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October 11, 2023

Agenda Item 7.b.

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**BAHFA Business Plan Equity Framework and Funding Programs**

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**Subject:**

Presentation of the BAHFA Business Plan Equity Framework and Funding Programs and request for recommendation of approval by the BAHFA Board and the ABAG Executive Board acting as the Executive Board to BAHFA

**Background:**

BAHFA launched its business planning process (Business Plan) in 2021 with the goal of creating bold, regional solutions to the Bay Area's housing challenges. The principal means by which BAHFA and its partners will deliver effective outcomes is by deploying BAHFA's statutory authority to place a regional revenue measure on the ballot across all nine counties. The Business Plan, supported by a consultant team led by Forsyth Street Advisors, with its subconsultant Othering and Belonging Institute at UC Berkeley (OBI) leading the Equity Framework, has three main threads of work:

- (1) The **Equity Framework**, which focuses BAHFA's Business Plan on delivery of 3P programs (Production, Preservation and Protections) that prioritize equity, racial justice, and protection of communities most impacted by the region's affordability challenges.
- (2) The **Funding Programs**, which propose strong, impactful, and self-sustaining funding programs that can successfully establish BAHFA as a permanent agency that consistently achieves its 3P mission.
- (3) The **Business Plan**, which will be the integrated, strategic plan inclusive of both the Equity Framework and Funding Programs that recommends best practices and phasing for BAHFA's allocation of the resources it secures, including a potential regional general obligation bond in 2024.

Staff provided updates to the BAHFA Oversight and ABAG Housing Committees about progress on the Business Plan drafting in January, April, and July of 2022. In January 2023, the consultant team presented full drafts of the Equity Framework and Funding Programs to the Committees for feedback and direction.

After an additional round of engagement with stakeholders and the public (see below for details), on April 27, 2023, staff presented a final version of the Equity Framework and Funding Programs to the BAHFA Advisory Committee. At that meeting, the BAHFA Advisory Committee voted unanimously to recommend approval of the Equity Framework and Funding Programs. Staff then presented the same materials in May 2023 to the BAHFA Oversight and ABAG Housing Committees (May 11), the ABAG Executive Board (May 18), and the BAHFA Board (May 24). During these meetings, staff recommended adoption of the final Equity Framework and Funding Programs. Policymakers postponed a final vote, however, to align the approval process with upcoming discussions about key decision points for the 20% of bond funds that

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would be administered by BAHFA and would lay the foundation for BAHFA's Regional Expenditure Plan.

In July through September 2023, policymakers have discussed "Step 1" and "Step 2" decision points and are slated to provide direction to staff as part of Agenda Item 7a during today's meeting. As previously directed, the current agenda item brings the Equity Framework and Funding Programs back to the Boards for adoption. The content of the Equity Framework and Funding Programs remains unchanged from the version that was presented in May 2023.

#### Outreach and Engagement Summary:

This presentation of the Equity Framework and Funding Programs, as proposed for final approval, is the culmination of a year and a half's worth of work. Starting with a series of interviews and conversations with local experts and stakeholders across the region that informed early drafts, the consultant team solicited additional input from multiple sources and conducted an iterative, creative process of drafting, revising and presenting back to engaged collaborators. Specific outreach activities included:

- **Initial Interviews:** over 25 interviews with housing, finance, and equity leaders involved in housing production, preservation, and protection.
- **Public Listening Sessions:** three virtual public listening sessions held in June 2022, during which 138 stakeholders discussed and provided recommendations on draft equity goals, objectives, and metrics. Invitations for the sessions were distributed to over 300 stakeholders and 175 local government staff working across all 3Ps.
- **Equity Working Group Sessions:** several meetings with a group of 11 leaders from across the region between May 2022 and March 2023. The Equity Working Group used a consensus-based decision-making process to co-create the Equity Framework, and provide input on the Funding Programs, drawing from their extensive experience related to housing preservation, production, protection, and social equity as well as relationships to the communities and places most impacted by the housing crisis.
- **Public Workshops:** two virtual public workshops in February and March 2023, during which BAHFA staff presented the Draft Equity Framework and Draft Funding Programs to over 160 stakeholders from across the region. Participants provided feedback on both drafts, including recommendations for how to strengthen the connection between the Equity Framework and Funding Programs. Invitations for the sessions were distributed to over 560 stakeholders.
- **BAHFA and ABAG Feedback:** as described above, the BAHFA Oversight Committee and the ABAG Housing Committee received several updates throughout 2022 about the Business Plan process. Staff and the consulting team presented the Draft Equity Framework and Draft Funding Programs to the Joint Housing Committees as well as the BAHFA Advisory Committee in January 2023 for feedback. Additionally, staff presented

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the current, final version of the Equity Framework and Funding Programs to the Advisory Committee in April 2023, and to the Joint Housing Committees, the ABAG Executive Board, and the BAHFA Board in May 2023.

Throughout this process, the consultant team closely collaborated to ensure that the Equity Framework and Funding Programs are integrated components of the Business Plan – even while each retains a separate focus – and that they are aligned in their objectives and approach to catalyzing regional housing transformation.

**Equity Framework and Funding Program Documents:**

Upon the approval of the ABAG Executive Board and BAHFA Board, BAHFA will structure the Business Plan into these component parts for publication:

Equity Framework

- 1) Introduction
- 2) Objectives and Metrics: Guides and measures the impact of BAHFA’s work for each of the 3Ps and for a fourth “Cross Cutting” category for items that advance all 3Ps or do not fit squarely within any one of the separate categories.
- 3) Regional Leadership and Technical Assistance: Provides strategies for expanding, diversifying and strengthening the region’s housing ecosystem.
- 4) Accountability and Implementation Strategies: Looks forward to future cycles of evaluation, program design and engagement with local jurisdictions and impacted communities to ensure broad accountability.
- 5) Social Equity Goals: Articulates a long-term, aspirational vision for an equitable future of housing in the Bay Area.
- 6) Appendix: Includes a comprehensive Stakeholder Engagement Report, among other items.

Funding Programs

- 1) Executive Summary
- 2) Funding Programs Description: Provides a detailed financing strategy for each of the 3Ps and for an Innovation Program that aims to expand the range of financeable projects. Addresses the key objectives of each program and outlines recommended terms to help meet those objectives.

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- 3) Appendix: Provides an analysis of the current 3Ps funding landscape and financing ecosystem. Discusses regional housing needs and opportunities that informed the Funding Programs.

**Implementation:**

BAHFA’s “Step 1” and “Step 2” recommendations for implementation of the 20% regional expenditure plan are derived directly from the principles articulated in the Equity Framework and the goals and financing structures described in the Funding Programs, as illustrated below:

**“Step 1” Decision Points:**

Recommendation	Equity Framework Objectives	Funding Program Element/Goals
<p><b>Focus on Programming for 1<sup>st</sup> Bond Issuance</b></p>	<p><b>Production Opportunities &amp; Challenges:</b></p> <ul style="list-style-type: none"> <li>Regularly evaluate program outcomes and adjust as needed</li> </ul> <p><b>Accountability and Implementation:</b></p> <ul style="list-style-type: none"> <li>Coordinate and collaborate with local partners; retain flexibility to ensure equity metrics are being met</li> </ul>	<p>Add value, expand and broaden the variety of funding programs BAHFA provides while maintaining its readiness and ability to quickly respond to new opportunities as they arise</p>
<p><b>Use 1<sup>st</sup> Issuance of “Flexible” Funding for Production</b></p>	<p><b>Production Equity Objectives:</b></p> <ul style="list-style-type: none"> <li>Produce more affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>Promote scale</li> <li>Create long-term sustainability for BAHFA</li> </ul>
<p><b>For Production Funding, pursue a 3-point strategy:</b></p> <ol style="list-style-type: none"> <li>Prioritize PSH and ELI housing if long-term operating and services subsidies are available</li> <li>Pursue non-LIHTC development when state funding is competitive</li> <li>Retain flexibility to leverage state and federal funds when possible</li> </ol>	<p><b>Production Equity Objectives:</b></p> <ul style="list-style-type: none"> <li>Produce more affordable housing for extremely low-income households;</li> <li>Create programs that address homelessness;</li> </ul> <p><b>Production Opportunities &amp; Challenges:</b></p> <ul style="list-style-type: none"> <li>Explore partnerships with local governments and Housing Authorities</li> </ul>	<ul style="list-style-type: none"> <li>Earn revenue to achieve operational sustainability</li> <li>Address the region’s housing crisis at scale</li> <li>Add value while quickly responding to new opportunities</li> </ul> <p>Implement “Innovation Program”:</p> <ul style="list-style-type: none"> <li>Expand the range of financeable projects</li> <li>Avoid competitive bottlenecks in state funding programs</li> <li>Achieve faster, more cost-effective housing delivery</li> </ul>

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**“Step 2” Decision Points:**

Recommendation	Equity Framework Objectives	Funding Program Element/Goals
<p><b>Create “Return to Source” Production Investment Targets for Every County</b></p>	<p>Advance local goals with regional equity priorities</p>	<p>Build a track record within the region’s housing ecosystem</p>
<p><b>Set Preservation Priorities:</b></p> <ol style="list-style-type: none"> <li>1) Invest in historically disinvested areas</li> <li>2) Prioritize investments that forestall immediate risk of eviction or affordability loss</li> <li>3) Support community-controlled models</li> </ol>	<p><b>Preservation Equity Objectives:</b></p> <ul style="list-style-type: none"> <li>• Prevent displacement</li> <li>• Serve most impacted residents</li> </ul> <p><b>Cross-Cutting Equity Objectives:</b></p> <ul style="list-style-type: none"> <li>• Support community-based and community-owned organizations</li> <li>• Support individual and community wealth building</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent displacement while promoting long-term financial sustainability</li> <li>• Coordinate and streamline investments</li> </ul>
<p><b>Set Local Government Grant Program Priorities:</b></p> <ol style="list-style-type: none"> <li>1) Make investments that benefit the broader community</li> <li>2) Retain flexibility in program priorities if GO bond rules change</li> <li>3) Target at least one investment per county over the life of the bond</li> </ol>	<p><b>Cross-Cutting Equity Objectives:</b></p> <ul style="list-style-type: none"> <li>• Serve as regional leader on local equitable programs and practices</li> </ul>	<ul style="list-style-type: none"> <li>• Provide regional leadership and develop a track record within the region’s housing ecosystem</li> <li>• Create regional support for protections</li> <li>• Collaborate with local jurisdictions to better integrate and grow homeless prevention programs</li> </ul>

**Next Steps:**

The last component of the Business Plan is an Operations and Sustainability chapter, which will provide analysis and recommendations for the organizational structure and balance of financial products that will enable BAHFA to become a self-sustaining agency. Staff expects to present an informational update on this third component of the Business Plan in November or December 2023. The final, complete Business Plan will be presented for Committee and Board approval in spring 2024 concurrent with the Regional Expenditure Plan and other actions necessary to place a \$10-20 billion Regional Housing Bond on the November 2024 ballot.

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**Recommended Action:**

The BAHFA Oversight Committee and ABAG Housing Committee are requested to recommend approval of the BAHFA Business Plan Equity Framework and Funding Programs by the BAHFA Board and the ABAG Executive Board acting as the Executive Board to BAHFA.

**Attachments:**

- A. Presentation
- B. Final Equity Framework
- C. Equity Framework Appendices
- D. Funding Programs Executive Summary
- E. Production Program Description
- F. Innovation Program Description
- G. Preservation Program Description
- H. Protection Program Description

**Reviewed:**



Andrew Fremier