BAHFA Mixed-Income Financing Program Update

BAHFA Oversight & ABAG Housing Committee Meeting

Attachment B: Proposed Program Elements Detailed Addendum

August 12, 2026

Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Operations Program Elements: Status Update

	Program	BAHFA Role	Impact	Status
OPERATIONS	**Welfare Tax Exemption**	• Small Grant • 55 Year Deed Restriction • Long Term Monitoring	• Property Tax Exemption = Lowers Operating Expense • Ensures Long Term Affordability	• Expanded to Allow New Construction • Fee Schedule Adopted
	Doorway	• Marketing Assistance • Vacancy Listings • Lottery Management	• Equitable Access for Tenants • Faster Lease-up for Property Owners	• Ongoing • Proposed Fee Schedule

Ownership Program Elements: Status Update

	Program	BAHFA Role	Impact	Status
OWNERSHIP	**Essential Purpose Bonds**	• Issuer of Tax-Exempt Debt • Owner of Asset • Private Sector "Partners"	• Lower Cost Increases Borrowing Capacity • Tax Exemption Extended to Middle-Income • Ensures Permanent Affordability	• On Hold Until Possessory Interest Issue Resolved
	501c3 Ownership	• Issuer of Tax-Exempt Debt • Nonprofit owns asset • Private Sector "Partners"	• Lower Cost Increases Borrowing Capacity • Stricter Affordability Requirements • Ensures Permanent Affordability	• Determining Risk & Mitigation Parameters • Researching Legal Requirements • Evaluating Admin Options and Cost-Benefit
	Preferred Equity	• LP Investor	• Equity Position Increases Borrowing Capacity • Shared Risk/Upside	• Stakeholder feedback • Researching Legal Requirements

Capital Program Elements: Status Update

	Program	BAHFA Role	Impact	Status
CAPITAL	**Conduit Bond Issuer**	• Issuer, Tax-Exempt Bonds • Deed Restrictions • Long Term Monitoring	• Lowers Borrowing Cost, Increases Borrowing Capacity	• Evaluating Admin Options and Structuring • Researching TEFRA Authority Options
	Matched Subordinate Financing	• Subordinate Lender	• Lower Cost Increases Borrowing Capacity • Primary revenue generator for BAHFA	• To Be Discussed

Summary of Terms by Loan Type: Overview

	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

Product	Impact	Risk	Mitigations
Permanent 1st Mortgage	• *Smaller Loan Sizes Not Available in Commercial Market* • *Supports Smaller Projects and Developers*	• *Less Risky* • *Lower Pricing than Subordinate Debt Product* • *Forward Commitment Timing*	• *Adequate DCR/LTV* • *Certainty of Transaction*
Predevelopment Loan	• *Assist with Cash Flow Needs* • *Likely Emerging Developers*	• *More Risky – No Security* • *Large-ish Amounts to Have Impact*	• *Ensure Key Perm Financing Secured* • *Developer Match and Guarantee* • *Loan Amount Relative to Project Size* • *Assignment of Devl't Rights* • *Limit Allocation from Portfolio*
Subordinate Bridge Loan	• *Fills Temporary Financing Gap to Bridge to Identified Take Out*	• *Construction/Rehab Risk* • *Subordinate to 1st Lien Lender*	• *Confirm Take Out Financing in Place* • *Secured by Real Estate + Guarantee*

Potential Capital Program Elements: Subordinate/Mezzanine Debt

Feature	Draft Terms
Likely Borrower/Project	• *Mixed Income Projects* • *Preservation Strategies*
Eligible Projects	• *New Construction* • *Acquisition/Preservation* • *Acquisition/Modest Rehab*
Loan Size	• *Lesser of $40,000 per affordable unit, or $4 million, or 10% of total cost*
Terms	• *Subordinate, Non-Recourse (substantial renovation guaranty)* • *Flexible Term: Due co-terminus with senior debt. Can be rolled in refi* • *100% LTV and 1,05 DCR for all debt* • *Amortized with ballon, Interest only in certain circumstances* • *Rate: 200bp over senior debt rate, Floor of 6.00%, Ceiling of 8.00%*
Other Considerations	• *Fees Commensurate with Product Type* • *Sponsor match required* • *Replacement and operating reserves*

Potential Capital Program Elements: Permanent First Mortgage

Feature	Draft Terms
Likely Borrower/Project	• *Smaller Projects* • *Very Low Incomes that Cannot Support Much Debt* • *Smaller, Emerging Developers*
Eligible Projects	• *New Construction* • *Acquisition/Preservation* • *Acquisition/Modest Rehab*
Loan Size	• *Up to $4 million*
Terms	• *First Lien Position, Non-Recourse* • *Flexible Term: Up to 15 Years, 40 Year Amortization* • *85% LTV, 1.15 DCR* • *Demonstrated Positive Cash Flow Throughout Term, Incl Replacement Reserves* • *Rate: Like Treasury + 200bp (Indicative: 10 Year @ 6.59%)*
Other Considerations	• *Fees Commensurate with Product Type* • *Rate Lock Timing* • *Certainty of Execution => Forward Commitment*

Potential Capital Program Elements: Predevelopment Loan

Feature	Draft Terms
Likely Borrower/Project	• *Smaller, Emerging Developers*
Eligible Projects	• *Projects That Have All Construction/Perm Financing Committed* • *CD's/Permitting/Final prep Costs*
Loan Size	• *Up to $1 million*
Terms	• *1 Year w/ 6 Month Extension* • *Rate: 2 Year Treasury + 300bp, Min 7.00%, Max 8.50% (Indicative: 7.21%)* • *Sponsor Match* • *Assignment of Work Product* • *Guaranty/Recourse*
Other Considerations	• *Fees Commensurate with Product Type* • *Certainty of Execution*

Potential Capital Program Elements: Subordinate Bridge Loan

Feature	Draft Terms
Likely Borrower/Project	• *Projects with Funding Timing Challenges*
Eligible Projects	• *New Construction* • *Acquisition/Preservation* • *Acquisition/Modest Rehab*
Loan Size	• *Up to $3 million*
Terms	• *Subordinate Lien Position to Senior Lender* • *Term: Up to 3 years* • *Interest Only, Capitalized Interest Reserve for New Construction* • *Rate: Senior Debt Rate + 100 bp* • *Recourse for New Construction, Rehab Scope* • *Committed Take Out Source*
Other Considerations	• *Fees Commensurate with Product Type* • *Rate Lock Timing* • *Certainty of Execution => Forward Commitment*