

# BAHFA Strategic Planning

## Module 3 Introduction: Mixed-Income Financing Proposal

BAHFA Oversight & ABAG Housing Committees

July 9, 2025



ASSOCIATION OF BAY AREA GOVERNMENTS  
METROPOLITAN TRANSPORTATION COMMISSION

# Agenda

1. Strategic Planning Overview
2. Module 3 Overview
3. Proposed Program Concept
4. Considerations
5. Next Steps

# BAHFA Strategic Planning Overview

## North Star:

BAHFA was created to raise transformative revenue to meet regional affordable housing needs at scale

## Purpose:

Articulate the vision and plan to sustain BAHFA until capitalized at scale

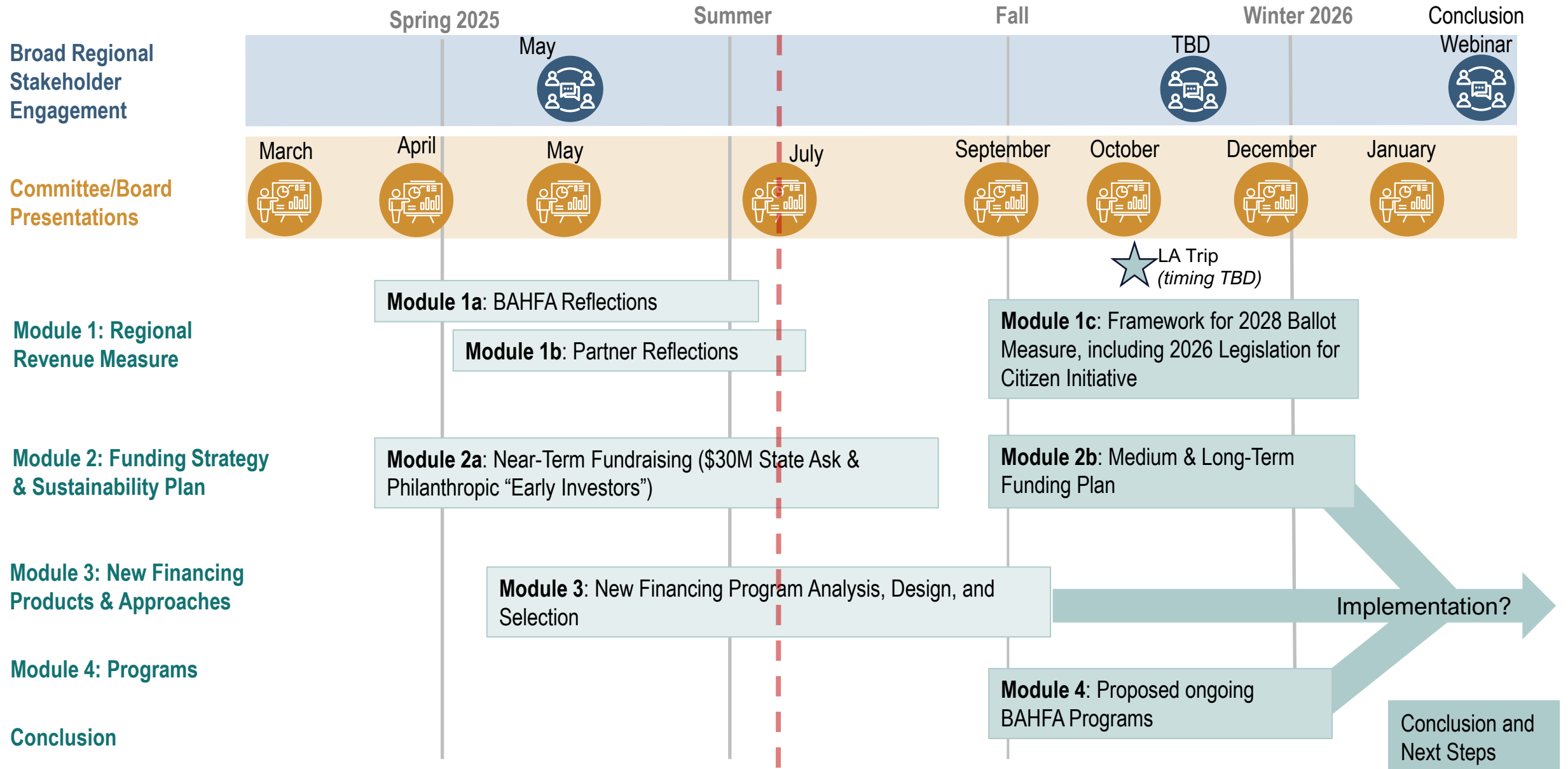
## Process:

An inclusive process is necessary to maintain, strengthen, and expand coalition of BAHFA supporters

## Four Modules:

1. Regional Revenue Measure: Reflections & Framework for Future Ballot Measure
2. Funding Strategy and Financial Sustainability Plan
3. New Regional Financing Products & Approaches
4. Regional Housing Programs

# BAHFA Strategic Planning Timeline





# Module 3 Overview

## Goal

- Evaluate, design and launch new small-scale regional lending program

## Team

- BAHFA Strategic Advisor, Lydia Tan, providing oversight and strategic direction
- CSG Advisors providing financial analysis and program design
- Technical Advisory Group with expertise in housing finance and development





# Program Objectives

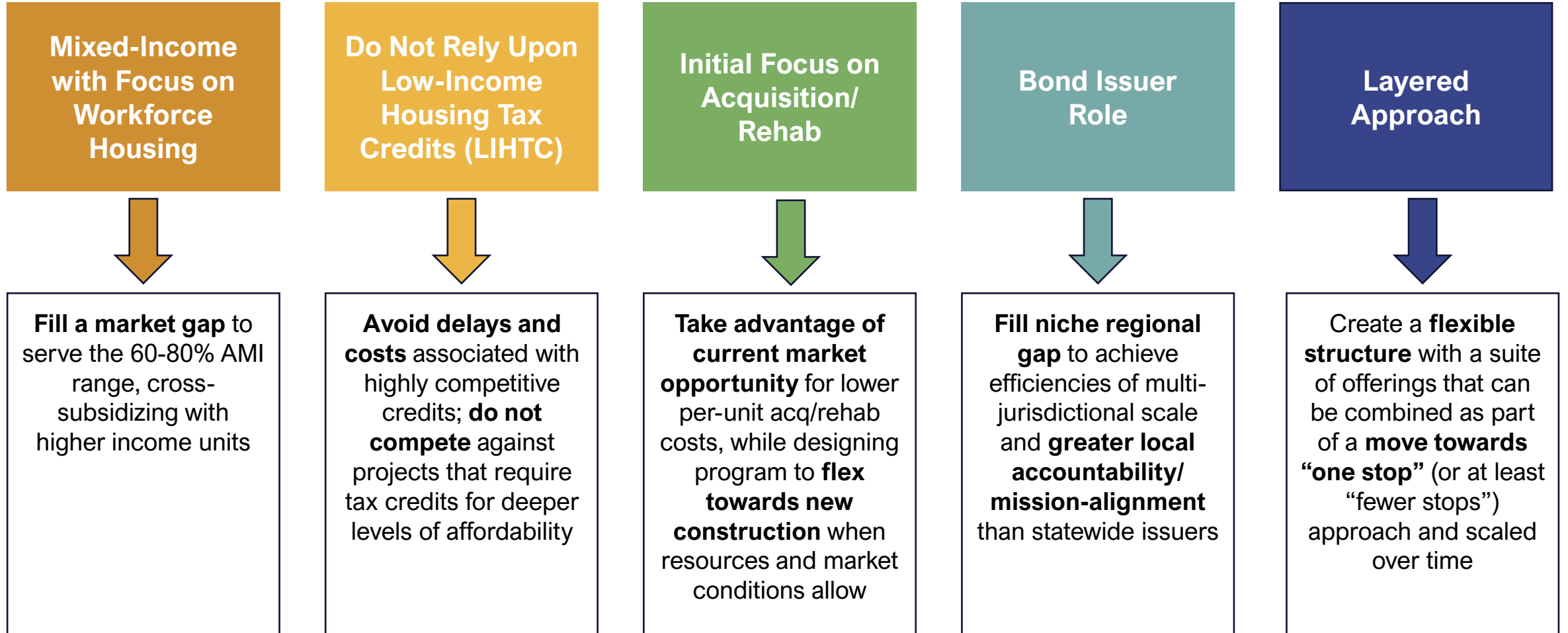
1. **Improve affordability** by filling unmet needs or outperforming existing products in the marketplace
2. **Generate revenue** to promote BAHFA's financial self-sufficiency
3. Serve as **proof-of-concept** for the BAHFA model
4. Build long term **organizational capacity**



# Program Development Criteria

1. Pass a benefit-cost test
2. Emphasize revenue generation to support operational sustainability
3. Promote cost efficiency
4. Leverage existing strengths and resources that add value
5. Be scalable
6. Add long-term affordability to the Bay Area
7. Fill an unmet need

# Initial Program Concept Opportunities





# Proposed Program Concept Elements

| Program Element  | Benefit Contributing to Project Feasibility  |
|--|--|
| <b>Senior Lending Assistance</b>   |  |
| <ul style="list-style-type: none"><li>• Tax Exempt Bond Issuance</li></ul>     | Estimated reduction in debt pricing by 150bps  |
| <ul style="list-style-type: none"><li>• Top Loss Lending Partnership</li></ul> | Estimated reduction in debt pricing by 30 – 50bps  |
| <b>Property Tax Abatement</b>  | Increase in Net Operating Income (NOI)   |
| <b>Matched Subordinate Debt</b>  | <ul style="list-style-type: none"><li>• Lower cost of capital vs traditional equity</li><li>• Increases first-loss position which is attractive to investors</li></ul> |
| <b>Marketing Assistance</b>  | Doorway Housing Portal → greater reach, quicker leasing timeframes   |

# Eligible Projects: Income Restrictions

1. Lower-Income Projects:
  - 20% at 50% AMI, or
  - 40% at 60% AMI
2. Middle-Income Projects: 50% at 80% AMI
3. All restricted units at least 10% discount to market
4. 55-year regulatory agreement

# Underwriting Assumptions

1. Senior debt to meet typical senior lender underwriting requirements
2. Subordinate debt:
  - Assumed to be priced at 200 basis points above senior debt rate
  - Assume debt service coverage ratio (all-in) of 1.05x
3. Generally non-recourse during perm phase
4. Guarantees during renovation phase
5. Appropriate reserves

# Potential Impact Metrics

Additional vetting is underway on subregional market conditions, underwriting assumptions, and developer appetite for the program concept. As the program is refined, financial modeling will estimate various impact metrics including:

1. Units financed, by income category
2. Dollar value of financing gap reduction (which drives project feasibility)
3. Funds leveraged
4. Dollar value of net public benefit (e.g., cumulative discount-to-market rents during affordability period)
5. Annual revenue to BAHFA



# Considerations

1. **Fundraising:** Subordinate debt layer is contingent upon securing new resources. Other program features can roll out without this layer, but revenue generation opportunities likely would be minimal.
2. **Income Targeting:** Other “middle” or “workforce” or “essential” housing programs serve the 80-120% AMI range, whereas BAHFA’s current focus is 60-80% AMI.
3. **Property Ownership:** An option for senior lending assistance is for BAHFA to issue governmental purpose bonds, which require public ownership and create opportunity for BAHFA to own the underlying property (potentially as part of a JPA).
4. **Administrability:** Benefits of different program design structures must be weighed against administrative ease and regulatory burdens.



# Next Steps

- Program testing by submarket
- Further engagement with Technical Advisory Group to test assumptions and market demand
- Adjust program terms and assumptions based on research and feedback
- Continue fundraising for subordinate debt component
- Build an operating model to assess financial viability of the program
- Present refined program concept to BAHFA & ABAG Committees in early fall