

Bay Area Housing Finance Authority BAHFA

June 25, 2025

Agenda Item 4a - 25-0861

Bay Area Housing Finance Authority (BAHFA) Resolution No. 38.

BAHFA Proposed Fiscal Year 2025-26 Operating Budget

Subject:

Staff requests adoption of Bay Area Housing Finance Authority (BAHFA) Resolution No. 038, approving the BAHFA Proposed Fiscal Year (FY) 2025-26 Operating Budget.

Summary of Changes from May Draft:

On May 28, 2025, staff presented the draft FY 2025-26 Operating Budget to the Authority as an information item. The proposed budget includes an updated cost-of-living adjustment. This update resulted in a \$4,475 decrease in total salaries, benefits, and indirect costs and a reduction to the total operating surplus of \$4,475.

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.

Currently, the Bay Area's nine counties and 101 cities and towns have challenges addressing affordable housing issues in isolation, often with limited staff and financial resources. BAHFA works collaboratively across jurisdictional boundaries to transform the way affordable housing is financed in the region.

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 2025-26 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 run out in 2026-27. BAHFA staff are on time-limited employment status through June 2026.

BAHFA secured additional one-time revenue from a variety of other sources. Most significantly, BAHFA has programmed approximately \$46.8 million from its Regional Early Action Planning grant of 2021 (REAP 2.0) to support several pilot programs. This grant was provided by MTC. BAHFA has also secured some 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 BAHFA until it is capitalized at scale. The Strategic Planning process will evaluate the future of BAHFA’s programs, develop a funding plan to implement those programs, and sustain momentum for a future regional housing

revenue measure (projected for 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 is expected to conclude in early 2026.

The Proposed FY 2025-26 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 2025-26.

FY 2025-26 Budget Assumptions

The proposed budget incorporates several key assumptions:

- 3.47% net interest yield
- Transit Oriented Affordable Housing Exchange Funds (TOAH Exchange Fund) for the Rental Assistance pilot project
- Decrease in Regional Early Action Planning 2.0 (REAP 2.0) State grant funding, with carryover projects on track to meet the June 30, 2026 expenditure deadline
- No regional ballot measure expenses in anticipation of a potential 2028 affordable housing measure, aside from expenses associated with the Strategic Planning process
- A 2.8% cost of living adjustment, which is pursuant to the Metropolitan Transportation Commission Memorandums of Understanding.

FY 2025-26 Revenue and Expense

Total revenue estimated for FY 2025-26 is \$45.9 million, down \$15.7 million from the amended FY 2024-25 budget. Summaries of revenue and expenses are shown below. The \$15.7 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. The FY 2025-26 revenue is primarily carryover remaining budget authority from those previously allocated grants.

FY 2025-26 Proposed Operating Revenue (millions denoted as M):

	Total	% Change	\$ Change
State Grants	39.4M	(28%)	(15.3M)
Local Funding	5.5M	(6%)	(0.3M)
General Fund	1.0M	(0%)	(0.0M)
Total	\$45.9M	(25%)	(\$15.7M)

In addition to the remaining funds from BAHFA's initial \$20 million start up grant, state grant funds are derived from REAP 2.0 funds and subject to a statutory June 2026 expenditure deadline. BAHFA's REAP 2.0 grant funds primarily support the following programs:

- Doorway Housing Portal: This program provides a simple and equitable way for residents to find and apply for affordable housing in the Bay Area, and builds a shared technology platform with transparent processes from marketing to move-in. Doorway helps people, housing providers and local governments, and provides critical data to shape policy and attract more housing resources.
- Housing Preservation Loans: BAHFA established the Housing Preservation Loan Pilot to help mission-driven housing developers achieve preservation and anti-displacement goals. The program provides low-interest loans to nonprofit developers and community land trusts to acquire and rehabilitate residential properties occupied by low and moderate-income residents. BAHFA has closed its first two loans from this program and the remaining roughly \$9 million in funding is currently available through an open Notice of Funding Availability.
- Priority Sites: These sites are locally-identified, regionally significant places that will offer homes affordable to people of all incomes, backgrounds and abilities. Priority Sites include or are nearby to essential services, green space, and frequent public transit. \$28 million has been awarded to accelerate 10 affordable housing projects creating approximately 1,600 new affordable homes. BAHFA has closed four of those loans and anticipates closing the remaining six loans by the end of summer 2025, with ongoing loan administration through the June 2026 expenditure deadline.

Local funds primarily support the following program:

- Rental Assistance Pilot: Utilizes \$5 million of Transit Oriented Affordable Housing (TOAH) exchange funding for longer term rental assistance options to help decrease the current homeless population.

Total expenses for FY 2025-26 are estimated at \$45.9 million, down \$15.7 million from the amended FY 2024-25 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 2025-26 reflect that BAHFA expects to carry over only the remaining balance of existing funds, following planned spending in FY 2024–25. As a result, projected expenses are lower in FY 2025-26 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	\$2.3M	(22%)	(\$0.6M)
Doorway, Loans, Sites, Rental Assistant			
Pilots/Programs	41.5M	(11%)	(15.3M)
General Operations	0.1M	(15%)	0.4M
Consultants	1.0M	(10%)	(0.8M)
Other	1.0M	(5%)	0.1M
Total	\$45.9M	(25%)	(\$15.7M)

BAHFA staff salaries, benefits, and indirect costs decrease compared to FY 2024–25 due to the implementation of a direct charge mechanism, which enables REAP 2.0 funds to be drawn directly from MTC.

The expense projections for FY 2025-26 support the following ongoing initiatives/programs:

- Continue development and implementation of Doorway, including multi-jurisdictional coordination, planning, and program integration.
- Spend down of remaining funds for the Housing Preservation Loan Pilot.
- Spend down of remaining funds for the Priority Sites Pilot.

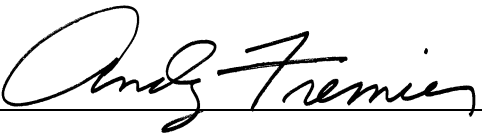
- Complete the Strategic Planning process to identify a path as BAHFA transitions to its next phase.

Recommendations:

Staff recommends adoption of Resolution No. 038, approving the BAHFA FY 2025-26 Operating budget.

Attachments:

- Bay Area Housing Finance Authority (BAHFA) Resolution No. 038, FY 2025-26 Operating Budget
 - Attachment A – Operating Budget
- Presentation

A handwritten signature in black ink, reading "Andrew B. Fremier", is written over a horizontal line.

Andrew B. Fremier