BAHFA Program Description

Innovation Program

— DRAFT —

Program Objectives:	The objectives of BAHFA's Innovation Funding Program (the "Program") are to: • **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. • **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. • **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.

tax-exempt bonds and tax credits. Building at scale will be impossible without innovation, given the current over-subscription of those sources.

- **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":
  - 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.
  - 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.
- **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.
- **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

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

[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.

	to Develop Areas that provide a "basis boost," increasing the value of the tax credit by 30% compared with projects located in ineligible areas. The California Tax Credit Allocation Committee (CTCAC) scoring system also currently awards additional points to LIHTC projects that are located in highly-resourced Opportunity Areas, increasing their competitiveness to be funded, while de-prioritizing projects that would be located in areas that have high segregation and poverty. Although the methodology and role of opportunity mapping is currently undergoing re-assessment, and may be changed for later funding rounds, it currently means that many projects that are a priority for BAHFA—for example, projects that address systemic racism in housing and support wealth building but may be located in areas that are not assessed by CTCAC to be "high opportunity"—may need to be funded without leveraging tax credits. The 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: – **Various programs in Los Angeles**, at both the city and county level: – **Proposition HHH Housing Challenge.** In 2019, Los Angeles Housing and Community Investment Department (HCIDLA) set aside $120 million of LA City's $1.2 billion homeless housing bond funded from Proposition HHH for the construction of low-cost and innovative permanent supportive housing (PSH), including onsite services, for extremely low income (up to 30% of AMI) and very low income (up to 50% of AMI) households. The primary goal was to identify innovative construction and financing models to produce approximately 1,000 new supportive housing units within two years after receiving funding approval. Funding on the Housing Challenge projects ranged from $600,000 to $13 million and was in the form of a subordinate loan to projects. Eligible project costs included acquisition and/or construction related activities, and to be eligible for an HHH Housing Challenge award, projects had to meet criteria related to the project's cost efficiency and shortened construction timeline, incorporation of certain design

features and community engagement, and representation of innovation in meeting the city's homelessness crisis.

15 projects by six developers were awarded under the Prop HHH Housing Challenge program between May 2020 and June 2021, totaling 867 units and $96.4 million in HHH loans with an average award of $6.4 million per project. 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.

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

	adaptive re-use; such a funding source, if it were to become available, could augment any funding BAHFA provides for this purpose. In general, the above programs reflect the urgency to establish viable, scalable new models for creating and preserving affordable housing. Many of these programs focus on creating housing for especially vulnerable households and individuals that are, or are at risk of becoming, homeless; but innovative ideas from these and other efforts can be brought to bear on and scaled more sustainably, with less reliance on scarce operating and service funding, through their application to additional housing types such as rental housing for a mix of affordable income ranges.
Opportunities for BAHFA / 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. <u>It is anticipated that projects receiving funding from the Program will not expect to use tax credits.</u> 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. **The principal product BAHFA intends to deliver through the Program is:** • **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.

  - BAHFA role: Lender
  - 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.
  - Anticipated interest rate: Below-market, underwritten to support project's feasibility.
  - Funding amount: Up to 100% of eligible project costs.
  - Funding source: RHR
  - 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.

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:

- **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.
- **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.

	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. 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. 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. 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

	funds provided as early-stage, construction financing ideally will be repaid, and BAHFA will be able to revolve these funds to support additional projects. 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: • 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. • 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. 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. 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.

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: • Housing that serves highly impacted households and communities, such as permanent supportive housing for individuals experiencing homelessness and those at risk of homelessness; • Projects that build climate and environmental justice goals into design and construction specifications and that are located near transit. • Projects sponsored by local, emerging developers and projects that reflect strong community support. 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. 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.