

Date: March 22, 2023
W.I.: 1620
Referred by: BAHFA Oversight

ABSTRACT

Resolution No. 0028

This resolution authorizes the creation of two affordable housing programs, the Housing Preservation Pilot and the Priority Sites Predevelopment Pilot, as well as the associated grant of Regional Early Action Planning Grant 2.0 (REAP 2.0) proceeds and programmatic authority from the Metropolitan Transportation Commission (MTC) to the Bay Area Housing Finance Authority (BAHFA) for their implementation. By Resolution No. 4548, dated November 16, 2022, MTC authorized a request to California Department of Housing and Community Development (HCD) for its formula allocation of funds in an amount not to exceed \$102,842,103.03, which includes the estimated \$43,000,000 now authorized for program implementation by BAHFA.

BAHFA shall use the REAP 2.0 funding to implement 1) a Housing Preservation Pilot, at an estimated \$15,000,000; and 2) a Priority Sites Predevelopment Pilot, at an estimated \$28,000,000, including administrative staffing costs for both programs. BAHFA will administer the two affordable housing programs in accordance with the Terms and Underwriting Guidelines herein, as approved by HCD. This resolution delegates authority to the Executive Director or designee to implement such programs. For the Housing Preservation Pilot Program, this Resolution makes a determination under the California Environmental Quality Act (CEQA) that the Program is exempt from further environmental review, and for the Priority Sites Predevelopment Pilot, delegates certain CEQA responsibilities to the Executive Director or designee.

Further discussion of the REAP 2.0 allocation, the Housing Preservation Pilot, and the Priority Sites Predevelopment Pilot is contained in a memorandum to the BAHFA Oversight Committee dated March 9, 2023.

In addition, this Resolution provides authority for the Executive Director or designee to negotiate and execute agreements with Turner Center at UC Berkeley (\$5 million) and Housing Accelerator Fund (\$5 million), with the agreements providing for no payment will be made unless BAHFA receives a grant from MTC and/or HCD for such purposes.

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RE: Approval of the Housing Preservation Pilot and Priority Sites Pilot and Acceptance of Grant of REAP 2.0 Proceeds from MTC to BAHFA; Delegation of Authority to the Executive Director or Designee To Implement Such Programs; CEQA Determination: Housing Preservation Pilot is Exempt Pursuant to CEQA Guideline 15061(b)(3), Delegated CEQA Authority for the Priority Sites Pilot Program; Authority to Execute Agreements with Turner Center at UC Berkeley (\$5 million) and Housing Accelerator Fund (\$5 million)

BAY AREA HOUSING FINANCE AUTHORITY
RESOLUTION NO. 0028

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq.*; and

WHEREAS, MTC is the designated Metropolitan Planning Organization (MPO) for the nine-county San Francisco Bay Area region; and

WHEREAS, the California Department of Housing and Community Development (HCD) is authorized to provide up to \$510,000,000 to Metropolitan Planning Organizations and Councils of Government (“Applicant”) listed in Health and Safety Code Section 50515.08, subdivisions (a)(1)-(6) under the Regional Early Action Planning grants program (REAP 2.0), as detailed in Health and Safety Code Section 50515.08-10; and

WHEREAS, HCD issued a Notice of Funding Availability on July 26, 2022, for REAP 2.0 formula grants available to MPOs and Councils of Government and a Notice of Funding Availability on November 7, 2022, for REAP 2.0 Higher Impact Transformative (HIT) competitive grants; and

WHEREAS, MTC approved a request for an allocation of REAP 2.0 formula funds in an amount not to exceed \$102,842,103.03 by Resolution 4548 on November 16, 2022 and a request for REAP 2.0 HIT competitive funds in an amount not to exceed \$10 million by Resolution 4555 on January 25, 2023; and

WHEREAS, MTC further agreed by Resolution 4548 to use all such REAP 2.0 funds only for eligible activities as set forth in California Health and Safety Code section 50515.08(c)(1) and in accordance with REAP 2.0 requirements and guidelines, which include, among other activities, affordable housing preservation and affordable housing predevelopment funding; and

WHEREAS, Title 6.8 of the Government Code, commencing with Government Code Section 64510 (AB 1487, Chiu, October 8, 2019) creates the Bay Area Housing Finance Authority (BAHFA) with jurisdiction extending throughout the San Francisco Bay Area and provides that BAHFA shall be governed by the same board that governs the Metropolitan Transportation Commission (MTC); and

WHEREAS, per Government Code Section 64510(c), BAHFA's purpose is to raise, administer, and allocate funding and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production; and

WHEREAS, on March 22, 2023, MTC adopted Resolution No. 4565, which grants REAP 2.0 funds to BAHFA, for the Housing Preservation Pilot and for the Priority Sites Predevelopment Pilot, contingent upon MTC receiving the REAP 2.0 funds as requested by MTC Resolution No. 4548 and subject to applicable terms and conditions of the grant agreement to be executed between MTC and HCD for the REAP 2.0 funds; and;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with MTC Resolution No. 4565, BAHFA accepts from MTC the grant of REAP 2.0 funds for the Housing Preservation Pilot and for the Priority Sites Predevelopment Pilot, contingent upon MTC receiving the REAP 2.0 funds as requested by MTC Resolution No. 4548 and subject to applicable terms and conditions of the grant agreement to be executed between MTC and HCD for the REAP 2.0 funds ("MTC Grant"); and be it further

RESOLVED, a portion of the MTC Grant will be used to create and implement the Housing Preservation Pilot, subject to the terms and conditions contained in Attachment B, for the purpose of preventing displacement of low-income households by providing low-interest loans to

preserve unrestricted, occupied housing as permanent affordable housing through acquisition and rehabilitation; and be it further

RESOLVED, a portion of the MTC Grant will be used to create and implement the Priority Sites Predevelopment Pilot, subject to the terms and conditions as set forth in Attachment C, for the purpose of assisting affordable housing production by providing low-interest loans to developers and public agencies for predevelopment activities necessary to advance housing projects that provide deed-restricted affordable homes on sites identified by the Metropolitan Transportation Commission and Association of Bay Area Government as Priority Sites; and be it further

RESOLVED, that BAHFA will implement the Housing Preservation Pilot and Priority Sites Predevelopment Pilot in compliance with California Health and Safety Code section 50515.08(c)(1), all REAP 2.0 requirements and guidelines, all applicable state and federal statutes, rules, regulations, the Standard Agreement that will be executed by and between MTC and HCD for REAP 2.0 funding and MTC Resolution No. 4565; and be it further

RESOLVED, that the Executive Director or designee is authorized to enter into, execute, and deliver any and all other documents required or incidental to the grant of the REAP 2.0 allocation from MTC to BAHFA, including but not limited to, amendments HCD deems necessary to effectuate the grant of REAP allocation from MTC to BAHFA; and be it further

RESOLVED, that the Executive Director or designee is authorized to develop application forms and promulgate application requirements consistent with this Resolution and to enforce such requirements for the Housing Preservation Pilot and Priority Sites Predevelopment Pilot; and be it further

RESOLVED, that the Executive Director or designee is authorized to negotiate and execute loan agreements, regulatory agreements, and other agreements necessary and

incidental to the implementation of the Housing Preservation Pilot with subrecipients, and any amendments thereto, provided such documents are consistent with the terms and conditions of each program as adopted herein, and any such amendments are for the purpose of facilitating the extension of the duration of the affordability requirements; and

RESOLVED, that BAHFA finds the Housing Preservation Pilot is exempt from environmental review pursuant to CEQA Guideline 15061(b)(3) because there is no change to the existing environment given that the program's purpose is to preserve existing conditions for naturally occurring affordable housing, and to mitigate against the ongoing housing crisis, by reducing the possibility that low-income households would be displaced through unregulated rent increases if the property was sold to a for-profit developer; and be it further

RESOLVED, that for the Priority Sites Predevelopment Pilot, the Executive Director or designee is authorized to make the determination as to whether a project to be funded under this program is exempt from review under the California Environmental Quality Act (Cal. Pub. Resources Code, § 21000, et seq.) ("CEQA") and to take other actions as prescribed by CEQA Guideline 15025; and

RESOLVED, that the Executive Director or designee is authorized to negotiate and execute loan agreements, regulatory agreements, and other agreements necessary and incidental to the implementation of the Priority Sites Predevelopment Pilot, with subrecipients, and any amendments thereto, provided such documents are consistent with the terms and conditions of each program as adopted herein, and any such amendments are for the purpose of facilitating the extension of the duration of the affordability requirements; and be it further

RESOLVED, that the Executive Director or designee is authorized to negotiate and execute an agreement with Turner Center at University of California, Berkeley for an amount not to exceed \$5 million for the "Bay Area Builder's Lab" and an agreement with the Housing Accelerator Fund for an amount not to exceed \$5 million for the "Industrialized Construction Catalyst Fund", provided both agreements shall require that no payment under the agreement shall be made unless BAHFA has received a REAP 2.0 HIT grant from HCD and/or MTC for such purposes and authorized said expenditure. ____

RESOLVED, that this resolution shall be effective upon adoption.

BAY AREA HOUSING AUTHORITY

Alfredo Pedroza, Chair

The above resolution was entered into by the
Bay Area Housing Finance Authority
at a regular meeting held
in San Francisco, California, on March 22, 2023.

ATTACHMENT A

Summary of the Housing Preservation Pilot and Priority Sites Predevelopment Pilot, March 9, 2022 Joint Meeting, ABAG Housing and BAHFA Oversight Committees

ATTACHMENT B



BAY AREA HOUSING FINANCE AUTHORITY
REAP 2.0 Housing Preservation Pilot Program
DRAFT Terms and Underwriting Guidelines

<p>Program Description</p>	<p>To be funded with an anticipated \$15M in Regional Early Action Planning (REAP 2.0) Grant funding from the California Department of Housing and Community Development (HCD), the Program provides low-interest loans to mission-driven developers and community land trusts to acquire and rehabilitate unrestricted homes and convert them to permanently affordable housing.</p> <p>The Program’s goals are to prevent displacement of low-income households, to create a safe, stable, permanently affordable housing stock, and to support the financial health of residents, borrowers, and properties.</p> <p>In accordance with HCD’s REAP 2.0 Objectives, the Program will:</p> <ul style="list-style-type: none">• Accelerate infill development that facilitates housing supply, choice, and affordability• Affirmatively further fair housing• Reduce vehicle miles traveled
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	<p>Program-wide, BAHFA aims to preserve at least 60 homes and to fund at least three projects of various scales and tenure types throughout its jurisdiction.</p>
<p>Eligible Borrowers</p>	<p>Non-profit affordable housing developers, community land trusts, or joint venture partnerships that include such organizations. Borrowers must possess the following minimum experience:</p> <ul style="list-style-type: none"> • Borrowers must have successfully acquired, rehabilitated, owned, and operated at least one comparable project relative to the proposed project within the past five (5) years in the State of California, demonstrating their capacity to perform development and asset management. • Alternatively, Borrower may rely on the experience of a staff member or consultant that has completed at least three comparable projects.
<p>Eligible Projects</p>	<p>Acquisition only or Acquisition/Rehabilitation of existing occupied residential properties that are currently unrestricted and demonstrate some form of site control (see Application Requirements on page 7 below):</p> <ul style="list-style-type: none"> • While accounting for Program-wide goals and giving preference to unrestricted properties, BAHFA may consider properties that have current affordable regulatory agreements that are set to expire within 5 years and for which there is no feasible alternative funding plan. BAHFA may also consider unoccupied properties that serve community anti-displacement goals. • Mixed-use properties are eligible so long as two-thirds of the building square footage is used for residential uses. • BAHFA will consider funding ADU construction as part of an acquisition/rehab project if the ADU meets Regulatory Restrictions (see Regulatory Restrictions on pages 3-4) and

	<p>installation/construction demonstrates permitting and construction can begin promptly upon closing by submitting the following:</p> <ul style="list-style-type: none">○ Design proposals that use pre-approved plans or factory-built units○ Data or documentation from the applicable jurisdiction demonstrating support and track record for permitting ADUs○ Identification of an experienced contractor for construction○ Demonstration of financial resources to cover potential cost overruns, including contingencies. <p>To achieve each of HCD’s REAP 2.0 Objectives, projects must be located in a geography that meets all of the following geographic objectives:</p> <ul style="list-style-type: none">• <i>Infill Objective: Accelerate infill development that facilitates housing supply, choice, and affordability</i><ul style="list-style-type: none">○ Plan Bay Area 2050 Growth Geographies, including Priority Development Areas OR○ Transit Priority Areas• <i>Affirmatively Further Fair Housing Objective: Affirmatively further fair housing</i><ul style="list-style-type: none">○ Plan Bay Area 2050 Equity Priority Communities OR○ Areas identified by the Urban Displacement Project as being at risk of or experiencing displacement or gentrification OR○ Areas defined by the TCAC Opportunity Index as “High Segregation and Poverty”, “Low Resource”, or “Moderate Resource”• <i>VMT Objective: Reduce vehicle miles traveled (VMT)</i><ul style="list-style-type: none">○ Census Tracts with Vehicles Miles Traveled per Capita at or below the Bay Area average of 15 Miles• Projects that do not fall within the qualifying geographies may demonstrate alternative methods of achieving the applicable REAP 2.0 Objective(s) at the project level.
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<p>BAHFA Loan Terms</p>	<p><u>Maximum Loan Amount</u>: \$250,000 per unit</p> <p><u>Loan Term</u>: 55 years</p> <p><u>Interest Rate</u>: 3.0% per year</p> <p><u>Repayment</u>: BAHFA will forego annual repayment of principal and interest from surplus cash (residual receipts). Repayment will be deferred until the conclusion of the Loan Term or upon any transfer of title that results in loss of affordability, whichever occurs first. At the conclusion of the Loan Term, projects will have the option to extend the Regulatory Term and loan repayments will be deferred for as long as the project upholds Regulatory Restrictions.</p>
<p>Regulatory Restrictions</p>	<p><u>Regulatory Term</u>: 55 years. The Executive Director or designee may consider an alternative term option if Borrower demonstrates that the term remains compatible with permanent affordability and prohibition of displacement.</p> <p><u>Maximum Income Levels</u>: No resident shall be displaced regardless of income. For occupied units and vacant units due to turnover, Borrower shall achieve an average area median income (AMI) for all households in the Project of no more than 80%. Upon turnover, units may be occupied by households earning up to 120% AMI as needed to cross-subsidize lower income units and achieve an 80% AMI average. Depending on local market conditions, Borrowers may obtain an AMI less than 80% if they can demonstrate long term financial feasibility.</p>

	<p><u>Rent Increases:</u> Upon acquisition, rents for all existing residents shall remain unchanged until the anniversary of the tenant's initial leasing.</p> <ul style="list-style-type: none">• For units subject to local rent stabilization ordinances, Borrowers shall continue to comply with the rent stabilization ordinance when imposing rent increases after acquisition.• For units not subject to or exempt from rent stabilization requirements, annual rent increases shall be limited to the lesser of the annual increase in area median income (AMI) or 4%.• For existing residents earning less than or equal to 80% AMI and who pay more than 30% of gross household income for rent, Borrowers shall decrease those households' rents to a maximum of 30% of gross annual income, assuming Project income is sufficient to allow a rent decrease for such households while covering necessary and standard Project operating expenses. <p><u>Displacement:</u> All existing residents may remain in their home regardless of income, and permanent relocation of tenants is prohibited. No existing resident in the project will be displaced because of the preservation action or by Borrower's imposition of any new, discretionary "house rules" intended to circumvent this rule.</p> <p><u>Temporary Relocation:</u> Permanent relocation is prohibited. If Borrower must temporarily relocate tenants for the purpose of safely conducting a Project rehabilitation, the following requirements apply:</p> <ul style="list-style-type: none">• Temporary relocation shall not exceed 180 days unless approved by Executive Director or designee. Permanent relocation is prohibited.
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	<ul style="list-style-type: none"> • Borrowers shall provide temporary housing that is decent, safe, sanitary, of comparable size to and within the vicinity of the relocated tenant’s dwelling unit as determined by the Executive Director or designee. • Tenants shall continue to pay the rent for their original unit, but shall bear no costs related to relocation, including: <ul style="list-style-type: none"> ○ Moving and packing expenses ○ Any costs associated with the relocation dwelling that exceed their typical housing expenses (rent, utilities, parking, or other charges) <p><u>Lien Priority:</u> BAHFA requires first lien priority for its occupancy deed restriction. In their sole discretion, the Executive Director or designee may agree to subordinate the restriction if Borrower demonstrates and the Executive Director or designee finds that subordination is necessary to secure financing and if such subordination furthers the goal of creating permanent affordable housing.</p>
<p>Resident Engagement and Income Certification</p>	<p><u>Engagement:</u> Preference will be given to projects in which 100% of households are notified of the Borrower’s intention to acquire and restrict the building and a majority of tenants demonstrate support for the acquisition prior to application. However, BAHFA will consider proposals in which Borrowers are prohibited by the seller from conducting outreach to tenants prior to acquisition. A preliminary tenant engagement plan will be required at loan application, to be finalized prior to acquisition. After acquisition, all Borrowers are required to conduct robust tenant engagement to ensure residents are aware of the intent and impact of the preservation project and to offer residents the opportunity to inform any rehabilitation scope.</p> <p><u>Income Certification:</u> Occupants of a regulated unit must certify their household income on a form</p>

	<p>approved by the Executive Director or designee on an annual basis prior to lease renewal.</p>
<p>Financing Assumptions</p>	<p><u>Leveraging</u>: Borrowers must obtain additional private and/or public financing as needed to ensure the project’s financial feasibility. Given the program’s per-unit subsidy cap, it is anticipated that Borrowers must seek construction as well as permanent third-party financing, which may also require Borrower to provide equity. Ideal leveraging shall consist of a construction-to-permanent third-party loan with a 20-year term. As part of Program outreach, BAHFA staff has consulted with numerous community development financial institutions and first mortgage lenders, some of whom may provide favorable financing terms. BAHFA will provide contact information as requested.</p> <p><u>Rental Income</u>: Borrower must provide rent roll information to inform project underwriting, and, whenever possible, tenant income information. If tenant incomes indicate existing rent burdens, BAHFA will seek to work with Borrowers to lower rents to 30% of gross household income where possible.</p> <p><u>Property Tax Exemption</u>: While income certifications will not be required at acquisition, to properly size the project’s operating budget, Borrower must have some data about existing residents that indicates with high likelihood on a household-by-household basis eligibility for a welfare tax exemption pursuant to California Revenue and Taxation Code Section 214(g). If no income information is available, Borrower will be required to assume a property tax obligation in the operating budget.</p>

	<p><u>Construction Contingency:</u> 15% of rehabilitation costs</p> <p><u>Construction Management Fee:</u> Borrower is expected to negotiate the most competitive fee possible with a third party construction manager or rely on an in-house construction manager, if available. Construction management fees may not exceed \$30,000 per project.</p> <p><u>BAHFA Legal Fee:</u> \$15,000, subject to change based on transaction requirements.</p> <p><u>BAHFA Asset Management Fee:</u> Asset management fees may apply based on project needs.</p> <p><u>Operating Assumptions:</u></p> <ul style="list-style-type: none">• Vacancy Allowance: 5% of annual residential rent income• Increases in Gross Income: 2.5% annually• Increases in Operating Expenses: 3.5% annually• Debt Service Coverage Ratio: 1.2• Waterfall: Surplus cash flow after payment of operating expenses and debt service will be distributed annually as follows:<ul style="list-style-type: none">○ Borrower Retention: 2/3 of surplus cash flow○ Replacement Reserve: 1/3 of surplus cash flow up to (1.5 x Capitalized Replacement Reserve value)○ Emergency Rental Assistance Reserve: After Replacement Reserve is fully funded, 1/3 of surplus cash flow up to (\$xx average regulated unit rent x 20% of total regulated units x 3 months)○ After Replacement Reserve and Emergency Rental Assistance Reserve are fully funded
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	<p>as described above, Borrower may retain remaining 1/3 of surplus cash flow.</p> <p><u>Underwriting</u>: In addition to compliance with this Term Sheet, BAHFA will apply industry standard underwriting guidelines in its evaluation of Project proposals. Subsequent to application, Borrower must demonstrate financial feasibility and capacity to carry out the project.</p>
<p>Reserves</p>	<p><u>Replacement Reserve</u>:</p> <ul style="list-style-type: none"> • Capitalized: Reserves must be sufficient to cover 20 years of replacement needs as identified in the Physical Needs Assessment (“Original Capitalized Replacement Value”). • Annual Deposits: \$500 per unit per year, included in the annual operating budget. Borrower will also deposit 1/3 of annual surplus cash flow into Replacement Reserve until Borrower achieves 1.5 of the Capitalized Replacement Reserve value. • <p><u>Emergency Rental Assistance Reserve</u>:</p> <ul style="list-style-type: none"> • Annual Deposits: Once Borrower has achieved 1.5 of the Capitalized Replacement Reserve value, Borrower will deposit 1/3 of annual surplus cash flow to establish and maintain an Emergency Rental Assistance Reserve, which is based on the average rent per regulated unit, for 20% of total regulated unit count, for 3 months (e.g., \$xx average regulated unit rent x 20% of total regulated units x 3 months). Once Replacement Reserve and Emergency Rental Assistance Reserve are fully funded, Borrower may retain remaining surplus cash flow.

	<p><u>Operating Reserve:</u></p> <ul style="list-style-type: none"> Capitalized: 25% of operating expenses, plus debt in Year 1. Borrower shall maintain this funding level throughout the term of the agreement. <p><u>Vacancy Reserve for Rehabilitation and/or Initial Lease-Up:</u></p> <ul style="list-style-type: none"> Capitalized: Sized to cover monthly rent for Project units vacant at the time of acquisition and for the duration of any expected continued vacancy, whether to accommodate a lease-up period or to provide temporary relocation space for the purposes of building rehabilitation. <p><u>Property Tax Reserve:</u></p> <ul style="list-style-type: none"> Capitalized: Sized based on Borrower’s estimate of timeline to qualify for the welfare tax exemption
<p>Maximum Developer Fee</p>	<p>Borrowers may include a one-time developer fee at their discretion within the Maximum Loan Amount up to \$150,000, plus an additional\$10,000 per unit for any planned rehabilitation.</p> <ul style="list-style-type: none"> The \$150,000 developer fee may be paid at the time of acquisition closing \$10,000 per unit may be paid at the time of Borrower’s receipt of a certificate of completion (or similar document) from the permitting local agency for the rehabilitation work
<p>Compliance</p>	<p><u>Regional Early Action Planning Grant:</u> The Borrower must comply with California Health and Safety Code</p>

	<p>section 50515.08(c)(1), all REAP 2.0 requirements and guidelines, all applicable state and federal statutes, rules, regulations, the Standard Agreement that will be executed by and between MTC and HCD for REAP 2.0 funding.</p> <p><u>Fair Housing and Rehabilitation</u>: The Borrower must comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination as well as all applicable laws and regulations governing construction, rehabilitation, relocation and building operations.</p> <p><u>Welfare Tax Exemption</u>: Borrower is solely responsible for and must annually secure the welfare exemption from the applicable governing bodies. Borrower shall provide evidence of the welfare exemption to BAHFA annually, as well as any other Project-related information BAHFA requests.</p>
<p>Community-Controlled Set Aside Eligibility Requirements</p>	<p>A minimum of \$3M will be set aside for community-controlled projects that include resident ownership, governance, and/or management. This set aside does not preclude such projects from applying for the remaining \$12M deployed under the Program.</p> <p><u>Eligible Borrowers</u>:</p> <ul style="list-style-type: none"> • Community Land Trusts (CLTs) • Cooperative Housing Entities with existing 501C3 designation and executed governance and operating agreements • Community Based Organizations in a documented partnership with a CLT <p><u>Eligible Tenure Types</u>:</p>

	<ul style="list-style-type: none"> • Affordable rental • Affordable homeownership • Shared or limited equity resident shareholder ownership in the cooperative • Affordable rental-to-homeownership (“lease to own”) projects • Affordable rental-to-cooperative projects <p><u>Homeownership</u>: Units must be sold to households at or below 80% of AMI. BAFA will structure its financing with the expectation that Borrower will secure a first mortgage loan.</p> <p><u>Cooperative Conversion</u>: The average income of resident shareholders should not exceed 80% AMI, and income cap of 120% AMI shall apply for all households. Until such time that the CLT owner demonstrates approval of a conversion from traditional rental to a cooperative governance structure from all (100%) residents, CLT must operate the building as traditional rental. If the CLT anticipates the ability to secure approval from all residents for conversion, it must submit a proposed timeframe and resident engagement and training plan for the conversion, along with all resident and organizational documents supporting the conversion that BAHFA may reasonably request. BAHFA retains sole discretion to approve the conversion. Cooperative projects must establish ongoing training curriculum milestones to be met during regulatory agreement term, as set forth in the Regulatory Agreement, as well as training protocols for new residents who join the cooperative when units turn over.</p>
<p>Waivers</p>	<p>The Executive Director or designee may waive any of these terms, provided the Executive Director or</p>

	<p>designee finds such waiver is necessary achieve the Program goals.</p>
<p>Application Process and Loan Commitment</p>	<p>Projects will be selected through an over-the-counter process subject to the release of a Notice of Funding Availability (NOFA) from BAHFA. Applications will be reviewed for completeness, project feasibility, and compliance with this Term Sheet. If multiple eligible projects are received on the same day, BAHFA will prioritize projects based on Program priorities (see attachment) as established in the NOFA.. After loan commitment, BAHFA will require a minimum of 90 days for a synchronized closing with a third-party construction-to-perm lender.</p>
<p>Application Requirements</p>	<p>Applicants must submit the following documents for BAHFA review:</p> <ol style="list-style-type: none"> 1) Project proposal and acquisition due diligence documents, including but not limited to: <ol style="list-style-type: none"> a. Purchase and Sale Agreement (or alternate form of site control, such as long term ground lease) b. Third-party, independent appraisal to be submitted within 60 days of the loan application with the following valuations: <ol style="list-style-type: none"> i. As-is value ii. As-improved value (for rehabilitation projects) iii. As-restricted and improved value c. Independent, third-party physical needs assessment, which shall include a 20-year capital needs schedule and associated costs (as inflated) d. Additional physical reports, e.g., wood-destroying pests; asbestos and lead; roof examinations; structural/seismic; sewer laterals; electrical; plumbing; elevator; any others recommended in property inspection report e. Zoning analysis

	<ul style="list-style-type: none"> f. Environmental review documents (e.g., Phase 1 and, as applicable, Phase 2, lead and asbestos survey, etc.) g. Preliminary Title Report h. ALTA Survey (this requirement may be waived for small projects) i. Rent roll and all other seller-provided documentation, including, e.g., existing operating expenses, utility payment information, property improvement information j. Income certifications, if available k. Subordination Non-Disturbance and Attornment (SNDA) for commercial tenants, as applicable l. Building plans and specifications, as applicable <p>2) Project financing documents, including:</p> <ul style="list-style-type: none"> a. Sources & Uses budget b. Rehabilitation scope c. Operating budget d. 20-year cash flow <p>3) Development Team Documents, including:</p> <ul style="list-style-type: none"> a. Current year unaudited financials b. Prior two years of Applicant's audited financials c. Organizational documents: <ul style="list-style-type: none"> i. Firm description ii. Leadership & governance (Board, Committees, profile of leadership) iii. Key staff resumes iv. Strategic planning documents (if available) v. Annual Report (if available) vi. Schedule of real estate owned and projects under construction (if any) d. As applicable, description of Project architect; general contractor; and property manager
<p>Contact Information</p>	<p>Somaya Abdelgany Preservation Program Coordinator Bay Area Housing Finance Authority sabdelgany@bayareametro.gov</p>

ATTACHMENT C



BAY AREA HOUSING FINANCE AUTHORITY

REAP 2.0 Priority Site Pilot Program

DRAFT Terms and Underwriting Guidelines

<p>Program Description</p>	<p>To be funded with an anticipated \$28M in Regional Early Action Planning (REAP 2.0) Grant funding from the California Department of Housing and Community Development (HCD), the Priority Sites Program provides low-interest loans to developers and public agencies for predevelopment activities necessary to advance development projects that provide deed-restricted affordable homes on sites identified by the Metropolitan Transportation Commission and Association of Bay Area Government as Priority Sites.</p> <p>For more information on eligibility requirements for Priority Sites and nomination procedures, go to the Priority Sites website. Typically, a Priority Site will be nominated in advance of an application for predevelopment funding, but sites can also be nominated concurrently with an application.</p> <p>In accordance with HCD’s REAP 2.0 Objectives, projects funded through this program will:</p> <ul style="list-style-type: none">• Accelerate infill development that facilitates housing supply, choice, and affordability• Affirmatively further fair housing
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	<ul style="list-style-type: none"> • Reduce vehicle miles traveled
<p>Eligible Borrowers</p>	<p>Eligible borrowers include:</p> <ul style="list-style-type: none"> • Project sponsor with an entitled development project with at least 100 new housing units on an eligible Priority Site, with the following provisions: <ul style="list-style-type: none"> - For mixed-income projects, inclusion of a non-profit partner able to secure a welfare tax exemption for all eligible affordable units. Applicants must demonstrate active participation of the non-profit partner in the development process documented by a Memorandum of Understanding (MOU) that specifies the non-profit partner’s role (e.g. responsibility for community outreach, participation of a project manager in financing and entitlements). - For 100% affordable housing projects, applicants must demonstrate the experience necessary to submit competitive applications for all proposed sources of permanent funding and compliance with Article XXXIV of the California Constitution, if applicable. • Public agency that owns land on which project will be built.
<p>Eligible Uses</p>	<p>All funds must be used to advance an affordable housing project that meets the eligibility criteria. Eligible expenditures include:</p> <ul style="list-style-type: none"> • Architectural and engineering services, entitlement and permitting fees, legal expenses, environmental review and other approved predevelopment activities required to accelerate construction commencement • Construction of affordable housing or infrastructure required to complete the affordable housing described in the application • Acquisition of land required for an affordable housing project

<p>Eligible Projects</p>	<p>All the following:</p> <p><u>Location.</u> Project must be located on a Priority Site that has been previously nominated or is nominated concurrently with the project application. A nomination portal for Priority Sites will be established prior to the release of a NOFA for the funding associated with this Term Sheet.</p> <p><u>Site Control.</u> Lead applicant must have one of the following forms of control over project site:</p> <ul style="list-style-type: none"> • Fee simple ownership • An executed lease agreement or lease option for the duration of the proposed term of the permanent financing • An executed disposition and development agreement between the borrower and a public agency • A valid, current, enforceable purchase and sale agreement (PSA) or option agreement (Option), with terms that provide transactional control for the Applicant. Predevelopment funding for PSA or Option transactions may be committed but not disbursed until acquisition closing. • Exclusive Negotiating Rights Agreement (ENRA), with ENRA terms both within the control of the Applicant and subject to a milestone schedule that the Executive Director or designee determines in their sole discretion reasonably enables construction commencement within 5 years. <p><u>Entitlements.</u> One of the following:</p> <ul style="list-style-type: none"> • Entitlements secured. The affordable housing component of the project, and any other components of the project seeking funding, have been fully entitled; or • If the project has not been fully entitled, both of the following: <ul style="list-style-type: none"> - Eligibility for, and demonstrated commitment to submit an application for entitlements pursuant to permit streamlining; and - Conformance with zoning or is eligible for concessions or waivers under local/state legislation, e.g., State Density Bonus Law.
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	<p><u>Financing Plan.</u> Financing plan with demonstrated financial feasibility, including, as applicable:</p> <ul style="list-style-type: none"> • Competitiveness for proposed state funding applications; • Commitments of financing from local jurisdictions; • Equity contribution commitments; • Reasonable terms for proposed debt leveraging; and • Feasible assumptions regarding market conditions, development timeline, and affordability levels <p><u>Affordability.</u> A minimum of 25% of housing units shall be deed-restricted affordable to low- income households, at or below 80% of the area median income (AMI).</p> <p><u>Accessibility and Mobility.</u> The deed-restricted affordable housing shall include:</p> <ul style="list-style-type: none"> • Mobility features for a minimum of 15% of units • Communications features for a minimum of 10% of units <p>Developers must prioritize leasing of accessible units to households in need of those features.</p>
<p>Loan Terms</p>	<p><u>Maximum Loan Amount:</u> Up to \$3,000,000, depending on need and the availability of other funds. Borrowers demonstrating financial need coupled with the ability to commence construction within 24 months may borrow up to \$5 million.</p> <p><u>Interest Rate:</u> 3.0% simple per year. However, the Executive Director or designee will evaluate project-specific loan terms with the intent of maximizing financing leveraging (see below for additional information regarding potential permanent financing terms).</p> <p><u>Lien priority.</u> BAHFA requires first lien priority for its occupancy deed restriction. In their sole discretion, the Executive Director or designee may agree to subordinate the restriction if Borrower demonstrates and the Executive Director or designee finds that subordination is necessary to secure financing and if</p>

	<p>such subordination furthers the goal of creating permanent affordable housing.</p> <p><u>Loan Term</u>: 3-5 years, with repayment due at construction loan closing, with the following additional provisions:</p> <ul style="list-style-type: none"> • For 100% affordable projects, including those that are individual developments: <ul style="list-style-type: none"> - Projects able to repay the loan in full at construction loan closing will be prioritized; or - For Projects demonstrating need, readiness, and beneficial community impact, funding may be converted to permanent financing, with the term co-terminus with other leveraged sources term restrictions, such as Low Income Housing Tax Credits (LIHTC). - Loans BAHFA approves as permanent financing will be structured as residual receipts debt with a 3% simple interest rate, though BAHFA may adjust the rate as appropriate depending on capital account and residual debt analysis needs. • For Mixed-income projects: <ul style="list-style-type: none"> - For projects where more than 25% but less than 40% of all units are deed-restricted affordable, and where the predevelopment funding will assist both affordable and market-rate housing, repayment of principal and interest is due at construction loan closing; or - For projects where more than 40% but less than 100% of all units are deed-restricted affordable, BAHFA will consider structuring the loan as permanent financing, with additional terms such as interest rate and repayment obligations to be established in the Executive Director or designee’s sole discretion, provided there is a demonstrated furtherance of the goals of this Program.
<p>Additional Loan Terms</p>	<p><u>Affordability</u>: As described above, BAHFA will consider projects with a range of affordability. Priority considerations include:</p>

	<ul style="list-style-type: none"> • Beneficial Impact: Projects that provide the highest share of affordable units and highest number of units affordable to extremely low- and very low-income households. • Financial Feasibility: Project unit mix must demonstrate feasibility, whether through cross-subsidies, average area median income (AMI), or access to operating subsidies. <p><u>Displacement</u>: No displacement of existing residents shall occur.</p> <p><u>Temporary Relocation</u>: If the borrower must temporarily relocate tenants for the purpose of developing the proposed project:</p> <ul style="list-style-type: none"> • Temporary relocation shall not exceed 12 months unless approved by the Executive Director or designee. Permanent relocation is prohibited. • The borrower shall provide temporary housing that is decent, safe, sanitary and of comparable size to and within the vicinity of the relocated tenant’s dwelling unit as determined by the Executive Director or designee. • Tenants shall continue to pay the rent for their original unit, but shall bear no costs related to relocation, including: <ul style="list-style-type: none"> ○ Moving and packing expenses ○ Any costs associated with the relocation dwelling that exceed their typical housing expenses (rent, utilities, other charges)
<p>Community Engagement</p>	<p>Borrowers should include a narrative regarding their community engagement efforts to date, a description of community response and support (as applicable), any identified community concerns, and plans for ongoing engagement.</p>

<p>Underwriting and Financing Assumptions</p>	<p>BAHFA will apply industry standard underwriting in its evaluation of applicant’s proposed financing plan, including, but not limited to:</p> <ul style="list-style-type: none"> • The project’s competitiveness for proposed but unsecured funding • Assumptions regarding conventional debt rates, terms, coverage ratios, and other repayment obligations • Assumptions regarding project income, including commercial income assumed to cross-subsidize residential construction; income and operating expense inflators; and rent levels proposed relative to affordable housing funding requirements and market conditions. • Operating expense assumptions • Reserves funding, both capitalized and cash-flow funded • Surplus cash allocations
<p>Compliance</p>	<p><u>Regional Early Action Planning Grant:</u></p> <p>The applicant must agree to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination as well as all applicable laws and regulations governing construction, land use, and building operations.</p>
<p>Waivers</p>	<p>The Executive Director or Designee may waive any of these terms, provided the Executive Director or designee finds such waiver is necessary to achieve the Program goals.</p>
<p>Application Process and Loan Commitment</p>	<p>Projects will be selected through a competitive process subject to the release of a Notice of Funding Availability (NOFA) from BAHFA. Applications will be reviewed for completeness, project feasibility, and compliance with this Term Sheet. BAHFA will prioritize</p>

	<p>projects based on Program priorities as established in the NOFA.</p>
<p>Application Requirements</p>	<p>Applicants must submit the following information through the Priority Sites application portal:</p> <ol style="list-style-type: none"> 4) Up to 3-page narrative describing the project vision, partnerships, and impact. 5) Project timeline, including dates projected for each phase of development, as applicable. 6) Development program, including but not limited to, total unit count, share of units that are deed-restricted by income level, non-residential floorspace, and any community-serving facilities. 7) Project proposal and acquisition due diligence documents, including but not limited to: <ul style="list-style-type: none"> • Site control documentation • As applicable, a third-party, independent appraisal of the land and/or existing improved site, with a date that provides currency of value. • Entitlement documentation, including all planning documents submitted and approved; demonstration of zoning conformity or variance application approval; density bonus application (as applicable); streamlining applications submitted and/or approved (as applicable) • Environmental review documents (e.g., Phase 1, Phase 2, and any additional environmental review) • Preliminary Title Report • ALTA Survey Building plans and specifications, as applicable 8) Project financing documents, including: <ul style="list-style-type: none"> • Detailed Sources & Uses Development budget indicating: <ol style="list-style-type: none"> i. All capital costs, with commercial and residential development costs shown separately ii. The status of each source of proposed funding (i.e., committed, projected, application submitted, etc.), and basic

	<p>terms (e.g., projected interest rate, loan term)</p> <ul style="list-style-type: none"> • 20-year cash flow projection, showing all debt service payments and surplus cash allocations • Year 1 Operating budget, including reserves funding • Additional budget documents necessary to achieve the development program, e.g., services funding and operating subsidy sources and assumptions • Jurisdictional support documents, as applicable (e.g., letters of financial commitment) <p>9) Development Team Documents. For each principal member of the development team (e.g., managing general partner, equity partners, developer(s), include:</p> <ul style="list-style-type: none"> • Current year unaudited financials • Prior three years of Borrower's audited financials • Organizational documents: <ol style="list-style-type: none"> i. Firm description ii. Leadership and governance (Board, Committees, profile of leadership) iii. Key staff resumes iv. Strategic planning documents (if available) v. Annual Report (if available) vi. Schedule of real estate owned and projects under construction (if any) vii. MOU with non-profit partner, if applicable • Project architect resume and sample completed projects • Additional principal design consultants' resumes and sample completed projects (e.g., landscape architect) • General contractor resume and sample completed projects • Property manager resume and sample projects under management. <p>10) CEQA Compliance. Documentation that the project will be exempt from review as required by the California Environmental Review Act or a CEQA determination from the lead agency.</p>
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Contact Information	<p><u>For questions regarding term sheet:</u> Somaya Abdelgany Priority Sites Program Coordinator Bay Area Housing Finance Authority sabdelgany@bayareametro.gov</p> <p><u>For questions regarding Priority Site eligibility and nomination:</u> Mark Shorett Principal Planner Association of Bay Area Governments & Metropolitan Transportation Commission mshorett@bayareametro.gov</p>
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