

Bay Area Housing Finance Authority BAHFA

May 27, 2026

Agenda Item 5a-26-0641

Bay Area Housing Finance Authority (BAHFA)

Draft Fiscal Year (FY) 2026-27 Operating Budget

Subject:

An informational presentation of the Bay Area Housing Finance Authority (BAHFA) Draft Fiscal Year (FY) 2026-27 Operating Budget. Anticipated total operating revenue is \$37.9 million, and projected expenses are \$37.1 million.

Background:

The Bay Area Housing Finance Authority (BAHFA) was established by California Assembly Bill 1487 (AB 1487) in 2019. BAHFA's primary purpose is to help the Bay Area address affordable housing needs by producing and preserving affordable housing and protecting residents from displacement. BAHFA has the unique authority to raise regional revenue through ballot measures, and the agency works with local governments and other partners to achieve its goals.

BAHFA was created by the state without a dedicated, ongoing source of revenue. Instead, BAHFA was launched with an initial \$20 million grant allocated from the FY 2021-22 State Budget to develop five pilot programs with the goal of addressing immediate regional housing needs while also building programs that would lay a foundation for a large-scale ballot measure. BAHFA has delivered on the goals of the original pilots while strategically adapting their scope to address evolving conditions. Additionally, BAHFA has leaned into its value as a nimble "start-up" to expand beyond the original five pilots as new opportunities arose. Overall, BAHFA has launched more than a dozen initiatives and attracted over \$60 million in other resources, more than tripling the original state seed grant.

BAHFA's expenditure program remains unchanged, deploying its grant funds to implement BAHFA's mission: providing programs, resources, and technical assistance throughout the Bay Area.

FY 2026-27 Budget Development Issues

In April 2022, the Metropolitan Transportation Commission (MTC) transferred the \$20 million start up grant from the California Department of Housing and Community Development (HCD) to BAHFA to fund ongoing operations. The funding remaining from this source is anticipated to

be fully expended in approximately 2028. BAHFA staff remain on time-limited employment status given uncertain long-term funding.

BAHFA secured additional one-time revenue from a variety of other sources. Most significantly, BAHFA has been programmed approximately \$46.8 million by MTC from its Regional Early Action Planning grant of 2021 (REAP 2.0) to support several pilot programs. BAHFA has also secured a smaller level of private sector funding for several of the pilot programs. Importantly, all these additional funds have been fully allocated for BAHFA programs and are not available for the long-term operational needs of the agency.

Earlier this year, in light of BAHFA's limited operational runway, the agency launched a Strategic Planning process to articulate a plan to sustain the agency's operations until it is capitalized at scale. The Strategic Planning process evaluated the future of BAHFA's programs, developed a funding plan to implement those programs, and charts a course to sustain momentum for a future regional housing revenue measure (as early as November 2028). Through this process and ongoing stakeholder engagement, BAHFA will seek additional revenue sources that would sustain the agency and provide support for its programs. The Strategic Planning process concluded in 2026 and staff has transitioned to implementation.

The draft FY 2026-27 Operating Budget requires BAHFA to constrain expenses to available funding sources in an effort to deliver BAHFA's ongoing statutory initiatives, pilot programs and priorities, and to maintain financial stability for operations beyond FY 2026-27.

FY 2026-27 Budget Assumptions

The draft budget incorporates several key assumptions:

- 3.3% net Interest yield
- Decrease in State Grant Regional Early Action Planning 2.0 (REAP 2.0) funding, with carryover projects on track to meet the December 30, 2026 expenditure deadline. This will exhaust a significant portion of BAHFA's existing programmatic funding.
- No regional ballot measure expenses in anticipation of a potential 2028 affordable housing measure, aside from expenses associated with stakeholder engagement to consider potential amendments to BAHFA's enabling statute.
- 8% Staffing vacancy rate assumed
- 3.2% cost of living adjustment

The actual cost of living adjustment (3.8%), based on figures released by the Bureau of Labor Statistics on May 12, 2026, will be reflected in the final proposed budgets presented on June 24, 2026.

FY 2026-27 Revenue and Expense

Total revenue estimated for FY 2026-27 is \$37.9 million, down \$15.2 million from the amended FY 2025-26 budget. Summaries of revenue and expenses are shown below. The \$15.2 million decrease in revenue is largely attributable to the fact that BAHFA has been spending down its one-time state grants through implementation of the various pilot projects and REAP 2.0 expiration. The FY 2026-27 revenue is primarily carryover remaining budget authority from those previously allocated grants.

FY 2026-27 Proposed Operating Revenue (millions denoted as M):

	Total	% Change	\$ Change
State Grants	20.7M	(18.1%)	(19.7M)
Local Funding	15.0M	79.5%	4.0M
General Fund	2.2M	(34.6%)	(0.5M)
Total	\$37.9M	(28.6%)	(\$15.2M)

Total expenses for FY 2026-27 are estimated at \$37.9 million, down \$15.2 million from the amended FY 2025-26 budget. The decrease is primarily attributable to a reduction in grant funding carryover that supports ongoing pilot programs and operational costs. The lower anticipated expenditures in FY 2026-27 reflect that BAHFA expects to carry over only the remaining balance of existing funds, following planned spending in FY 2025–26. As a result, projected expenses are lower in FY 2026-27 due to program costs already expended in the previous year. A summary of expense changes is shown below:

	Total	% Change	\$ Change
Salaries, Benefits, and Indirect Cost	\$3.2M	42.4%	\$1.0M
Doorway, Loans, Sites, Rental Assistant			
Pilots/Programs, and Mixed Income	31.0M	(42.3%)	(22.7M)
General Operations	0.1M	(12.4%)	(0.02M)
Consultants	1.0M	(0.0%)	(0.0M)
Other	1.8M	78.3%	0.8M
Total	\$37.1M	(37.1%)	(\$21.0M)

BAHFA staff salaries, benefits, and indirect costs increased from FY 2025–26 to FY 2026–27 due to the implementation of a direct charge mechanism, which enables REAP 2.0 funds to be drawn directly from MTC and a new methodology for calculating the indirect rate.

The expense projections for FY 2026-27 support the following ongoing initiatives/programs:

- Continuing development and implementation of Doorway, including multi-jurisdictional coordination, planning, and program integration.
- Spend down of the remaining funds for the Housing Preservation Loan Pilot.
- Spend down of the remaining funds for the Priority Sites Pilot.
- Spend down of some remaining funds for the Napa Rental Assistance Pilot.
- Launch of the new Mixed-Income Financing Program, consistent with BAHFA's recently completed Strategic Plan.
- Stakeholder engagement for potential legislative amendments to BAHFA's enabling statute.

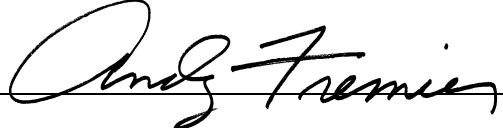
Staff are finalizing all budget estimates for FY 2026-27 and will include updates with the presentation of the proposed FY 2026-27 budget at the June BAHFA meeting.

Recommendations:

This is an information item.

Attachments:

- Attachment A: Bay Area Housing Finance Authority (BAHFA) Draft FY 2026-27 Operating Budget
- Bay Area Housing Finance Authority (BAHFA) Draft FY 2026-27 Operating Budget PowerPoint Presentation



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