BAHFA Mixed-Income Financing Program Update

BAHFA Oversight & ABAG Housing Committee Meeting

August 12, 2026

Bay Area Housing Finance Authority

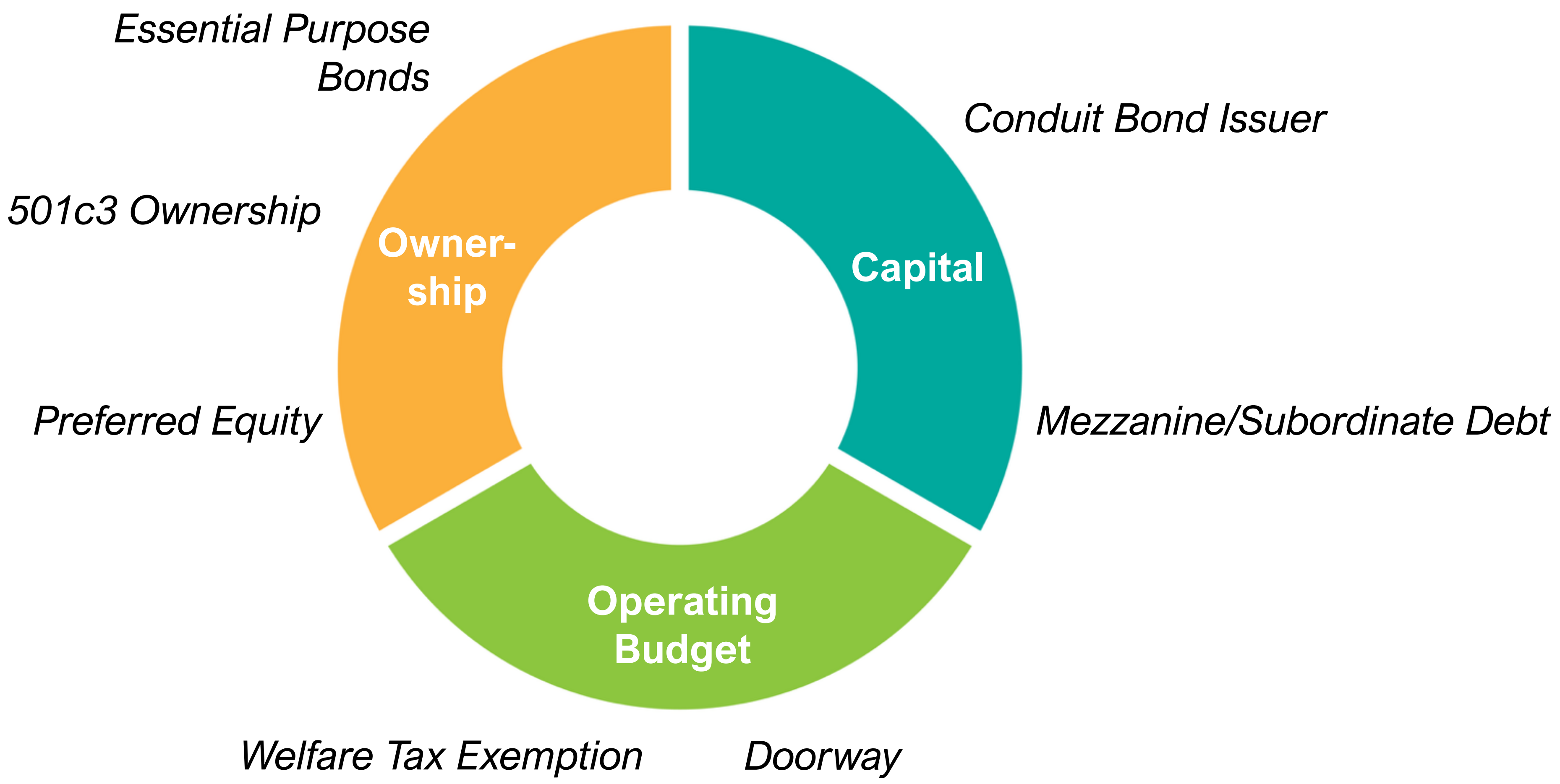
ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Mixed Income Finance Program

AGENDA

- Update on Program Elements
- Deep Dive into Debt Strategy
- Committee Feedback

Real Estate Financing Roles



Mixed Income Finance Program

Program Update

BAHFA Role	Program Component	Status
Operating Budget	*Welfare Tax Exemption*	Fee Schedule Adopted Additional Adjustments in Progress
Operating Budget	*Doorway*	Fee Schedule Approval Underway
Capital	*Mezzanine/Subordinate Debt*	Main Focus of Staff Work
Capital	*Conduit Bond Issuer*	Research on Structuring Underway
Ownership	*501c3 Ownership*	Launching Work
Ownership	*Preferred Equity*	Launching Work
Ownership	*Essential Purpose Bonds*	On Hold

Mixed Income Finance Program
Program Update

- Public Benefit Rubric
- Call for Lender Partners
- Lending Product Development

Mixed Income Finance Program

Public Benefits

	Bond Programs	Subordinate Debt	Welfare Exemption
Resident Engagement Pre-Close/Post Close	+	+	
Existing Tenant Protections No Displacement, Plan for Rent-Burdened Households	+	+	+
Leasing Outreach Use of Doorway Housing Portal/Products	+	+	+
Restricted Units at Least 10% Below Market	+	+	+
Calculated Public Benefit Exceeds Cost	+	+	+

Mixed Income Finance Program
Public Benefits Rubric

Create Base Framework to Track Important Metrics Across Programs

- Economic Benefit: Discount to Market Rents vs. Public Cost
- Alignment with BAHFA Equity Framework
- Innovation: Reduces Barriers/Costs, Replicability
- Environmental Sustainability
- Resident/Community Focused

Mixed Income Finance Program

Subordinate Debt Product Update

- Call for Lender Partners:
  - Scope:
    - Augment/Grow BAHFA Internal Underwriting Capacity
    - Potential Lead Role re: Asset Management
    - Leverage/Match BAHFA Funding to Create More Opportunity
  - Work to Date:
    - Continued Check In re: Possible Candidates and Level of Interest
    - Issued Call for Partners
  - Target October Selection (contracting process/timeline TBD)

Mixed Income Finance Program
Subordinate Debt Product Update

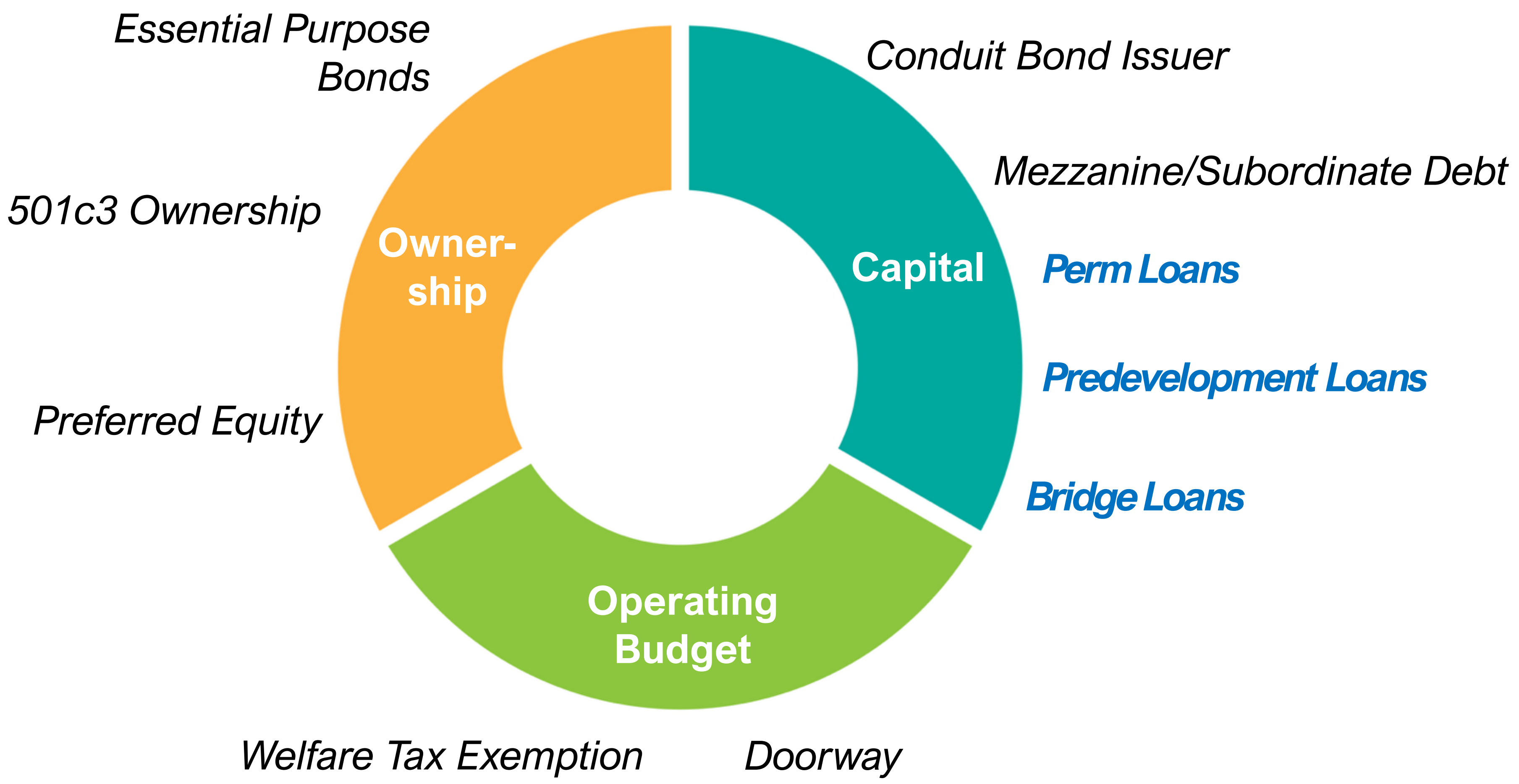
- Shifting Market
- Other Needs Identified
- Recommendation: Expand Loan Product Types

Initial Program Concept Opportunities

Mixed-Income with Focus on Workforce Housing	Do Not Rely Upon (LIHTC) Timing	Initial Focus on Acquisition/ Rehab	Missing Products for Affordable	Bond Issuer Role	Layered Approach
Fill a market gap to serve the 60-80% AMI range, cross-subsidizing with higher income units	**Avoid delays and costs** associated with highly competitive credits; **do not compete** against projects that require tax credits for deeper levels of affordability	**Take advantage of current market opportunity** for lower per-unit acq/rehab costs, **flex towards new construction** when resources and market conditions allow	Provide **quick solutions** to financing needs **missing** in the affordable ecosystem; focus on **executions with certainty**	**Fill niche regional gap** to achieve efficiencies of multi-jurisdictional scale and **greater local accountability/ mission-alignment** than statewide issuers	Create a **flexible structure** with a suite of offerings that can be combined as part of a **move towards "one stop"** (or at least "fewer stops") approach and scaled over time

★ **New Opportunity**

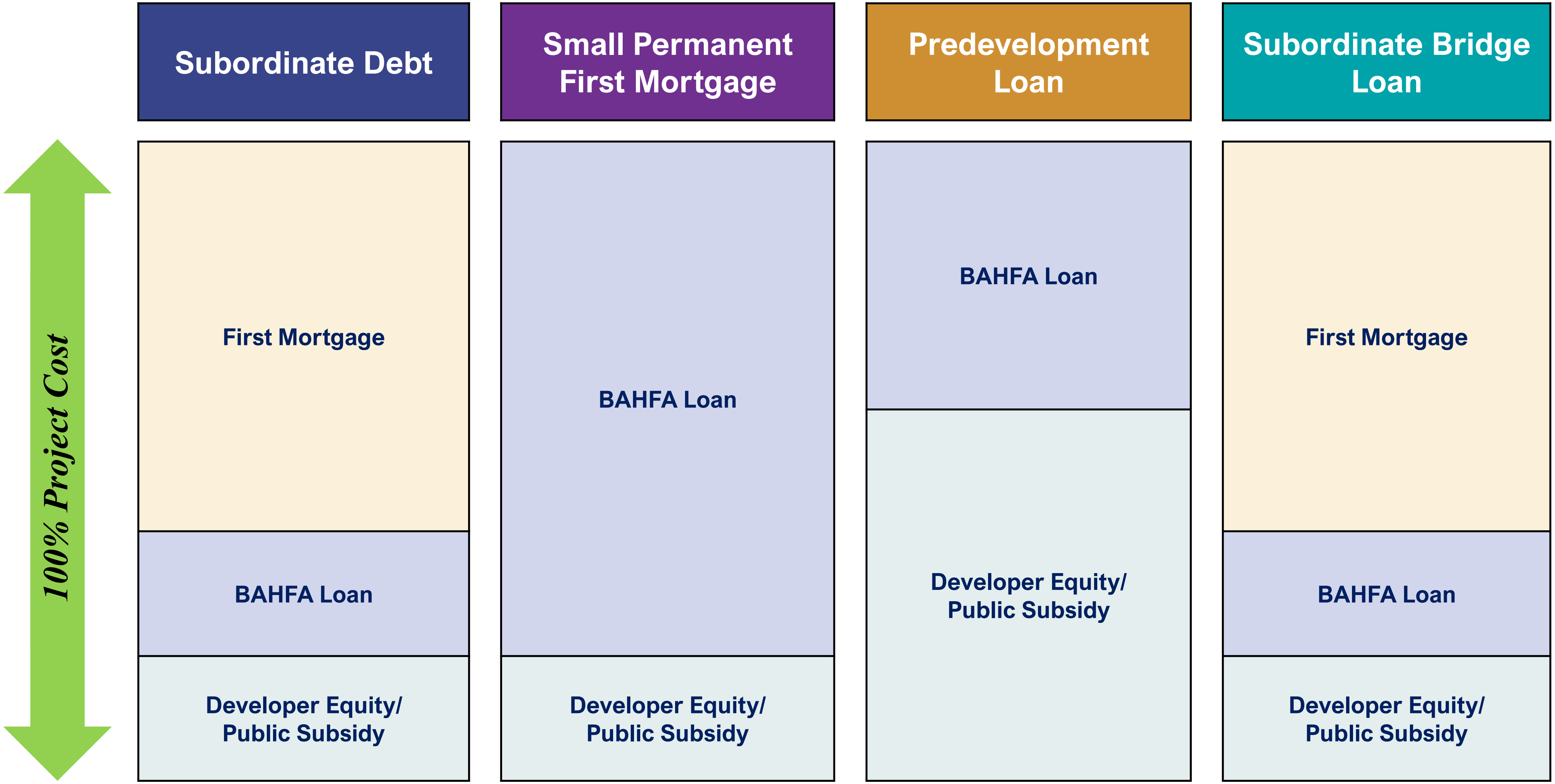
Real Estate Financing Roles



Loan Type Characteristics

	Subordinate Debt	Small Permanent First Mortgage	Predevelopment Loan	Subordinate Bridge Loan
Likely Borrower/ Project Type	• *Mixed Income Projects* • *Preservation Strategies*	• *Small Projects* • *100% Affordable* • *Smaller Developers*	*Smaller Emerging Developers*	*Projects with Timing Challenges re: Committed Financing*
Impact/Need	Lower Cost Capital Replaces Equity, Creating Affordability	Not Readily Available in Market Supports Smaller Developers/Projects	Assist with Cash Flow Needs Likely Smaller Developers	Fills Temporary Financing Gap Speed/Competitiveness
Type of Loan	Long Term Property Mortgage	Long Term Property Mortgage	Short Term Developer Cash Flow	Short Term Property Mortgage
Security	Property 2nd Lien Position Junior to Senior Loan	Property Senior to All Other Debt	Developer Guaranty	Property 2nd Lien Position Junior to Senior Loan
Source of Loan Repayment	Cash Flow from Property Operations	Cash Flow from Property Operations	Subsequent Loan Closing	Subsequent Loan Closing

Capital Stack by Loan Type



Real Estate Financing Roles: Mission Oriented Players

Senior Debt	Mezzanine/ Subordinate Debt	Preferred Equity	LP Equity	GP Equity	Forgivable Debt	Grants
CalHFA	CDFI's/CalHFA	**Preferred Equity**				Public Subsidies
Small Perm Loan	Sonoma County RED					Foundations
	BAHFA Priority Sites (Predev)					**BAHFA Preservation Pilot**
	Subordinate Debt					**BAHFA Technical Assistance Grants**
	Predev Loan					**BAHFA Priority Sites (Perm)**
	Bridge Loan					

Repayment Expectation Spectrum

Summary of Terms by Loan Type

	Subordinate Debt	Small Permanent First Mortgage	Predevelopment Loan	Subordinate Bridge Loan
Likely Borrower/ Project Type	• *Mixed Income Projects* • *Preservation Strategies*	• *Small Projects* • *100% Affordable* • *Smaller Developers*	*Smaller Emerging Developers*	*Projects with Timing Challenges re: Committed Financing*
Loan Amount	Up to $4 million ($40k/afford unit, 10% total cost) 1.05 DCR 100% LTV	Up to $4 million 85% LTV 1.15 DCR	Up to $ 1 million (Sponsor Match)	Up to $3 million 100% LTV
Term/Amortization	Co-Terminus with Senior Loan Amortizing or Interest Only	Up to 15 Years Up to 40 year Amortization	1 Year, 6 month Extension Payments deferred Until Pay-off	Up to 3 years Interest Only
Rate	2.00% Above Senior Loan Floor = 6.00%, Cap = 8.00%	Treasury + 2.00% (current 6.59%)	2 year Treasury + 3.00% (current 7.21%) Floor = 7.00%, Cap = 8.50%	1.00% Above Senior Loan
Readiness	All Other Financing Committed	All Other Financing Committed	Source of Repayment Committed	Source of Repayment Committed

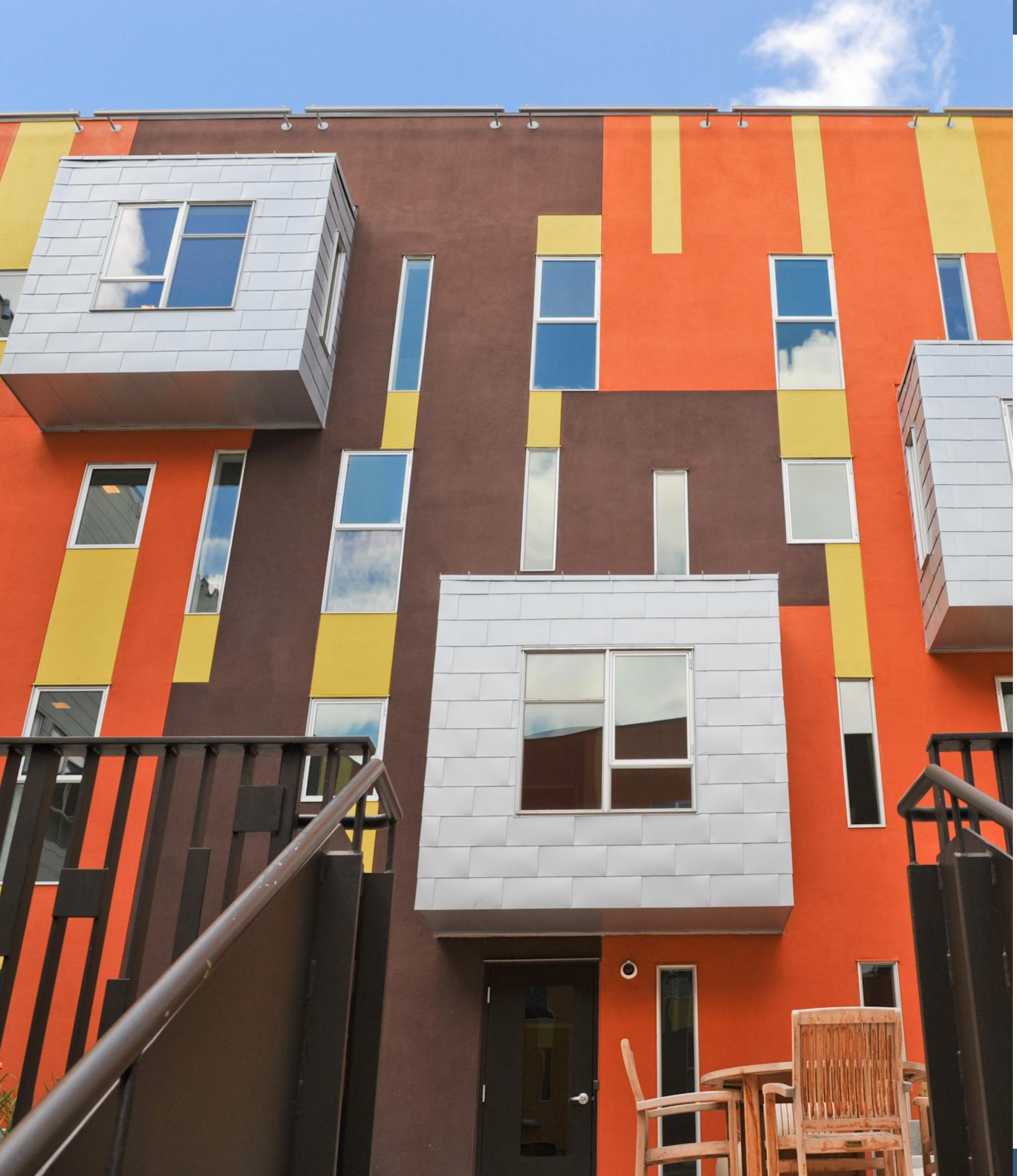
Potential Capital Program Elements

Considerations:

- Target Allocations: Policy vs Risk vs Financial Sustainability
- Weighted Interest Rate of Portfolio
- Priority Products in Case of Over-Subscription
- Ability to Turn Dollars More Quickly for Impact
- Equity Considerations
- Which Products Likely to be Matched by Lender Partner

Objectives & Outcomes

	Subordinate Debt	Small Permanent First Mortgage	Predevelopment Loan	Subordinate Bridge Loan
Preservation	+++	+++	++	+++
Production	+	+++	+++	++
100% Affordable		+++	+++	++
Advances Equity Goals	+	++	++	+
Quicker Turnover = More Units Supported			+++	++
Larger Scale Projects = Faster Impact	++		+	



Timeline & Feedback

Summer/Fall 2026

- Additional research and program development
- Stakeholder Input
- Call for Lender Partners
- Subordinate debt program terms developed

Winter 2026/Early 2027

- Final program approvals
- Launch new financing programs
- Refine conduit bond issuer structure
- Advance ownership opportunities