for Production and Preservation Programs, in five anticipated tranches of $340 million per issuance. Depending on demand for the Innovation Program, compared with demand for its other production and preservation funding programs, BAHFA may be limited in its initial years to only supporting a few projects per issuance through the Program. Conversely, current economic conditions and leveraged funding availability could result in the Program supporting several times that.<br><br>In addition, while BAHFA's funds provided through the Program will be flexible and are able stay in the project long-term if needed, a portion of |

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| | funds provided as early-stage, construction financing ideally will be repaid, and BAHFA will be able to revolve these funds to support additional projects.<br><br>See **Table 1** for an example of units financed by BAHFA if 18% of RHR was allocated to the Innovation Program, and it provided acquisition/ construction loans only, or if BAHFA also provided all or a portion of the permanent subsidy loan needed at various income (AMI) ranges for Efficient Delivery of new units. See **Table 2** for an example of units financed within a project under the Affordable Unit Buy-Down or Adaptive Re-Use program. |
| **Program Procedures and Criteria** | Projects requesting an Innovation Loan for Efficient Delivery pursuant to the Program must meet the following criteria, among other standard underwriting criteria that will be further outlined:<br><br>• Project Cost: Projects must indicate that their total development cost does not exceed the lesser of $[500,000] per unit (depending on bedroom count and capitalized operating subsidy needs) or [80]% of a comparable project's cost. Projects must also demonstrate that at permanent financing conversion, the amount of Program funding required to stay in the project is minimized, and that the project is utilizing resources from other sources and/or the jurisdiction, thereby demonstrating the project's ability to repay the Program's Innovation Loan to the greatest extent possible.<br>• Development timeline: In their response, the project's sponsor must indicate how they intend to 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 [3] 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.<br><br>Adaptive Re-Use projects demonstrating strong alignment with BAHFA's other programmatic and equity objectives may have higher per-unit costs and longer development timelines that would need to be evaluated on a project-by-project basis, due to the unique costs and complexities of these deals.<br><br>Per-unit cost and development timeline requirements would not apply for the Affordable Unit Buy-Down product, which would instead be calculated and made available as described above. |

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| **Equity Framework Implementation** | This Program, like BAHFA's other funding programs, will align with the Equity Framework by prioritizing projects that meet specific Equity Objectives, including, but not limited to:<br>• Housing that serves highly impacted households and communities, such as permanent supportive housing for individuals experiencing homelessness and those at risk of homelessness;<br>• Projects that build climate and environmental justice goals into design and construction specifications and that are located near transit.<br>• Projects sponsored by local, emerging developers and projects that reflect strong community support.<br><br>In addition, by requiring that projects receiving funding through the Program also incorporate financing from the jurisdiction, BAHFA is able to ensure that it remains aligned and coordinated with the public priorities of jurisdictions as well.<br><br>BAHFA recognizes that the priorities outlined above may be in conflict with the Program's cost and timing criteria. For example, certain elements of efficient, clean energy design may drive up unit costs. And while BAHFA will look to prioritize projects that incorporate ELI and/or PSH units, without federal or state resources such as tax credits, these projects become more expensive for the local jurisdictions and BAHFA to fund. In addition, PSH units require operating subsidy that BAHFA is not able to provide from RHR. Local jurisdictions, therefore, must have a source for this funding. For jurisdictions without the ability to provide services and operating subsidies required for PSH/ELI developments, successful projects are still viable, just at higher, workforce AMI levels. |

**Table 1: Innovation Lending Scenarios – Efficient Delivery: Lower cost, faster to market**

- **Scenario 1:** BAHFA provides low interest construction loan covering project's development costs, and is repaid upon lease up of units.
- **Scenario 2a:** 100% of units are PSH. Due to low tenant rent payments, project can't support annual supportive services costs and other operating expenses without a capitalized services reserve, and annual rent subsidies provide by Local Jurisdiction. BAHFA and Local Jurisdiction partner to provide remaining funding as an upfront Subsidy Loan.
- **Scenario 2b:** 100% of units are PSH. As an alternative to 2a, Local Jurisdiction provides a larger annual rent subsidy/lease payment to reduce its upfront costs and support a larger first mortgage. Supportive services are paid over time, and BAHFA provides upfront Subsidy Loan.
- **Scenario 3a**: 25% of units are PSH. Annual supportive services costs for PSH units are capitalized as an upfront project cost. BAHFA and Local Jurisdiction partner to provide upfront Subsidy Loan.
- **Scenario 3b**: 25% of units are PSH. As an alternative to 3a, Local Jurisdiction provides an annual lease payment to support operations and a larger first mortgage, while BAHFA provides upfront Subsidy Loan.
- **Scenario 4a**: Units are for tenants between 60%-80% AMI. Income from higher rents allows project to support its operating expenses and a first mortgage. BAHFA and Local Jurisdiction partner to provide upfront Subsidy Loan.
- **Scenario 4b**: Units are for tenants between 60%-80% AMI. As an alternative to 4a, Local Jurisdiction provides an annual lease payment to support a larger first mortgage, while BAHFA provides upfront Subsidy Loan.

| Innovation: Lending Options for BAHFA; Units Financed with Regional Housing Revenue | Scenario 1: Acquisition/ Construction Only | Scenario 2a: Studios, 100% PSH Units | Scenario 2b: Studios, 100% PSH Units | Scenario 3a: Studios, 25% PSH Units | Scenario 3b: Studios, 25% PSH Units | Scenario 4a: 1&2 BRs, 60-80% AMI Units | Scenario 4b: 1&2 BRs, 60-80% AMI Units |
|---|---|---|---|---|---|---|---|
| **Sample Project[1]:** | | | | | | | |
| Project Cost (at Permanent)[2] | $40M - $50M | 50,500,000 | 40,000,000 | 45,000,000 | 40,000,000 | 47,500,000 | 47,500,000 |
| Units | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| % PSH Units (30% AMI) | 0% - 50% | 100% | 100% | 25% | 0% | 0% | 0% |
| Unit AMIs | 30% - 80% AMI | 30% | 30% | 30% - 70% | 30% - 70% | 60% - 80% | 60% - 80% |
| Annual NOI/Project[3] | N/A | 434,500 | 1,937,000 | 473,000 | 1,757,500 | 1,529,825 | 2,954,825 |
| First Mortgage @ 1.15 DSCR | N/A | $5,441,000 | $24,258,000 | $5,923,000 | $22,010,000 | $19,159,000 | $37,005,000 |
| First Mortgage Interest Rate | 3.0% (construction) | 6.13% | 6.13% | 6.13% | 6.13% | 6.13% | 6.13% |
| Term | 2 | 35 | 35 | 35 | 35 | 35 | 35 |
| Amortization | N/A | 35 | 35 | 35 | 35 | 35 | 35 |
| Construction Financing Need from BAHFA[4] | $38.5M - 46M | 38,500,000 | 38,500,000 | 39,000,000 | 38,500,000 | 46,000,000 | 46,000,000 |
| Annual Rent Subsidy/Lease Payment from Local Jurisdictions[5] | | 1,050,000 | 3,000,000 | - | 1,000,000 | - | 1,500,000 |
| Subsidy Loan Need for Permanent period | N/A | **45,058,412** | **15,741,413** | **39,077,000** | **17,990,000** | **28,341,000** | **10,495,000** |
| **Total Subsidy Loan/Unit** | N/A | **450,584** | **157,414** | **390,770** | **179,900** | **283,410** | **104,950** |
| **BAHFA Subsidy Loan/Unit** | - | **shared - 225,292** | **157,414** | **shared - 195,385** | **179,900** | **shared - 141,705** | **104,950** |
| **Sample Portfolio:** | | | | | | | |
| Total RHR Available for Innovation Program[6] (18%) | $360,000,000 | $360,000,000 | $360,000,000 | $360,000,000 | $360,000,000 | $360,000,000 | $360,000,000 |
| | | | | | | | |
| RHR Available Per Bond Issuance[7] | $72,000,000 | $72,000,000 | $72,000,000 | $72,000,000 | $72,000,000 | $72,000,000 | $72,000,000 |
| **Units financed in first Bond Issuance[8]** | **374** | **265** | **298** | **277** | **287** | **265** | **277** |
| **Units financed in first 5 Years (2 Bonds Issuances)** | **748** | **484** | **550** | **507** | **527** | **496** | **527** |
| **Construction Loans Repaid to BAHFA in first 5 Years** | $216,000,000 | $173,867,459 | $186,561,514 | $179,928,923 | $182,356,364 | $193,820,087 | $199,573,043 |
| **Construction Interest Repaid to BAHFA in first 5 Years** | **$9,828,000** | **$7,022,432** | **$7,766,509** | **$7,366,843** | **$7,510,351** | **$8,231,203** | **$8,619,780** |
| **Interest Repaid in first 5 Years (Subordinate Loans)** | **$0** | **$111,647** | **$534,871** | **$122,745** | **$486,557** | **$423,534** | **$829,364** |

**Table 1 Assumptions**:

1. Sample Project uses 2022 rents between 30%-80% AMI in Alameda County.
2. Project Costs at Permanent ranges depending on number of PSH units which in some scenarios assume capitalized service subsidies on PSH units. Larger BR types (1 & 2BR) have higher cost/unit due to size.
3. Operating expenses are higher in PSH units due to replacement reserves and service needs. Some scenarios include annual rent subsidy/lease payment from local jurisdiction to support operating expenses and/or first mortgage debt service.
4. Project Costs at Construction are lower because operating and service reserves, and portion of developer fee are deferred until permanent loan conversion. Larger BR types (1 & 2BR) have higher construction cost/unit due to size.
5. Scenarios that have more 30% AMI units require an annual rent or operating subsidy; and/or an annual lease payment from local jurisdictions to increase the first mortgage and reduce upfront Subsidy Loan need.
6. Assumes 18% of RHR is allocated to Innovation Fund.
7. Estimates 5 bond issuances every 3 years: beginning in 2025, with 5th issuance in 2037. Each Bond Issuance spent over 3 years. Assumes units financed per Bond Issuance are spread equally over 3 years.
8. Unit financed in first bond issuance assumes buildings complete construction every 2 years: Units financed in Year 1, and once construction portion of loan is repaid, additional units financed in Year 3.

**Table 2: Innovation Lending Scenarios – Affordable Unit-Buy Down, and Adaptive Re-Use examples**

| Innovation: Funding Options | Affordable Unit Buy-Down | Adaptive Re-Use |
|---|---|---|
| **Sample Project:** | | |
| Total Units | 100 | 100 |
| Units Subsidized | 10 | 50 |
| % PSH Units (30% AMI) | - | - |
| Average Project AMI | 60-80% | 30-80% |
| Subsidy Loan Need[1] | 2,500,000 | 12,500,000 |
| Total Subsidy Loan/Unit | 250,000 | 250,000 |
| **BAHFA Subsidy Loan/Project** | **2,500,000** | **12,500,000** |

**Table 2 Assumptions**:

For "Affordable Unit Buy-Down", funding amount will be calculated based on NPV of reduced income to developer due to AMI/Rent restriction on the unit. For "Adaptive Re-Use", subsidy amount will be a per unit maximum, and may be coordinated with State funding if available.