BAHFA Mixed-Income Financing Program Update

BAHFA Advisory Committee Meeting

July 23, 2026

Bay Area Housing Finance Authority

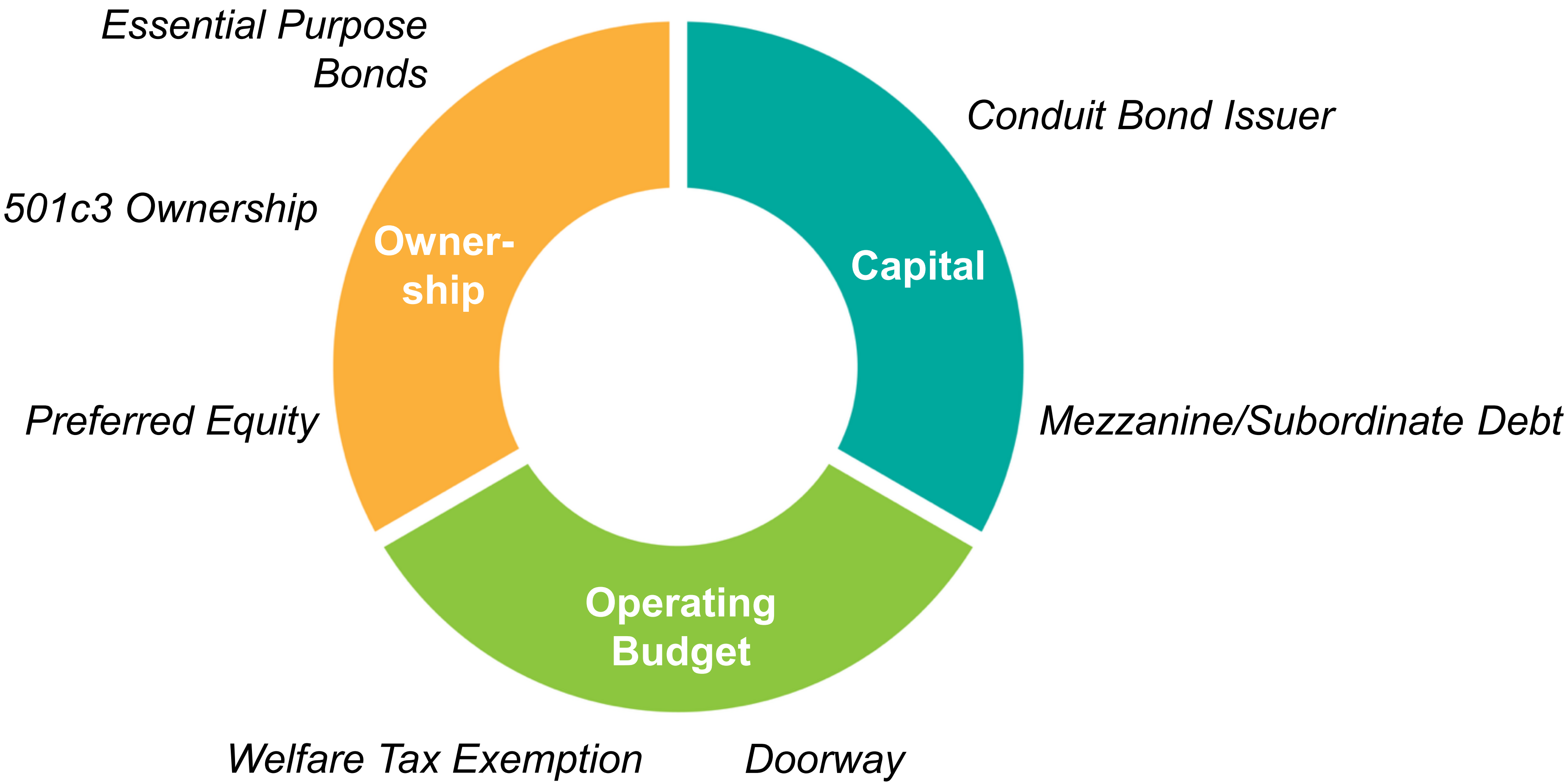
ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Mixed-Income Finance Program

AGENDA

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

Real Estate Financing Roles



Operations Program Elements

	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 operations & maintenance • New feature development • Proposed Fee Schedule

Ownership Program Elements

	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

	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

Mixed-Income Finance Program

UPDATES: Public Benefit Rubric

Purpose: 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

UPDATES: Subordinate Debt Product

- Call for Lender Partners
- Lending Product Development

Mixed Income Finance Program

UPDATES: Subordinate Debt Product

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 Outreach re: Possible Candidates and Level of Interest
- Projected Schedule
  - July/August: Issue Call for Partners
  - September/October: Partner Selection

Mixed Income Finance Program

UPDATES: Subordinate Debt Product

Lending Product Development

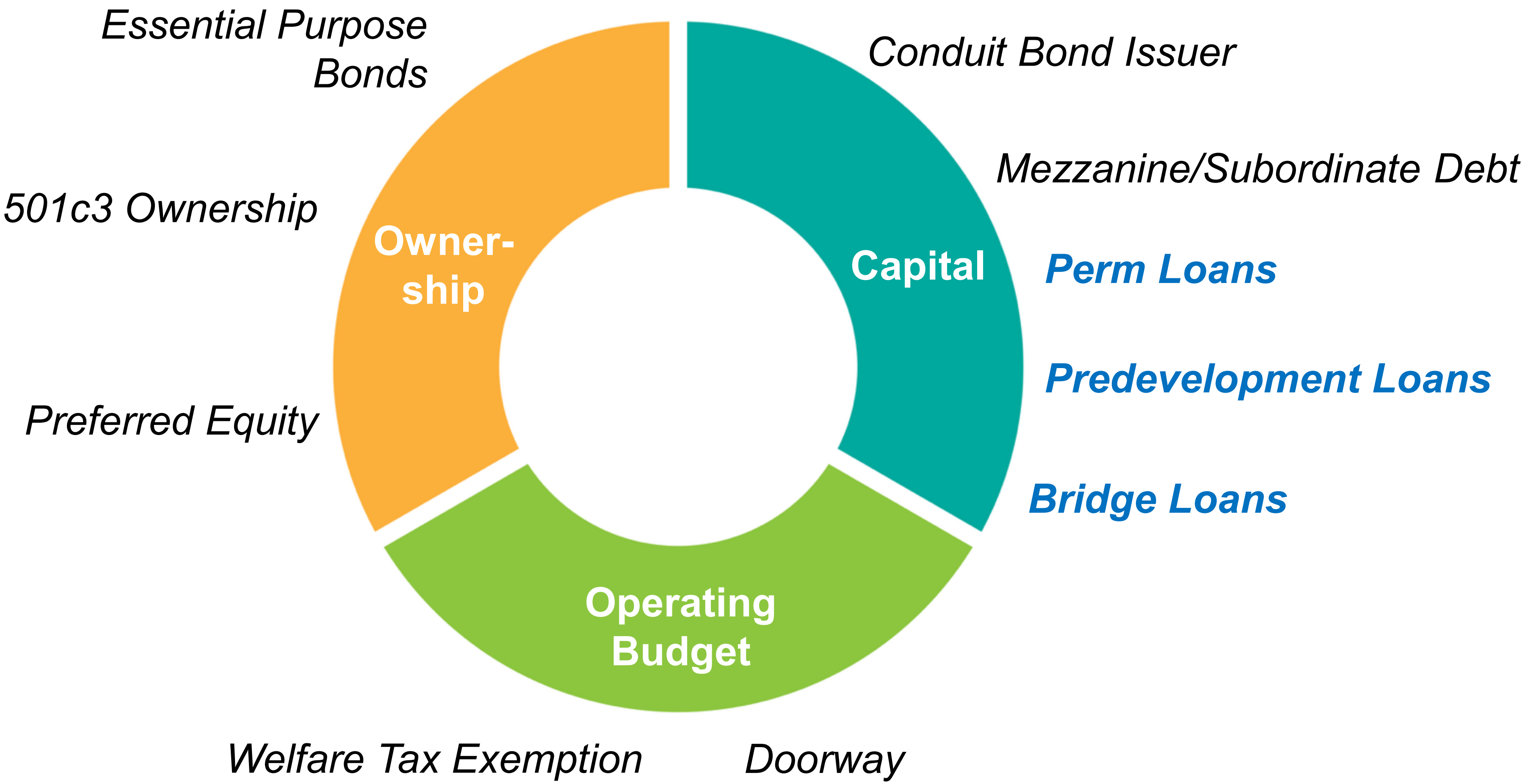
- Shifting Market
- Other Needs Identified
- Recommend That Program Expand Loan Product Types

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



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 Debt Service Coverage Ratio (DCR)/Loan-to-Value (LTV)* • *Certainty of Transaction*
Predevelopment Loan	• *Assist with Cash Flow Needs* • *More Likely to Support Emerging Developers*	• *Riskier than Perm Loans – 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 refinance* • *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*

Real Estate Financing Roles: Mission Oriented Players

Repayment Risk Spectrum

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

Real Estate Financing Roles: Mission Oriented Players

Senior Debt | **Mezzanine/ Subordinate Debt** | **Preferred Equity** | **LP Equity** | **GP Equity** | **Forgivable Debt** | **Grants**

Repayment Risk Spectrum

CalHFA

Small Perm Loan

CDFI’s/CalHFA

Sonoma County RED

BAHFA Priority Sites (Predev)

Subordinate Debt

Predev Loan

Bridge Loan

Preferred Equity

Public Subsidies

Foundations

BAHFA Preservation Pilot

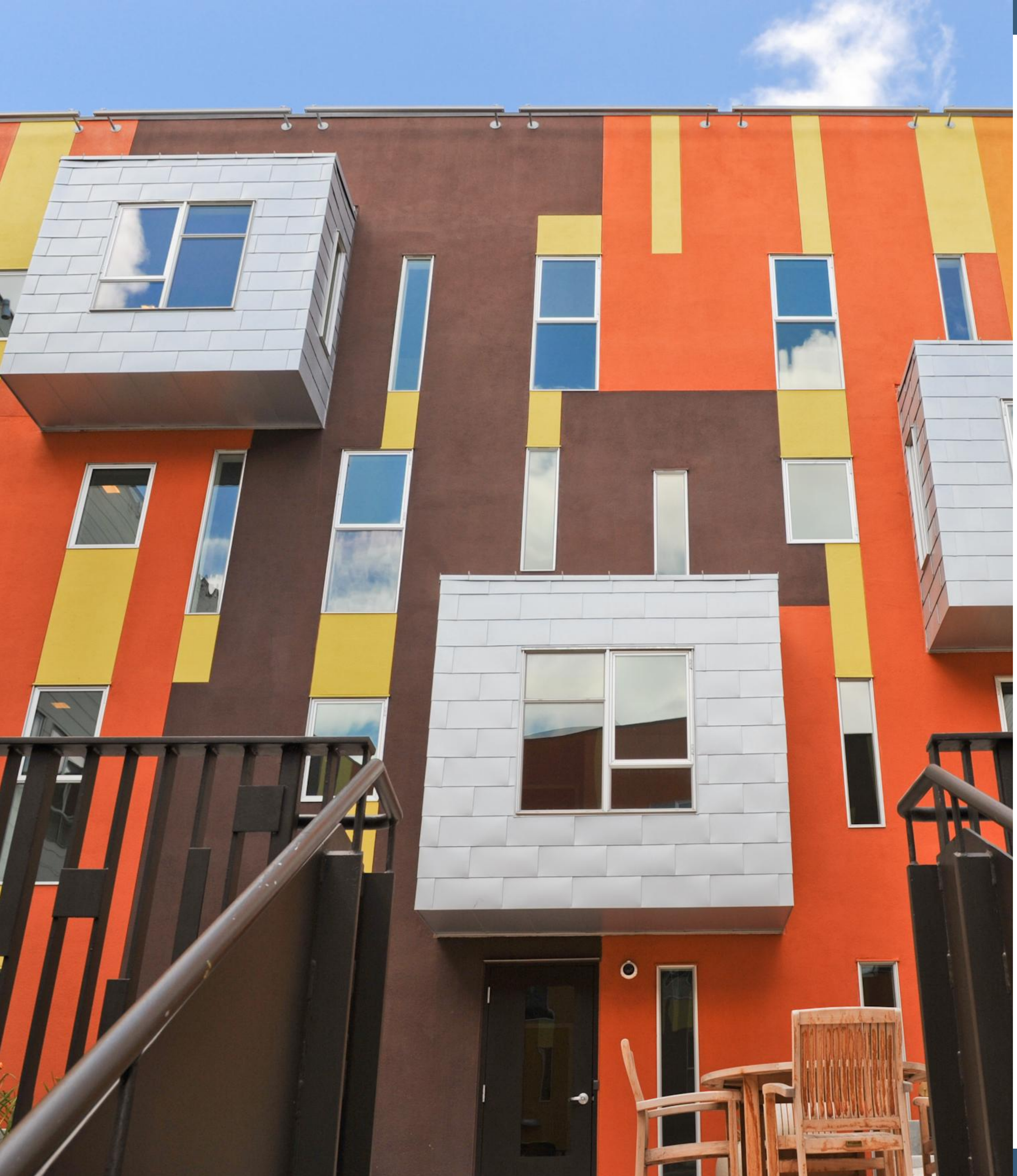
BAHFA Technical Assistance Grants

BAHFA Priority Sites (Perm)

Potential Capital Program Elements

Considerations:

- Target Allocations: Policy, Risk, Revenue
- Weighted Interest Rate of Portfolio
- Priority Products in Case of Over-Subscription
- Ability to Revolve Dollars More Quickly To Enhance Impact
- Equity Considerations
- Which Products Likely to be Matched by Lender Partner?



Timeline & Feedback

Summer 2026

- Additional research and program development
- Refine debt program products and terms
- Release Call for Lender Partners

Fall/Winter 2026

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