



# BAHFA BUSINESS PLAN:

## Equity Framework and Funding Programs – Final Drafts

ABAG Housing & BAHFA  
Oversight Committees  
May 11, 2023



ASSOCIATION OF BAY AREA GOVERNMENTS  
METROPOLITAN TRANSPORTATION COMMISSION

# Agenda

1. Overview of Components and Process
2. Presentation of Final Equity Framework and Funding Programs and their Integrated Application
3. Next Steps



# Stakeholder Engagement Process

1. Review of regional plans, policies, and community proposals
2. Interviews with 20+ equity leaders (November 2021– March 2022)
3. Formation of 11-member Equity Working Group (March – May)
4. Meetings of Equity Working Group (May – December)
5. 3 Public Listening Sessions attended by 138 stakeholders (June)
6. Equity Working Group vote on Draft Equity Framework (November-December)
7. Presented Draft to BAHFA Oversight & ABAG Housing Committees and BAHFA Advisory Committee (January 2023)
8. 2 public workshops soliciting feedback; 160 attendees (February, March 2023)

# Purpose of the Equity Framework

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

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



## Business Plan

Will describe Funding Programs and revenue generation strategies designed to meet Equity Objectives

# Equity Objectives: Key Themes

- **Targeting resources toward residents most impacted by housing insecurity**
  - People (e.g. ELI households, unhoused residents)
  - Communities (e.g. Equity Priority Communities, Transit Priority Areas)
- **BAHFA's service as a regional leader**
  - Lifting up community priorities
  - Advancing local alignment with regional equity priorities
  - Commitment to ongoing, equitable engagement focused on impacted communities
- **“Both/And” Approaches**
  - Social mobility and community reinvestment
  - Achieving scale and supporting emerging developers
  - Individual and collective wealth building
  - Rental, homeownership, and community ownership

# 3Ps Funding Program Development

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

These Funding Programs must:

- **Comply with requirements of BAHFA's authorizing legislation ( AB1487) and general obligation bond rules for Production, Preservation, and Tenant Protections**
- **Advance social and racial equity**
- **Address the region's housing crisis at scale**
- **Add value, be different, try new things – lead the way to better housing delivery!**

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

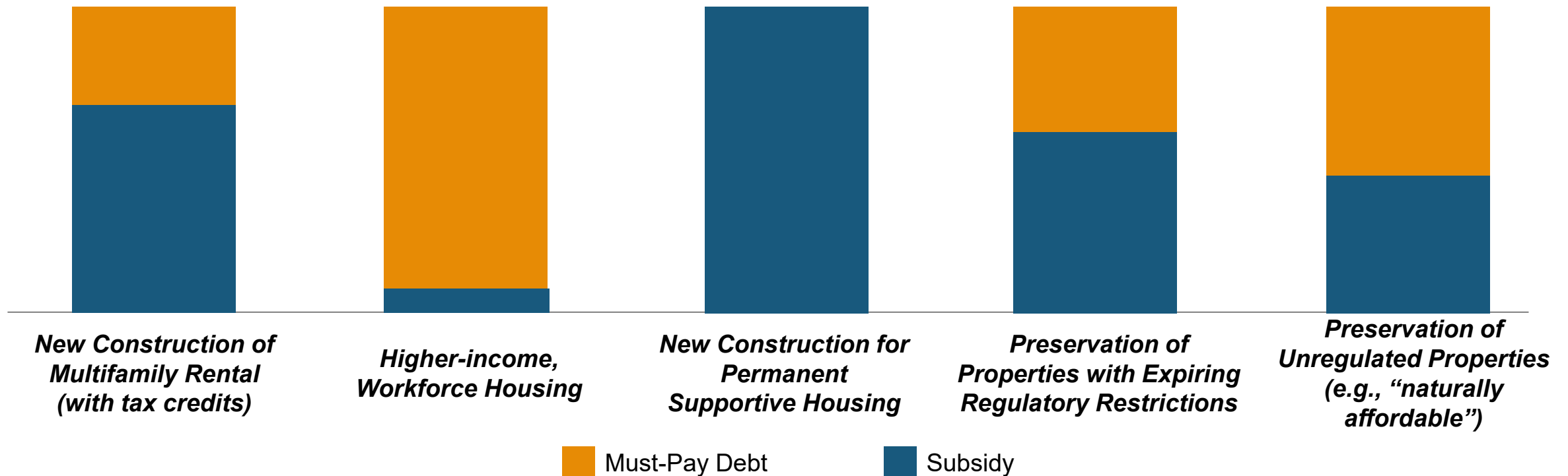
# Stakeholder Feedback/Program Updates

## Final revisions generated through stakeholder feedback:

- *Clarification* of Equity Framework and Funding Programs Goals:
  - Production – Explicitly state long-term affordability is required
  - Protection – Elevate the need to protect residents across the housing spectrum from displacement and homelessness, i.e., those with formal leases and those in precarious living situations
  - Preservation – Make clear the prohibition of permanent displacement and broaden the spectrum of preservation properties to assist existing nonprofit-owned buildings in need of rehab
- Recognition of *additional* steps BAHFA can take to advance Equity (examples):
  - Capacity Building - BAHFA can assist emerging developers with healthy upfront developer fees and surplus cash sharing to support staffing and property operations
  - BAHFA should provide leadership, regional collaboration, and continual evaluation of its program impacts

# How BAHFA's Products Support Projects

Using **different blends** of BAHFA's "must-pay" debt and **subsidy loan** products, BAHFA is able to support a **wide variety of projects across the region.**



*\*Note that these types of projects may incorporate financing from other sources (e.g., tax credits, subsidy from the local jurisdiction, etc.)*



# Production | Description

## Overview

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

## Products

With its core Production Program, BAHFA will leverage tax credits and act as a coordinated source of financing by providing:

- **First Mortgage Loans**, to be provided by BAHFA or a capital partner; and
- **Subsidy Loans**, to be provided by BAHFA and/or the local jurisdiction.

# Innovation | Description

## Overview

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

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

## Products

In order to support a wider range of project types, BAHFA's Innovation Program funding may be made available as:

- **Construction Loans**, to be provided by BAHFA for projects that meet its cost and timing goals; and
- **Subsidy Loans**, to be provided by BAHFA and/or the local jurisdiction, particularly for projects without tax credits, or to support the conversion of commercial or market-rate units to affordable housing.

# Equity Objectives: Production

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

# Incorporating Equity in Production Programming

## Program Overview

*Produce new affordable rental housing for a range of incomes – from ELI up to 80% AMI*

Set-asides may include:	Equity Objectives	Funding Goals
LIHTC Projects for ELI and PSH Households	<ul style="list-style-type: none"> <li>Produce More Housing for ELI Households</li> <li>Invest in Historically Disinvested Areas</li> </ul>	<ul style="list-style-type: none"> <li>Streamline Financing</li> <li>Promote Scale</li> </ul>
PSH Innovation Set-Aside	<ul style="list-style-type: none"> <li>Produce ELI Housing</li> <li>Address Homelessness</li> </ul>	<ul style="list-style-type: none"> <li>Streamline Financing</li> <li>Promote Scale</li> </ul>
Essential Workforce Housing (Teachers, Workforce up to 80% AMI)	<ul style="list-style-type: none"> <li>Produce More Housing</li> <li>Invest in Historically Disinvested Areas</li> <li>Create Housing in Historically Exclusionary Areas</li> <li>Achieve Climate &amp; Environmental Justice Goals</li> </ul>	<ul style="list-style-type: none"> <li>Streamline Financing</li> <li>Promote Scale</li> <li>Promote Long-Term Financial Sustainability</li> </ul>
Prioritize PB Section 8; SB 35; Cost-Effectiveness; VMT-Reducing Locations	<ul style="list-style-type: none"> <li>All of the Above</li> </ul>	<ul style="list-style-type: none"> <li>All of the Above</li> </ul>

# Preservation | Description

## Overview

Provide various loan products to acquire, rehabilitate, recapitalize, and preserve affordability in existing buildings:

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

## Products

With its Preservation Program, BAHFA will support the properties described above by providing:

- **Acquisition / Rehabilitation Loans**, to be provided by BAHFA and/or CDFI partners or local jurisdictions;
- **First Mortgage Loans**, provided by BAHFA at a lower cost than market; and
- **Subsidy Loans**, to be provided by BAHFA and/or the local jurisdiction.

# Equity Objectives: Preservation

1. Preserve expiring-use affordable housing to prevent displacement
2. Convert existing unsubsidized housing to permanently affordable housing
3. Structure investments to serve most impacted residents
4. Create opportunities for community-owned housing

# Incorporating Equity in Preservation Programming

## Program Overview

*Preservation of both unregulated, naturally affordable housing as well as properties with expiring affordability restrictions*

Set-asides may include:	Equity Objectives	Funding Goals
Targeted investments in Historically Marginalized Communities	<ul style="list-style-type: none"> <li>• Focus on Most Impacted Residents</li> <li>• Prevent Homelessness</li> <li>• Invest in Historically Disinvested Areas</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent Displacement</li> <li>• Promote Long-Term Financial Sustainability</li> </ul>
Investments that Maximize Impact: Large Buildings; VMT-Reducing Locations; Cross-Subsidy Structures to Protect ELI Households	<ul style="list-style-type: none"> <li>• Invest in Historically Disinvested Areas</li> <li>• Achieve Climate &amp; Environmental Justice Goals</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent Displacement</li> <li>• Promote Long-Term Financial Sustainability</li> </ul>
Prioritize New Models: Community-Owned Development	<ul style="list-style-type: none"> <li>• Create new opportunities for deep, lasting impact</li> <li>• Support community wealth building and community-based organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent Displacement</li> <li>• Promote Long-Term Financial Sustainability</li> </ul>

# Protections | Overview

## Overview

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

## Program (Near Term)

- **Create regional support for Protections:** Facilitate regional collaboration; conduct research; and provide technical assistance
- **Support tenant protections pilot programs:** help local jurisdictions prevent displacement, e.g., eviction diversion, right to counsel, and expanded tenant education programs
- **Support local jurisdiction efforts** to better integrate and implement **homelessness prevention programs**

## Program (Longer Term)

- **Improve system capacity and infrastructure across the region**
- **Provide funding for tenant protection services and/or direct rental and relocation assistance:** to fund legal services, counseling, renter education; emergency rental and relocation assistance; data gathering



# Equity Objectives: Protection

1. Increase access to anti-displacement and homelessness prevention services
2. Support tenant education and advocacy
3. Prioritize protections and investments for households and communities facing the greatest housing precarity
4. Structure BAHFA investments to create tenant protection funding streams
5. Provide regional leadership on tenant protections

# Incorporating Equity in Protections Programming

## Program Overview

*Funding programs designed to both protect tenants from displacement and prevent homelessness.*

Funding Initiatives:	Equity Objectives	Funding Goals
<ul style="list-style-type: none"><li>• Pre-eviction and eviction legal services</li><li>• Counseling, training and renter education</li><li>• Emergency rental assistance</li><li>• Relocation assistance</li><li>• Displacement and eviction tracking and data collection</li></ul>	<ul style="list-style-type: none"><li>• Prevent Homelessness</li><li>• Focus on highest need residents</li><li>• Increase access to tenant services</li><li>• Support tenant education and advocacy</li></ul>	<ul style="list-style-type: none"><li>• Secure as Much Funding as Possible</li></ul>

# Equity Objectives: Cross-Cutting

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

# Applying the Equity Framework

## Accountability and Implementation Strategies

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

# Business Plan Timeline

**2022**

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

Draft Equity Framework

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

Draft Funding Program Concepts

**2023**

**Equity Framework Adoption, Final Funding Programs: Q2 2023**

Drafting Business Plan (incorporating Equity Framework, Funding Programs, Revenue Analysis, and organizational structure/operations):  
**Forsyth Street Lead**  
Q2-Q3 2023

**Business Plan Adoption: Q4 2023**

**2024**

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

# Thank You



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