

Date: February 24, 2021
W.I.: 1611
Referred by: PAC

ABSTRACT

Resolution No. 4454

This resolution amends and restates the Principles of Agreement that govern the Bay Area Preservation Pilot Fund (Fund) and authorizes the Executive Director or designated representative or designee to execute amendments to the funding agreements with fund managers for the Fund, to align with the Amended and Restated Principles of Agreement.

The resolution includes the following attachments:

Attachment A – Bay Area Preservation Pilot Amended and Restated Principles of Agreement

Attachment B – Bay Area Preservation Pilot Fund Managers

Further discussion of this action is contained in the Programming and Allocations Committee Summary Sheet dated February 10, 2021.

Date: February 24, 2021
W.I.: 1611
Referred by: PAC

RE: Amendment of the Bay Area Preservation Pilot Fund Principles of Agreement

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 4454

WHEREAS, the Metropolitan Transportation Commission (MTC) is the Regional Transportation Planning Authority for the San Francisco Bay Area pursuant to Government Code §§ 66500 *et seq.*; and

WHEREAS, MTC and the Association of Bay Area Governments (ABAG) support transit oriented development through the One Bay Area Grant and Priority Development Area Planning grant programs; and

WHEREAS, MTC and ABAG adopted the Final Blueprint for Plan Bay Area 2050, which includes a strategy to acquire homes currently affordable to low- and middle-income residents for preservation as permanently deed-restricted affordable housing; and

WHEREAS, MTC adopted Resolution 4311 establishing the Bay Area Preservation Pilot (BAPP) Fund, which authorized MTC to invest \$10 million in a revolving loan fund for the acquisition and protection of homes in Priority Development Areas and Transit Priority Areas currently affordable to low-income residents to help preserve affordability in the region; and

WHEREAS, the BAPP Fund managers have marketed the program to potential borrowers and have evaluated a number of prospective projects since the launch of the program in 2018; and

WHEREAS, deployment barriers have impeded the BAPP Fund's ability to achieve its stated goals, thus necessitating several changes to the program guidelines, which are reflected in the Amended and Restated Principles of Agreement outlined in Attachment A; and

WHEREAS, the Amended and Restated Principles of Agreement outlined in Attachment A will result in a substantial public benefit to the region's economic and social structure by facilitating preservation projects that establish long term affordability for low-income Bay Area families living in unsubsidized rental properties and protect them from the risk of displacement due to rising rents and the possibility of no-fault eviction; now therefore be it

RESOLVED, that the Principles of Agreement that govern the BAPP Fund are hereby amended, as reflected in the Amended and Restated Principles of Agreement outlined in Attachment A, and that the Executive Director or designee is authorized to enter into amendments to the agreements with the Fund managers listed in Attachment B to reflect the Amended and Restated Principles of Agreement.

METROPOLITAN TRANSPORTATION COMMISSION

A handwritten signature in dark ink, appearing to be 'AP' followed by a long horizontal stroke.

Alfredo Pedroza, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, and at other remote locations, on February 24, 2021.

Date: February 24, 2021
W.I.: 1611
Referred by: Programming and Allocations

Attachment A
MTC Resolution No. 4454
Page 1 of 2

Amended and Restated Principles of Agreement
Bay Area Preservation Pilot Fund

The Commission adopts the following Amended and Restated Principles of Agreement to establish and maintain the Bay Area Preservation Pilot Fund, which is a program that will be used as a tool to acquire and protect homes currently affordable to low-income residents that are currently available on the market. These Amended and Restated Principles of Agreement will govern two funding agreements MTC has entered into with Low Income Investment Fund (LIIF) (\$5 million) and Enterprise Community Loan Fund, Inc. (ECLF) (\$5 million), contributing \$10 million to the Bay Area Preservation Pilot Fund (the Fund). These Amended and Restated Principles of Agreement are intended to replace and supersede those certain Principles of Agreement adopted by MTC on February 28, 2018. The funding agreements with LIIF and ECLF will be amended in accordance with these Amended and Restated Principles of Agreement after approval by the MTC Commission on February 24, 2021.

1. MTC entered into agreements with LIIF (\$5 million) and ECLF (\$5 million) to contribute \$10 million to the Fund via LIIF and ECLF, which agreements may be modified or amended from time to time in accordance with their terms.
2. The Fund commenced in 2018 and will operate for twenty years from the date of inception subject to any agreed upon extension of the Fund maturity ("Fund Maturity").
3. MTC made its contribution of \$10 million (the "MTC Contribution") to the Fund after the funding agreements were signed and approved by the Commission on February 28, 2018; \$6 million of the MTC Contribution will take the form of a grant to ECLF and LIIF (the "MTC Grant Contribution") to be deployed to borrowers as forgivable debt, the remaining \$4 million of MTC's contribution shall be in the form of subordinate debt (the "Subordinate Debt Portion").
4. The Fund is managed by LIIF and ECLF, both not-for profit entities. For the avoidance of doubt, the Fund is not a separate legal entity and is instead the program through which LIIF and ECLF deploy the funds contributed by MTC.

Date: February 24, 2021
W.I.: 1611
Referred by: Programming and Allocations

Attachment A
MTC Resolution No. 4454
Page 2 of 2

5. All loans from ECLF or LIIF using the MTC Contribution (the “Fund Loans”) will be made to projects in Transit Priority Areas (TPAs) or Priority Development Areas (PDAs) and will target households at and below 80% Area Median Income.
6. A 3:1 funding leverage on the Subordinate Debt Portion of the MTC Contribution will be achieved across the overall Bay Area Preservation Pilot Fund program (vs. project by project).
7. LIIF and ECLF have adopted a business plan that establishes the Fund’s priorities and serves as a guide for the Fund’s operations, financial structure, underwriting criteria, and evaluation.
8. LIIF and ECLF will certify compliance with each organization’s underwriting guidelines and provide MTC with summary reports of the Fund’s progress against the business plan. MTC will not participate in the selection of specific projects.
9. The Fund program managers (LIIF and ECLF) will use standard accounting controls and MTC will have the right to review all financial reports of LIIF’s and ECLF’s activities in respect of the Fund.
10. No representative from MTC will participate in the Fund in any paid capacity. This provision shall not inhibit MTC from providing ongoing monitoring of affordability restrictions related to forgivable debt deployed from the MTC Grant Contribution after a project exits the Fund.
11. MTC is in the subordinate position for repayment of the Subordinate Debt Portion during the life of the Fund and at Fund Maturity. As such, after LIIF and ECLF are repaid in full by their borrowers, any balance remaining on MTC’s Subordinate Debt Portion will be returned to MTC at Fund Maturity, and during the life of the Fund through Fund Maturity, any balance remaining on the MTC Grant Contribution will be revolved by ECLF and LIIF to originate loans that support the preservation of affordable housing in the Bay Area through the Fund. At Fund Maturity, ECLF and LIIF will use commercially reasonable efforts to use any balance remaining on the MTC Grant Contribution as each sees fit in furtherance of their collective charitable missions of supporting affordable housing and capacity building of its borrowers. ECLF and LIIF agree to revolve the MTC Grant Contribution until Fund Maturity in order to deploy these funds to borrowers as forgivable debt, as contemplated hereunder.
12. MTC staff will provide annual BAPP updates to the Commission or appropriate Committee.

Date: February 24, 2021
W.I.: 1611
Referred by: Programming and Allocations

Attachment B
MTC Resolution No. 4454

Bay Area Preservation Pilot Fund Managers

Fund Managers	Amount
Low Income Investment Fund (LIIF) \$5	\$5 million
Enterprise Community Loan Fund, Inc. (ECLF)	\$5 million
Total	\$10 million