

# REAP 2.0 Housing Programs

BAHFA Oversight and ABAG Housing Committees

March 9, 2023



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Bay Area Housing  
Finance Authority

# How did we get here?

## Plan Bay Area 2050

Adopted in Fall 2021

## Regional Housing Needs Allocation 6<sup>th</sup> Cycle

Adopted in Winter 2021

## Regional Housing TA Program

\$24M REAP 1.0 Grant in 2020

## Bay Area Housing Finance Authority

Established in 2019  
Staffed in 2022

## Implementation Opportunity: REAP 2.0 Affordable Housing Pilots

- Housing Preservation Pilot
- Priority Sites Pilot
- Higher Impact Transformative Program

### Previous REAP 2.0 Committee Discussion:

- **September 2022** - BAHFA Oversight and ABAG Housing Committee
- **November 2023** - MTC Programming and Allocations Committee and Commission
- **February 2023** - BAHFA Advisory Committee
- **March 2023** - MTC Administration Committee



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# What is the Regional Early Action Planning Grant (REAP) 2.0?

- \$600M statewide grant program to MPOs
- \$103M formula allocation to MTC
- Goal: accelerate progress towards housing, equity, and climate goals
- Uses: planning efforts and capital projects that implement Sustainable Communities Strategies
- Administered by HCD in collaboration with OPR, SGC, CARB

## REAP 2.0 Objectives

*All program uses must:*

1. Accelerate infill development that facilitates housing supply, choice, and affordability
2. Affirmatively further fair housing
3. Reduce vehicle miles traveled (VMT)



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# REAP 2.0 Timeline



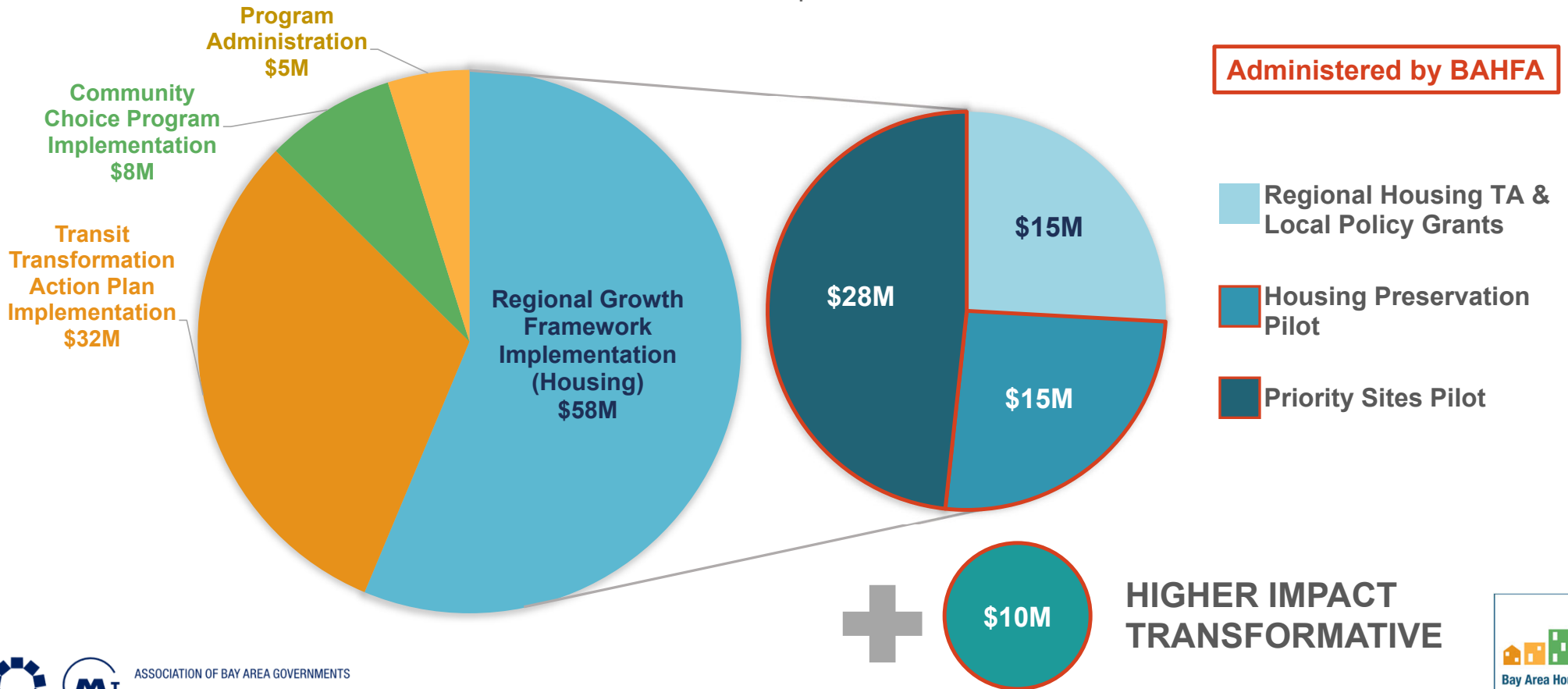
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# REAP 2.0 Proposed Uses

FORMULA ALLOCATION \$103M

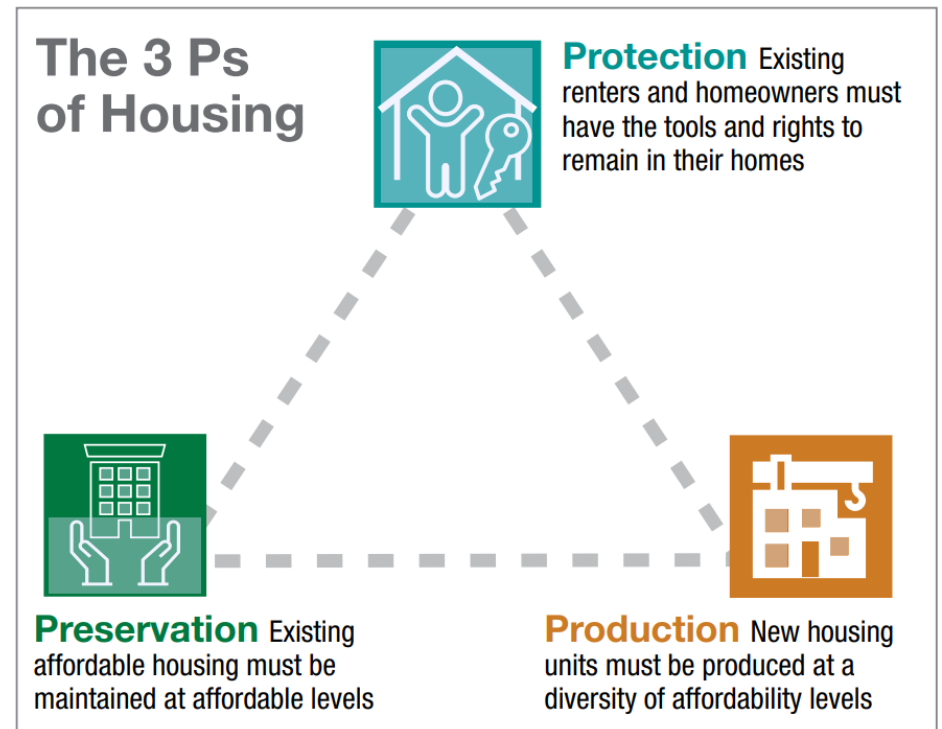


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# BAHFA's Role in REAP 2.0

- The Bay Area Housing Finance Authority (BAHFA) was created by Assembly Bill 1487 in 2019
- Purpose is to raise, administer, and allocate regional funding for tenant protection, affordable housing preservation, and new affordable housing production
- Launched in 2022, BAHFA brings a new set of relevant skills and development expertise to execute REAP 2.0 affordable housing pilots



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# Housing Preservation Pilot - \$15M

## Overview

- Provide over-the-counter capital financing to non-profit developers and community land trusts for acquisition-rehab
- Prevent displacement of at least 60 families by creating permanently affordable homes
- Begin to fulfill PBA 2050 commitment to take lead on preservation
- Demonstrate “proof of concept” for regional value-add exemplified by BAHFA to support future ballot measure
- Build upon existing Bay Area Preservation Pilot (BAPP)
- Strike a balance between achieving scale and helping historically disadvantaged households build equity



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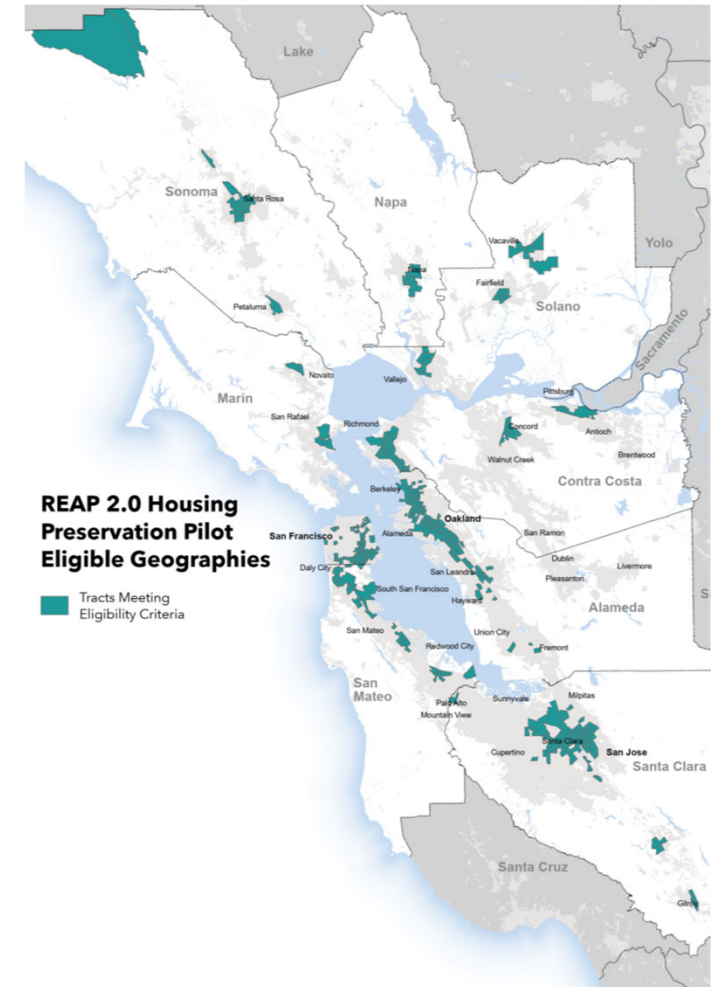


# Housing Preservation Pilot - \$15M

## *Eligible Projects*

- Acquisition or Acquisition/Rehab
- Unrestricted, occupied, residential buildings
- Site control
- Located in Eligible Geographies\*
  - Accelerate Infill Development: Plan Bay Area 2050 Growth Geographies, Transit Priority Areas
  - AFFH: Equity Priority Communities, Displacement Risk Areas, Low/Moderate Resource Areas
  - Reduce VMT: VMT per capita less than 15 miles

*\*May demonstrate REAP 2.0 Objectives are met at the project level*





# Housing Preservation Pilot - \$15M

## *Eligible Borrowers*

- Non-profit affordable housing developers
- Community Land Trusts
- Partnerships that include these organizations
- Minimum Experience:
  - Successfully acquired, rehabilitated, owned, and operated at least one comparable project
  - May rely on the experience of a staff or consultant that has completed at least three comparable projects

### Community-Controlled Set Aside \$3M

- Community Land Trusts
- Community-Based Organizations in partnership with CLT
- Cooperative Housing Entities



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# Housing Preservation Pilot - \$15M

## *Loan Terms & Fees*

- Maximum Loan Amount: \$250K/unit
  - Expectation that borrower will obtain third party construction-to-perm lender
- Loan Term: 55 years
- Interest Rate: 3% annually
- Repayment: Principal and interest deferred until loan maturity, with option to extend for as long as project upholds Regulatory Restrictions
- BAHFA Legal Fee: \$10-15K
- BAHFA Asset Management Fee: TBD
- Maximum Developer Fee: \$150K + \$10K per unit for any planned rehabilitation



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# Housing Preservation Pilot - \$15M

## *Regulatory Restrictions*

- Regulatory Term: 55 years
- Maximum Income Levels:
  - Average area median income (AMI) for all households of no more than 80%
  - Upon turnover, units may be rented up to 120% AMI to achieve 80% AMI property average
- Annual Rent Increases:
  - If subject to rent stabilization ordinances, continue to comply
  - If not, lesser of annual increase in AMI or 4%
  - Rents should be reduced for rent-burdened tenants earning less than 80% AMI as project income allows
- Relocations:
  - No displacement or permanent relocation
  - Temporary relocation for rehabilitation up to 180 days

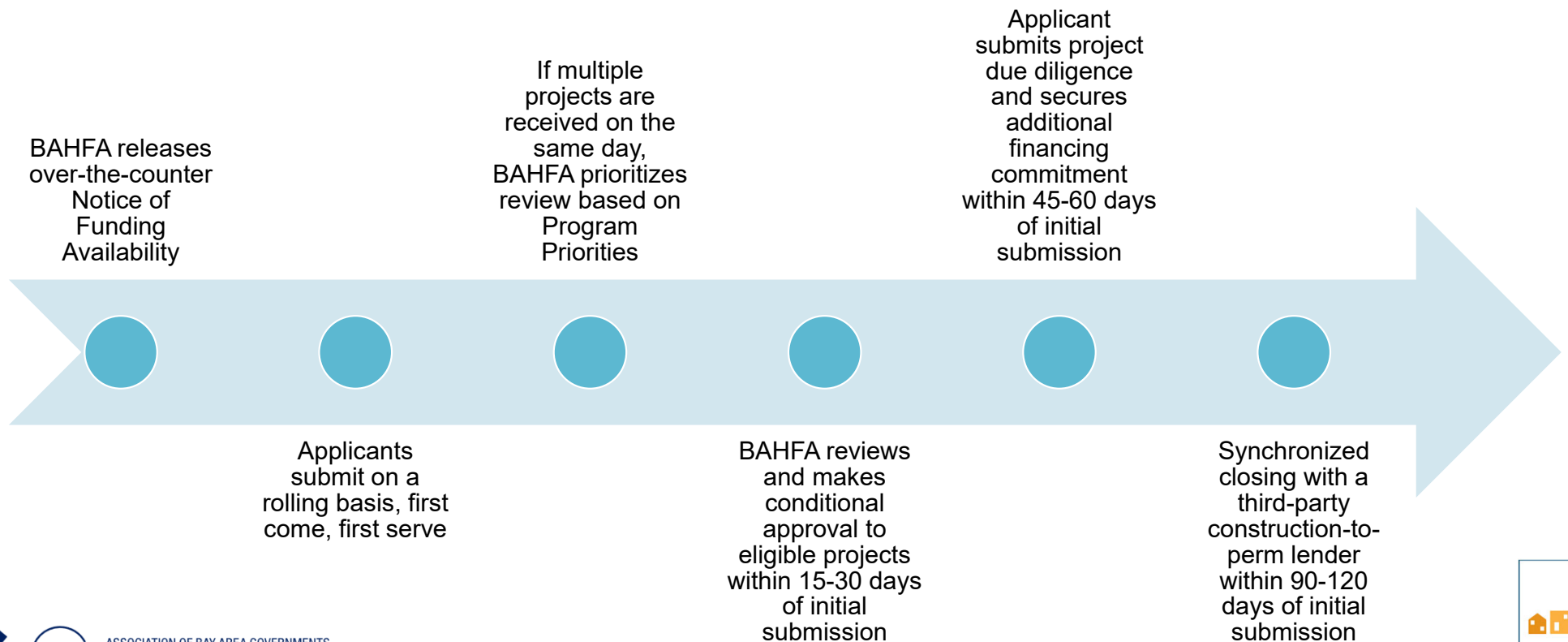


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# Housing Preservation Pilot - \$15M

## *Application & Closing Process*



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# Housing Preservation Pilot - \$15M

## *Program Priorities*

<b>Scoring Criteria</b>	<b>Points</b>
Higher Impact	30
Accelerating Housing Supply, Choice, & Affordability (10)	
Affirmatively Furthering Fair Housing (10)	
Reducing Vehicle Miles Traveled Per Capita (10)	
Alignment with Plan Bay Area 2050 Housing Goals	10
Readiness/Timeliness	20
Capacity Building and Transferability	10
Partnerships/Collaboration toward Implementation	5
Community Engagement	10
Leveraging other funding/Financial feasibility	15
<b>Total</b>	<b>100</b>



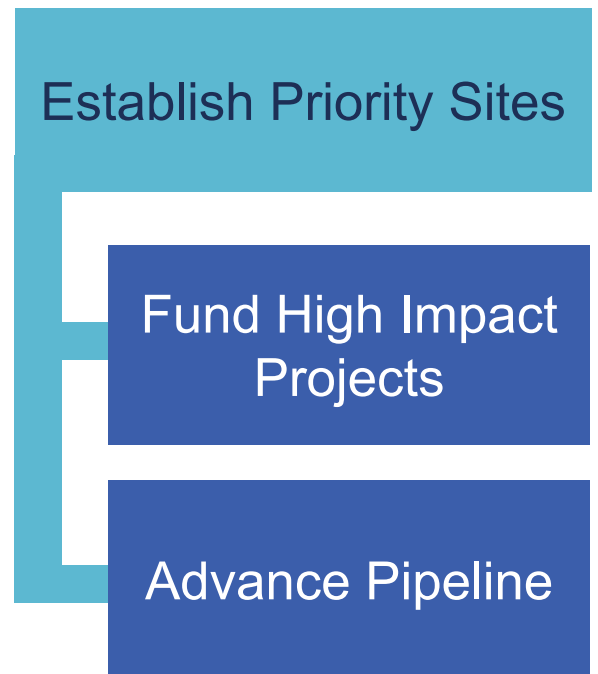
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# Priority Sites Pilot - \$28M

## Overview

- Launch projects resulting in 750 - 3,000 affordable homes, bringing up to \$2 billion into the region, leveraging BAHFA expertise
- Establish network of regionally-significant, locally-nominated priority development sites
- Transform surplus public land and aging malls and offices into vibrant neighborhoods
- Make scarce local funding go farther and create pipeline for potential future BAHFA funding



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# Priority Sites Pilot - \$28M

## *Eligible Borrowers*

- Project Sponsors
  - Must include non-profit partner
  - Must demonstrate experience with proposed sources of funding
- Public Agencies
  - Own land on which the project will be built

### Eligible Applicants for Priority Site Nomination:

- Local jurisdiction with land use authority over the site
- Project sponsor for an entitled development project on the site



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# Priority Sites Pilot - \$28M

## *Loan Terms*

- Maximum Loan Amount: \$3M
  - May borrow up to \$5M as needed if able to commence construction within 24 months
- Loan Term: 3-5 years
- Interest Rate: 3% annually
- Repayment: Due at construction loan closing
  - Affordable projects may convert to permanent financing, but those able to repay at construction will be prioritized

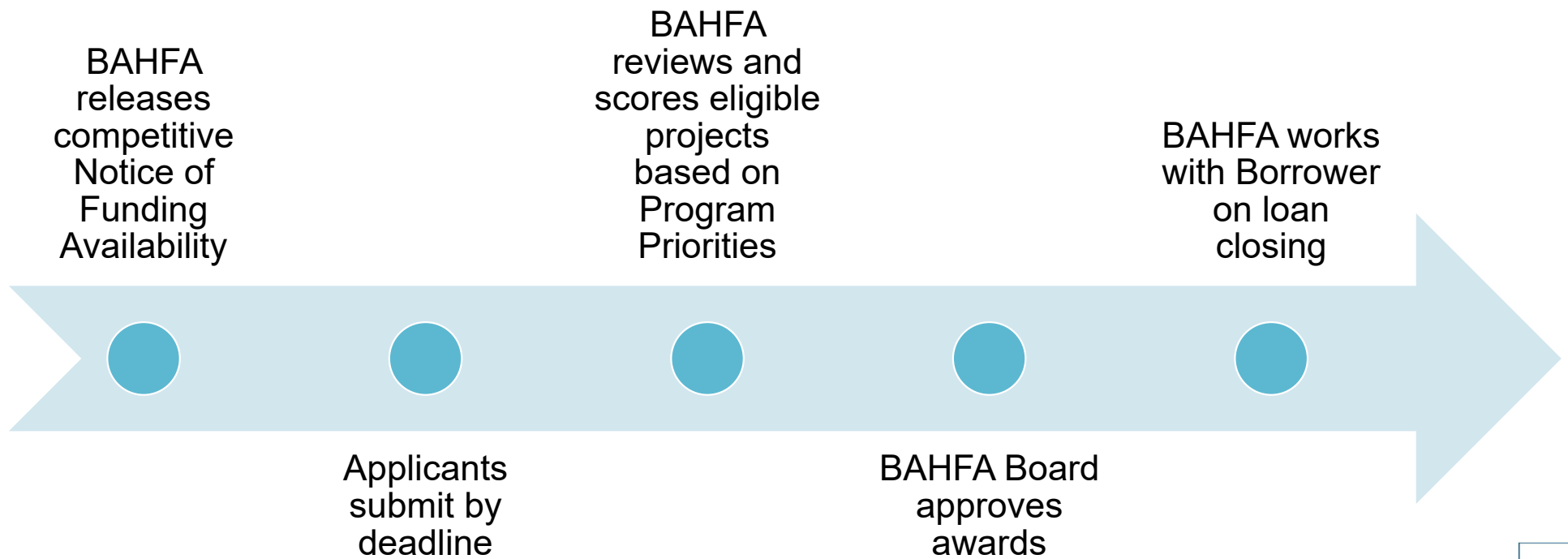
# Priority Sites Pilot - \$28M

## *Regulatory Restrictions*

- Regulatory Term: Permanent financing must have 55-year term
- Maximum Income Levels: At least 25% of units restricted to 80% AMI or below
  - Should strive to serve extremely low-, very low-, and low-income households
  - Must demonstrate financial feasibility
- Relocations:
  - No displacement or permanent relocation
  - Temporary relocation for construction up to 12 months

# Priority Sites Pilot - \$28M

## *Application & Closing Process*



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# Priority Sites Pilot - \$28M

## *Program Priorities*

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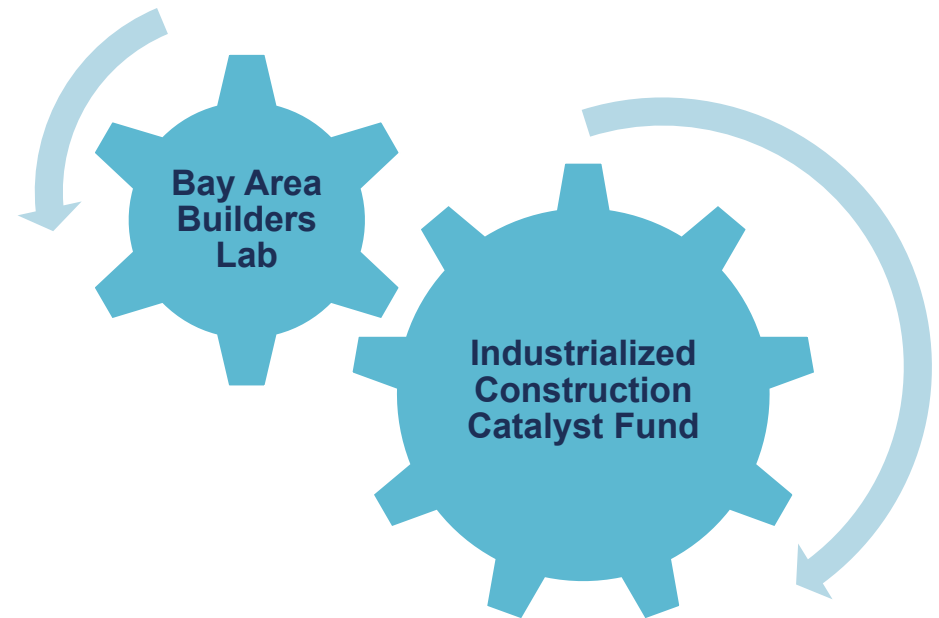




# Higher Impact Transformative - \$10M

## Overview

- HCD's Goal: competitive funding to support “novel, unique or innovative approaches that are scalable and that further REAP 2.0's Goals and Objectives”
- Partners: Turner Housing Innovation Labs and Housing Accelerator Fund
- Proposed Uses:
  1. Bay Area Builders Lab \$5M
  2. Industrialized Construction Catalyst Fund \$5M



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# Higher Impact Transformative - \$10M

## *Bay Area Builders Lab*

- New construction technology incubator created and operated by Turner
- Goals:
  - Lower barriers to entry
  - De-risk innovation
  - Increase financial feasibility
- Program Components:
  - Development of physical innovation space
  - Access to product testing capabilities
  - Access to coaching and workforce development
  - Connection to development partners and investors



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# Higher Impact Transformative - \$10M *Industrialized Construction Catalyst Fund*

- Revolving fund managed by the HAF designed to facilitate location-efficient, off-site affordable housing production
- Launch Products:
  - Predevelopment/Deposit Bridge Loans
  - Letter of Credit/Guaranty Pool
  - Builder's Risk Insurance
- Program Components:
  - Focus on mid-rise mid-size affordable housing infill projects
  - Alignment with available public subsidies
  - Prioritization of projects benefitting historically disadvantaged communities
  - Service as a bridge lender as the modular industry matures

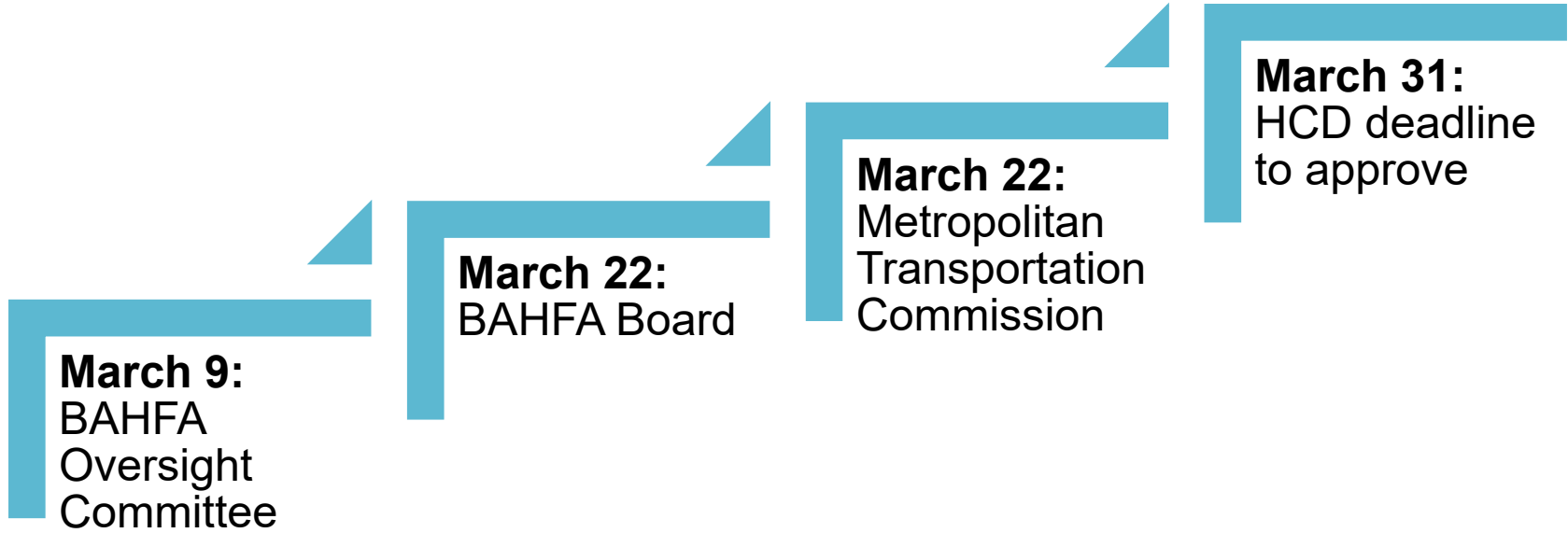


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# Housing Preservation and Priority Sites

## *Next Steps: Approval Process*



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# BAHFA Resolution 28

**BAHFA authorizes the receipt of funding and programmatic responsibility for \$43 million in REAP 2.0 proceeds from MTC to administer Housing Preservation and Priority Sites Pilots according to the approved Terms and Underwriting Guidelines**



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# Thank you.

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