



BAHFA 2024 Ballot Measure: Introducing Decision Points and Recommendations



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

BAHFA Advisory Committee
June 22, 2023

Discussion Overview:

- 1) Adopt phased approach focusing on 1st bond issuance**
- 2) Allocate initial “Flexible Funds” to Production**
- 3) Use regional Production funds to serve highest need, but generally outside of state low-income housing tax credit structure unless invited to collaborate w/ jurisdictions**
- 4) Create equitable, collaborative and additive geographic distribution plan that ensures investments in all counties**

AB1487 Review: 3Ps Funding Guidelines

BAHFA'S 20% Funding Allocation:

- Production: 52%
- Preservation: 15%
- Protections: 5%
- Local Government Incentive Grant Program: 10%
- Flexible Funding: 18%

BAHFFA's Principal Funding and Equity Goals

- Serve those with greatest needs
- Achieve Scale – 180,000 affordable homes needed by 2031
- Control costs and deploy money quickly
- Achieve operational sustainability
- Fund tenant protections

External Factors

Fluid Market & Industry Conditions Require Flexible Approach:

- Homeless and ELI housing need long-term operating subsidies, which are scarce
- State tax-exempt bond and tax credit funding is over-subscribed
 - Need is for feasible development without competitive state funds
- GO bond eligible uses may expand to include tenant protections?
- Developer capacity and availability fluctuates, especially for Preservation
- Market conditions change – note current high interest rates

Considerations

- All counties and direct-allocation cities will be in receipt of large bond funds simultaneously
- All counties and direct-allocation cities will fund projects that also need competitive state money
- Current Bay Area state application success rate = 40%-50% on first try
- BAHFA should be additive and not competitive

BAHFA's Two Prong Approach

1. Change the System

- The affordable housing finance system – especially traditional credits and bonds – is deeply flawed.
- BAHFA can serve as a unifying regional voice to advocate for more federal and state resources, as well as more efficient and equity-focused systems.

2. Maximize Benefit from Existing System

- Simultaneously, BAHFA must creatively navigate the system in coordination with local governments partners.
- The recommendations' goal is to maximize the benefits of current financing structures in the near term.

Policy & Strategy Decisions: Step 1

Step 1 – Today’s Focus:

- Consider “Phased Approach”: **focus is 1st of 5 bond funding rounds**
- Program **1st installment** of 18% “flexible funds”
- Set Production + Flexible **funding priorities for projects**

BAHFA's 1st NOFA: Focus of Initial Policy Decisions:

| For \$10B Bond | Total Value |
|-------------------------------------|---------------------|
| BAHFA | \$2 Billion |
| Counties & Direct-Allocation Cities | \$8 Billion |
| Total | \$10 Billion |

In millions of dollars

| | 1 st Bond Issuance Values |
|-----------------------------------|--------------------------------------|
| BAHFA | \$400 |
| County & Direct-Allocation Cities | \$1,600 |
| Total | \$2,000 |

In millions of dollars

| 1 st Bond Issuance: BAHFA's Regional Funds | Value |
|---|--------------|
| Production | \$208 |
| Flexible Funds | \$72 |
| Preservation | \$60 |
| Protections* | \$20 |
| Local Government Grants | \$40 |
| BAHFA Total – 1st Issuance | \$400 |



* Currently not eligible use of GO Bonds

Step #1 Decision Recommendations

- **Approve 1st bond issuance program only**
 - Adjust 2nd and future issuances based on successes, lessons learned, and new opportunities
- **Allocate initial Flexible Funds to Production (\$72 million)**
 - Address scale of housing need: 180,000 new homes by 2031
- **Prioritize Homeless & ELI Production Investments if invited by jurisdictions or collaborative opportunities arise**
- **Prioritize Low-Income Housing Without Competitive State Funding**
 - Avoid competition with jurisdictions for state funds and operating subsidies
 - Pursue innovation & scale while swiftly adding housing stock

Policy & Strategy Decisions: Step 2

Step 2:

- Create **disbursement priorities** around region
- Set priorities for **Preservation & Protection*** investments
- Identify potential uses for **10% Local Government Incentive Grant Program**

→ September
2023

**TBD, depending on expanded eligible uses of GO bonds via constitutional amendment*

Step #2 Recommendation Previews

- **Create a Geographic Investment Plan that:**
 - Ensures equitable access to regional funding for all counties
 - Prioritizes those most impacted by housing unaffordability
 - Creates additive financing strategies and development programs
- **Prioritize Preservation investments that achieve anti-displacement goals and serve historically disinvested communities**
- **Focus initial 10% Local Government Incentive Grant on housing-related infrastructure lacking access to other funding sources** (e.g., utilities, parks, school improvements to accommodate increased enrollment)

BAHFA Next Steps: Future Considerations

September 2023

- How BAHFA geographically distributes its funds
- Preservation & Protection* Program priorities
- 10% Local Government Incentive Grant Program priorities

October 2023

- Approval of BAHFA's Initial Funding Priorities (decision points from July & September meetings)
- Adoption of Business Plan Equity Framework & Funding Programs

December 2023

- Adoption of final BAHFA Business Plan

January – May 2024

- Approval of BAHFA's Regional Expenditure Plan and Resolution to Place Bond on 9 counties' ballots

Post-Bond (2025)

- Loan Term Sheets and Underwriting Guidelines, including developer preferences

Thank You



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