

## BAHFA Business Plan

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### BAHFA and ABAG Board Rosters

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## Executive Summary

When the California state Legislature created the Bay Area Housing Finance Authority (BAHFA) in 2019 – the first regional housing finance authority in the state – it resolved to change a system failing to provide the housing Bay Area residents need. BAHFA’s launch marks a once-in-a-generation opportunity to address several of the structural issues driving the region’s chronic affordability and displacement challenges. BAHFA embraces a collaborative approach to delivering housing affordability at scale. It moves beyond a system in which cities and counties not only lack the resources to solve housing unaffordability and homelessness on their own but also compete among themselves for scarce resources. With approval of significant new resources by Bay Area voters, BAHFA has the potential to change the housing landscape with powerful new financing tools and a “3Ps” mission to **produce** new, permanently affordable housing; **preserve** existing affordable housing; and **protect** current residents from displacement.

In November 2024, BAHFA will pursue the first-ever regional housing revenue measure in California: an affordable housing general obligation bond of up to \$20 billion. The nine counties will retain 80% of the funds raised, with distribution based on each county's financial contribution to the bond.<sup>1</sup> This unprecedented level of resources will allow all counties to pursue a common purpose: to house the unhoused; meet local workforce needs; protect vulnerable residents from displacement; and enable homeownership for individuals and families currently shut out of the most common means by which American families historically have created inter-generational wealth. While working toward these shared goals, each county will have the ability to tailor its programs to best address local needs and circumstances.

BAHFA will retain 20% of funds from a 2024 housing bond to fulfill its promise to deliver bold housing outcomes at the regional scale. The central purpose of this Business Plan is to chart a path for BAHFA to maximize the impacts of its investments in the near-term while simultaneously building the foundation for BAHFA to become a self-sustaining public lender in the long-term – transforming the housing finance ecosystem to deliver results long after the general obligation bond proceeds are spent. Establishing itself as a mission-driven public lender, BAHFA will provide loans for affordable housing projects, then reinvest income earned on these loans back into affordable housing developments and programs throughout the region. Currently, this lending activity is conducted by private banks and other financial institutions which distribute profits to their shareholders. The Business Plan identifies ways for BAHFA to grow its own lending capacity so that financing revenues can be redeployed to fund more affordable and stable homes for Bay Area residents; creating this virtuous cycle will strengthen and enhance BAHFA's 3Ps mission.

This BAHFA Business Plan serves as a blueprint for how BAHFA can accomplish these near- and long-term goals. The Business Plan has four main parts:

- **Chapter 1: Legislative and Business Planning Overview** describes BAHFA's legislative requirements, the regional planning context, and BAHFA's governance structure.
- **Chapter 2: Equity Framework Summary** provides an overview of BAHFA's Equity Framework which was developed with substantial community input and sets guiding principles to advance equity and social justice. The full text of the Equity Framework is included as Appendix 1 to the Business Plan, with accompanying materials included as Appendix 2.

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<sup>1</sup> "Funds" refers to the net proceeds from a bond.

- **Chapter 3: Funding Programs** describes financing opportunities that will maximize BAHFA's impact, leverage additional funds, and efficiently deploy public dollars. Detailed descriptions of BAHFA's initial Funding Programs are included as Appendix 3.
- **Chapter 4: BAHFA's Operations and Organizational Sustainability Plan** describes current and future staffing needs and identifies how BAHFA will achieve financial self-sustainability while delivering on its 3Ps mandate.

The Bay Area faces a complex set of interconnected challenges: the post-pandemic transformation of the workplace; climate-change induced environmental hazards; the well-documented toll of systemic racism on multiple generations; and demographers' projections that income inequality will worsen by 2050. All these trends and events make it clear that concerted action is urgently needed to protect the Bay Area's greatest strengths – its diversity, free spirit and creative economy. Housing lies at the center of this need. Without a safe, affordable place to call home for people of all incomes and aspirations, the Bay Area will cede its leadership role in the country's economic and social spheres. BAHFA seeks to create long-lasting housing solutions that promote a vibrant, healthy and affordable Bay Area for future generations.

## Chapter 1: Legislative and Business Planning Overview

BAHFA's business planning process has proceeded in conformance to its:

- Enabling legislation, the San Francisco Bay Area Regional Housing Finance Act (Government Code Section 64500, *et seq.*) (“the Act”);
- Requirements of additional state legislation, such as the California Constitution’s rules regarding general obligation bond debt;
- Governance by the BAHFA Board, which is comprised of the same members as the Metropolitan Transportation Commission (MTC), and the Association of Bay Area Governments’ (ABAG) Executive Board, acting as the executive board to BAHFA (Executive Board); and
- Commitment to public engagement and collaboration with Bay Area residents and local jurisdictions, including each of the nine Bay Area counties and 101 cities.

### 1.1 Powers of BAHFA

#### Revenue Raising

The Act provides that the purpose of BAHFA is to help meet “3P” needs: the **production** of new affordable housing; the **preservation** of existing affordable housing; and the **protection** of vulnerable tenants from displacement and homelessness. These central BAHFA objectives have their roots in years of outreach, organizing, convening and visioning efforts across the Bay Area.

The Act sets forth BAHFA's unique power to raise regional revenue through four means that all require voter approval:

- General obligation (GO) bonds secured by an *ad valorem* property tax
- Parcel tax
- Per employee “head tax”
- Commercial gross receipts tax

In addition, the BAHFA Board and the Executive Board may approve a commercial linkage fee – charging commercial developments for their anticipated increase in the demand for new housing -- but only if voters first approve one of the property taxes listed above.

The Act codifies BAHFA's spending mandates:

- A significant portion of any revenue BAHFA raises returns to the counties, and, in some instances, is directly allocated to cities. In the case of general obligation (GO) bonds, 80% of funds raised will return to the county (or city) of origin according to assessed property values. In 2024, cities eligible for a direct allocation are San Jose, Oakland, Santa Rosa, and Napa.
- BAHFA, the counties, and direct-allocation cities must create “expenditure plans,” which detail how funds will be used across the 3Ps in ways that achieve the goals of the Act and engage stakeholders.
- BAHFA can also provide support and technical assistance to local governments to aid their affordable housing efforts; collecting data on housing production and the region’s progress meeting state housing targets; and engaging the public.

The financing BAHFA provides can take the form of grants, loans, equity, interest rate subsidies, and other financing tools, subject to additional limitations that may apply to specific funding sources, such as California Constitutional restrictions on bond expenditures (see below for more information).

Among its other powers, BAHFA may own real property and form joint power authorities, or “JPAs”—governmental agencies in which at least two municipalities exercise common powers — with other qualifying governmental entities.

## 1.2 Permitted Use of Funds

This Plan discusses BAHFA’s expenditure approach for the 20% of measure funding it administers pursuant to a successful GO bond ballot measure. Counties and cities will separately plan for the 80% of funding they administer. BAHFA is pursuing a GO bond in 2024 rather than one of the other revenue-raising options because of the scale of funding a GO bond can raise and the speed with which such resources can be raised; the more progressive nature of an *ad valorem* tax as opposed to a parcel tax; and the viability of passage, as supported by research and public and stakeholder outreach.

### Allocation Requirements

Funding BAHFA receives directly (the 20% portion) from a GO bond can be spent anywhere in the nine-county Bay Area region, subject to the following allocation requirements provided in the Act:

- A minimum of 52% must be dedicated for the production of rental housing that will be deed restricted and affordable for households earning up to 80% of area median income (AMI) for at least 55 years (**Production**).<sup>2</sup>
- A minimum of 15% must be dedicated to the preservation of housing that will be deed restricted and affordable to households earning up to 120% AMI for at least 55 years (**Preservation**).<sup>3</sup>
- A minimum of 5% must be dedicated to tenant protections for households earning up to 120% AMI (**Protection**).

The balance of funds must be used in ways that reinforce the 3P housing objectives. Of this remaining 28%, up to 10% will be disbursed as local government grants that may be for housing or housing-related uses. The balance (18% of BAHFA funds) must be used for either Production, Preservation or Protection purposes. Up to 5% of the total bond proceeds may be used by BAHFA to pay for administrative expenses.

While counties and cities must adhere to similar percentage allocations for their funding, the rules of the Act applicable to their expenditures are more flexible than BAHFA's, recognizing the diversity of Bay Area counties. For example, while BAHFA's Production funds may only be used for new rental housing, the county and city funds may be used for either rental or homeownership housing. Additionally, while 18% of BAHFA's "flexible funds" can only be used for 3P investments, the counties and cities have greater flexibility and may use 28% of their funds for housing or housing-related uses according to their local needs.

### California Constitutional Restrictions

Article XIII(A)(1) of the California Constitution restricts the use of bonded indebtedness in the state to the "acquisition or improvement of real property," and requires approval by two-thirds of voters. This restriction, unless amended, means that revenue raised by BAHFA may not be used for Protection purposes as they are defined in the Act, including, for example, legal services to prevent eviction, emergency rental assistance, and homelessness prevention services.

There is currently a statewide effort underway to amend this provision of the constitution in November 2024. If successful, the amendment (Assembly Constitutional Amendment

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<sup>2</sup> Section 64650(B)(a)(2)(I) of the Act states that a "minimum of two-thirds" of Regional Housing Revenue must be allocated to affordable housing Production and Preservation, with a minimum of 52% of two-thirds of the funds allocated to Production and a minimum of 15% of two-thirds allocated to Preservation. Language presented in the narrative above is modified for simplicity.

<sup>3</sup> See previous note regarding the Act's percentage allocation requirements for Regional Housing Revenue and Production and Preservation funds.

1; ACA 1) would lower the voter approval threshold for affordable housing bond measures from two-thirds to 55%. It may also modestly expand the eligible uses of GO bonds from “bricks and sticks” only (i.e., real property acquisition and improvement) to include capitalized operating reserves. Depending on the final version of ACA 1 presented to voters in November 2024, it is possible the proposed expansion of GO bond eligible uses could serve unhoused and/or extremely low-income households unable to pay a rent that covers operating expenses.

Note that while a BAHFA GO bond measure could take advantage of the lower voter approval threshold posed by ACA 1, this Business Plan does not assume an expansion of eligible uses of GO bonds given the tentative nature of such a change at the time of this writing. If such expanded uses are included within the final version of ACA 1, BAHFA will adjust the Business Plan accordingly and as necessary.

### **1.3 Timing of Fund Availability**

Should a GO bond measure be approved by voters in 2024, funding likely would become available to BAHFA and local jurisdictions as soon as 2025. Funding would be disbursed through multiple bond issuances, or “tranches,” the number, size, and spacing of which would be subject to the regional pace of bond-supported expenditures. This Plan anticipates that GO bond proceeds would be disbursed by BAHFA and its local partners over a period of 10 to 15 years.

### **1.4 Governance**

The Executive Board and BAHFA Board must work together to approve most revenue-related actions. For example, before the BAHFA Board proposes a revenue measure that requires voter approval, the Executive Board must first approve the proposal. Both the Executive Board and BAHFA Board also must approve BAHFA’s Expenditure Plan for its 20% share of funds. This structure ensures broad representation from around the Bay Area and a truly regional governance focus: local elected officials such as city council members, mayors, and county supervisors comprise a majority of the 21 BAHFA Board members and the Executive Board.

Both the BAHFA Board and the Executive Board have established subcommittees focused on housing. The BAHFA Oversight Committee is an 11-member committee of BAHFA Board members that meets jointly with the ABAG Housing Committee, a 12-member committee of Executive Board members. Both committees meet in advance of board meetings to review and discuss matters that will require board approval.

The Executive and BAHFA Boards are further assisted by an Advisory Committee composed of representatives with knowledge and experience in the areas of affordable housing finance, construction workforce and development, tenant protections, and housing preservation. The Act tasks the BAHFA Advisory Committee with providing consultation to the Executive Board and BAHFA Board and assisting in the development of funding guidelines and the overall implementation of BAHFA's programs.

All committee and Board meetings are subject to California's Brown Act open meetings requirements. Over the last two years, BAHFA staff have kept a steady pace of presenting information and seeking committee and board feedback and guidance to inform this Business Plan. Specifically, BAHFA requested detailed feedback on its:

- Equity Framework
- Funding Programs
- Key decision points and recommendations for the BAHFA Expenditure Plan
- Other policies and practices, such as the development of a rental subsidy program and Preservation Pilot

## **1.5 Public Engagement Process**

BAHFA's governance structure — in which feedback and recommendations are taken from various committees and then presented to the Boards for approval — is designed to maximize accountability and provide ample opportunity for the public to provide feedback and direction. Consistent with Brown Act requirements and MTC/ABAG practices, specific time within meetings is set aside for public comment, and all meeting materials — such as agendas, report drafts, and presentations — are made available to the public in advance. All votes are held in public.

In addition to public meetings, BAHFA's business planning process included interviews, public listening sessions, virtual "town hall" public workshops, and establishment of an Equity Working Group, as further described in Chapter 2. BAHFA also gave presentations regarding its work and the proposed bond measure to nearly 100 groups and agencies, including public bodies, civic organizations and housing stakeholders such as affordable housing developers, disability rights organizations, transit-oriented development advocates, and planning collaboratives. BAHFA intends to continue stakeholder and community engagement to refine its existing programs and develop new programs over time. Critical to this outreach will be gaining an understanding of how easy to use BAHFA's programs are for different stakeholders and borrowers and ways in which BAHFA can improve its programming to expand accessibility.

## Chapter 2: Equity Framework Summary

Decisions about how to organize BAHFA and what programs and policies to pursue must be evaluated through a lens of “just inclusion” to reverse the persistent, systemic racism that has contributed to wide disparities in wealth, educational attainment, homeownership rates and credit access in the Bay Area and nationally. BAHFA will anchor its response to these challenges using its “Equity Framework” – which is both a foundation for this Business Plan and a stand-alone document to guide BAHFA’s future planning and implementation. The full text of the Equity Framework is included as Appendix 1, with accompanying documents included as Appendix 2.

This Chapter summarizes the Equity Framework, including stakeholder engagement, the structure of the Equity Framework, the Equity Objectives and corresponding Metrics, as well as the accompanying documents in Appendix 2.

### 2.1 Equity Framework Development Process & Stakeholder Engagement

The Equity Framework is the culmination of nearly two years of work. Stakeholder engagement played a critical role in scoping, developing, and refining the Framework. Starting with a series of interviews and conversations with local experts and stakeholders across the region, BAHFA staff and 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 engagement activities included:

- Over 25 **preliminary interviews** with housing, finance, and equity leaders involved in the 3Ps, conducted between November 2021 and March 2022.
- 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 government staff working across all 3Ps.
- Seven **Equity Working Group sessions** held between May 2022 and April 2023. The Equity Working Group, comprised of 11 leaders from across the region, used a consensus-based decision-making process to co-create the Equity Framework and provide input on the Funding Programs. Group members drew from their extensive experience related to the 3Ps and social equity, as well as their relationships to the communities and places most impacted by the region’s ongoing housing crisis. A roster of Equity Working Group members is included as Appendix 2.B.
- Dozens of **one-on-one meetings** with staff from local governments across all nine counties, **presentations** at over 30 convenings of public sector staff and

elected officials, and meetings with over 40 stakeholders – including practitioners across all 3Ps, advocacy organizations, and members of impacted communities – in **one-on-one** and small group settings.

- 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.
- Presentations to the **BAHFA Oversight Committee and the ABAG Housing Committee** throughout 2022 about BAHFA’s business planning 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 starting in January 2023.
- The **Advisory Committee approved** the Equity Framework and Funding Programs in April 2023. The **BAHFA Board approved** the documents in October 2023, and followed by the **Executive Board’s approval** in November 2023.

Throughout this process, staff and the consultant team collaborated closely to ensure that the Equity Framework and Funding Programs are aligned in their objectives and approach.

## 2.2 Structure of the Equity Framework

The Equity Framework is divided into four main parts. First, there is an introductory section that highlights the significant disparities that exist in the Bay Area’s housing system and which motivate the strong social and racial equity lens for BAHFA’s work. This section also provides a regional framework for Affirmatively Furthering Fair Housing (AFFH) and gives greater detail on stakeholder engagement activities and the role of the Equity Working Group.

Second, the core of the Draft Equity Framework is a set of **Objectives** and **Metrics** that will guide and measure the impact of BAHFA’s work. “Objectives” are the specific outcomes that BAHFA’s actions should seek to achieve. “Metrics” are specific measurements of social equity by which BAHFA will design its programs and evaluate its progress. The Equity Framework establishes objectives and metrics for each of the “3Ps” (Production, Preservation, and Protection) as well as a fourth “Cross Cutting” category for items that advance all 3Ps or do not fit squarely within any of the Ps. Within each program track, the Equity Framework also presents a summary of “**opportunities and challenges**” identified by stakeholders as important to consider as BAHFA

implements the Business Plan and designs programs to further the equity objectives. The objectives and metrics are described in more detail below.

The third part of the Equity Framework begins with a discussion of BAHFA's role to provide **regional leadership and technical assistance** that serves to expand, diversify and strengthen the capacity of the region's housing ecosystem and marshal the collective resources in service of equitable outcomes. Next, the Draft Framework highlights **implementation and accountability considerations**, which include data collection and reporting, embedding equity in all phases of program design and evaluation, ongoing equity-focused engagement strategies, a need to periodically reevaluate the Equity Framework to accommodate changing circumstances and evolving priorities, and ongoing collaboration with local jurisdictions.

Finally, the Equity Framework ends with a set of broad **Social Equity Goals** that detail BAHFA's long-term, aspirational vision for an equitable future in the Bay Area. These goals represent the "north star" for transformation of the region's housing systems that the equity objectives should strive towards, and which the metrics will help measure. However, importantly, BAHFA cannot achieve these broad social equity goals on its own. Rather than direct measures of BAHFA's impact, the social equity goals and their associated metrics illuminate regional trends in housing that BAHFA should track and respond to, particularly with regard to any disproportionate impacts connected to inequity in housing.

## 2.3 Equity Objectives and Metrics

The core of the Equity Framework is a set of equity objectives and metrics for each of the 3Ps and a "Cross Cutting" program track. The equity objectives are as follows:

### 2.3.1 Production Equity Objectives

- (1) **Produce more affordable housing, especially for extremely low-income (ELI) households.** Increase production of housing with long-term affordability restrictions across the region and provide special focus on the production of housing types that meet the needs of ELI households and populations most disproportionately impacted by housing inequity.
- (2) **Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that create stability for residents while transforming historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.
- (3) **Create affordable housing opportunities for lower-income households in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated, diverse and balanced living patterns in areas of concentrated affluence.

- (4) **Create programs that address homelessness.** Increase housing types, in coordination with counties, that directly serve the needs of unhoused residents (including permanent supportive housing), while developing strategies to ensure that operating and services subsidies are available and utilized to the greatest extent possible. This Objective recognizes that more housing of appropriate types is a key solution to homelessness.
- (5) **Achieve regional climate and environmental justice goals.** Prioritize affordable housing placement near high-quality transit and invest in housing that achieves high performance scores in recognized sustainable building systems.

### 2.3.2 *Preservation Equity Objectives*

- (1) **Preserve expiring-use affordable housing to prevent displacement.** Fund the acquisition and rehabilitation of existing affordable housing with expiring restrictions that without intervention could be converted to market-rate housing and result in displacement of lower-income residents.
- (2) **Preserve existing unsubsidized housing and convert to permanently affordable housing.** Convert existing unsubsidized housing to permanently affordable housing for the purpose of preventing displacement and achieving stabilized, healthy living conditions for existing residents, especially low-income households, residents of Equity Priority Communities, and other marginalized communities.
- (3) **Target preservation investments for most impacted residents.** Tailor financing products to enable occupancy by ELI households and households at risk of homelessness.
- (4) **Create opportunities for community-owned housing.** Invest in developments that enable community control and/or equity growth, especially in Equity Priority Communities and for households facing discriminatory and/or structural barriers to homeownership.

### 2.3.3 *Protection Equity Objectives*

- (1) **Increase access to anti-displacement and homelessness prevention services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, improving tenant quality of life, and increasing housing stability – such as legal assistance, counseling and advice, financial assistance, and enhanced relocation assistance. Support residents across the full spectrum of anti-displacement and homelessness prevention needs, including tenants with formal leases as well as those with more precarious living situations.
- (2) **Support tenant education and advocacy.** Invest in training, education, advocacy, and outreach that raises awareness of tenant rights and facilitates greater access to community resources available to support housing stability. Support tenant associations and similar organizations that reduce power disparities between renters and property owners.
- (3) **Prioritize protections and investments in households and communities facing the greatest housing precarity.** Target BAHFA programs so that tenants

at greatest risk of displacement and homelessness – disproportionately ELI, residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures – are prioritized.

- (4) **Ensure adequate funding for tenant protections.** For BAHFA revenue sources that prohibit expenditures on Protections (e.g., general obligation bonds), design BAHFA funding programs so that they generate new revenue streams that can be reinvested in Protections region wide. Proactively seek other revenue such as state and federal grants to enhance BAHFA tenant protection funding.
- (5) **Elevate the urgency of tenant protections through regional leadership.** Invest in research, data collection, and coordination to inform policy change and region wide adoption of best practices.

#### 2.3.4 *Cross-Cutting Equity Objectives*

- (1) **Support community-based and community-owned organizations and developers.** Expand, diversify and strengthen the capacity of the region’s housing ecosystem by investing in community-based developers and organizations across all 3Ps.
- (2) **Support individual and community wealth building.** Create opportunities for historically marginalized people and residents historically excluded from homeownership to build wealth through housing, including traditional and shared homeownership opportunities.
- (3) **Serve as a regional leader on local equitable programs and practices.** Advance local alignment with regional equity priorities across all 3Ps, encouraging counties and cities to incorporate and build upon this Equity Framework.
- (4) **Commit to ongoing, meaningful, and equitable engagement.** Advance community participation among historically marginalized populations through ongoing engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on organizations who are accountable to and part of communities most impacted by housing unaffordability.
- (5) **Secure more flexible and unrestricted funding.** Seek to expand and secure funding sources to achieve a broader range of equity needs across all 3Ps, including uses that would be difficult to fund with likely fund sources (e.g., general obligation bond).
- (6) **Target most flexible BAHFA funding to accelerate AFFH.** Develop programs within BAHFA’s optional 10% Local Government Grant Program that address any gaps in a comprehensive AFFH approach given the Act’s parameters. Target any non-housing investments (i.e., infrastructure, community or cultural spaces, and public services) in communities that have faced historic disinvestment and/or are home to the region’s most impacted residents.

#### 2.3.5 *Equity Metrics*

Each of the four program tracks described above contain a set of metrics designed to measure BAHFA’s progress towards meeting the equity objectives. While some of these

metrics are particular to an individual program track, many fall within the following broad categories:

- Amount and percentage of funding allocated to each programmatic approach
- Number and type of housing units, disaggregated by attributes, including but not limited to:
  - Affordability levels (e.g., extremely low-income, very low-income, etc.)
  - Location (e.g., Equity Priority Communities, Transit Priority Areas, etc.)
  - Tenure types (e.g., rental vs traditional homeownership, permanent supportive housing, collective ownership models, etc.)
  - Accessibility features for people with disabilities
- Number and characteristics of people served, disaggregated by race, income, family size, disability status, etc.
- Types of organizations funded (e.g., community-based developers, Black, Indigenous, People of Color (BIPOC)-led organizations, etc.)

In some instances, there are different metrics for BAHFA and the cities and counties due to differing requirements in the Act about how revenue may be used. For example, cities and counties may pursue homeownership opportunities with their “production” funds while BAHFA’s production funds are limited to rental housing.

## 2.4 Equity Framework Accompanying Materials

The development of the Equity Framework yielded a series of additional accompanying materials that provide helpful context for the Business Plan and are resources for BAHFA to use going forward:

- **Appendix 2.A (Definitions)** explains key terms referenced throughout the Equity Framework, including various developer types (for example, “community-based developers,” “BIPOC-led developers”) and geographic typologies (“Equity Priority Communities”).
- **Appendix 2.B (Equity Working Group Roster)** lists the 11 members of the Equity Working Group who participated in co-creating the Equity Framework, as well as the criteria used in their selection.
- **Appendix 2.C (Stakeholder Engagement Report)** is a more comprehensive summary of feedback and recommendations received from stakeholders that expands upon discussions of opportunities and challenges contained within the body of the Equity Framework.
- **Appendix 2.D (Guiding Questions for Program Development and Design)** is a set of rubrics that have been developed as planning tools to help generate ideas and evaluate program strategies that further the Equity Objectives. BAHFA will use these questions to apply the Equity Framework as it proceeds with implementation of its business plan and funding programs.

- **Appendix 2.E (Data Sources)** tabulates all Equity Metrics and identifies data sources for each. It also includes a discussion of opportunities and challenges related to data collection.

## Chapter 3: Funding Programs

BAHFA will provide a wide range of financing for affordable housing Production and Preservation, as well as funding for Protections. The loans, grants, and other financing tools BAHFA will make available comprise its “Funding Programs.”

At launch, BAHFA's Funding Programs will include:

- The **Multifamily Rental Production Program**, which invests in new housing Production and seeks to leverage complementary funding from additional sources outside of BAHFA to achieve beneficial housing outcomes at scale.
- The **Innovation Program**, which seeks to achieve faster, more cost-effective housing than is possible using current funding methods by piloting new models for affordable housing delivery.
- The **Preservation Program**, which prevents displacement of low-income households from their existing homes and stabilizes communities by rehabilitating existing buildings.
- The **Tenant Protections Program**, which funds specific strategies aimed at keeping vulnerable residents housed and preventing homelessness.

The initial Funding Programs are designed to meet challenges the Bay Area faces today. As conditions across the region change, BAHFA will develop additional, new Funding Programs designed to respond to emerging needs and opportunities.

In concert, the Funding Programs pursue these overarching goals:

- **Integration with the Equity Framework.** Among many others included in the Equity Framework, the Funding Programs will seek to achieve the following equity objectives:
  - Delivery of new housing that serves households and communities with the greatest need, such as permanent supportive housing and investments in historically disinvested communities.
  - Preventing residents, especially low-income households and those at risk of homelessness, from displacement and homelessness through housing preservation and tenant protection measures.
  - Promotion of climate and environmental justice through investments in transit-oriented projects that also employ sustainable construction and design standards.
  - Expansion of opportunities for community-based and emerging developers on projects that reflect strong community support.

- **Operational Self-Sustainability.** Revenue and fees generated through provision of the Funding Programs will allow BAHFA to maintain high-quality operations and continue to invest across the 3Ps into the future. To establish itself as a financially self-sustaining agency able to provide value to the Bay Area after the 2024 GO bonds are spent, BAHFA must provide more than subsidies; by making loans, BAHFA will generate interest income and fees that can be reinvested to sustain its programs. This income can also be reinvested as project subsidies into new housing developments and fund Protections programs without further taxpayer support. Finally, these loans will be the backbone of BAHFA’s balance sheet and allow BAHFA to build the asset base necessary to access the capital markets to address the Bay Area’s ongoing affordable housing needs.
- **Scale.** To meet its housing needs after decades of underproduction, the Bay Area requires funding at scale. The 6<sup>th</sup> Regional Housing Needs Assessment (“RHNA”) cycle for 2023-2031 identified the need for over 441,000 new housing units in the Bay Area, with more than 253,000 of these affordable to households below 120% of AMI.

### 3.1 Multifamily Rental Production Program

The construction of new affordable rental housing is almost always funded with a combination of low-income housing tax credits (LIHTCs), tax-exempt or taxable debt, and subsidies from state or local sources. Many of these sources — tax credits, tax-exempt debt, and state and local subsidies — are chronically in short supply and disbursed competitively, creating a significant bottleneck for Bay Area affordable housing production.

To move more projects forward, **BAHFA will provide low-cost construction and permanent loans and subsidies.** Initially, BAHFA expects to focus on projects’ permanent financing needs (i.e., post-construction loans with 15- to 40-year terms). BAHFA may also provide construction financing. Projects will benefit from the lower cost of loans available from BAHFA, which will support project feasibility and reduce subsidy need, as well as from BAHFA-provided subsidies. BAHFA expects to impose per-unit caps on its lending in the interest of achieving cost control goals and shifting the industry perspective towards more cost-efficient development.

Housing that sets aside a high percentage of homes for unhoused people (permanent supportive housing; PSH) and/or extremely low-income (ELI) households, which BAHFA has identified as an investment priority, requires ongoing operating subsidies in addition to development capital for building. Unfortunately, reliable and renewing operating

subsidies are scarce. The California Constitution currently prevents BAHFA from spending GO bonds on rental assistance and operating subsidies, which means BAHFA cannot independently finance a PSH or ELI building. BAHFA will, however, seek out partnerships with jurisdictions and public housing authorities to the greatest extent possible to assist in the development of more PSH/ELI homes. Regardless of the source of operating subsidies, BAHFA's lower-cost loans and subsidies can still help to support project feasibility for developments that serve residents with the highest levels of need.

Additional details about BAHFA's Multifamily Rental Production Program are included in Appendix 3.A.

### 3.2 Innovation Program

The region's affordable housing costs continue to rise at a pace that impedes the Bay Area's ability to deliver the housing it needs. BAHFA is intent on encouraging cost control by prioritizing innovation as well as known methods for achieving cost savings (e.g., streamlined entitlements, efficient design, and reducing the number of different capital sources per development). This approach does not mean quality is sacrificed. Rather, it shifts perspective – we need more housing and, by demanding a cost-focused approach, we can bring costs down and thus more effectively deliver housing at the scale needed.

BAHFA is especially focused on investing in cost-effective housing that does not require low-income housing tax credits and tax-exempt bonds, which have been oversubscribed in recent years, leading to an expensive and slow-moving funding bottleneck for Bay Area affordable developments. **Both construction and permanent financing from BAHFA are anticipated for these projects.** BAHFA can participate in “efficient delivery” developments for both middle-income households (up to 80% of AMI) and PSH, if the sponsor has secured operating subsidies.

Additional Innovation Programs may include:

- **Affordable Unit Buy-Downs:** Subsidies provided to market-rate developers to increase the number of affordable homes included in the development, whether as an increase to existing inclusionary housing ordinance obligations, or, in cities without inclusionary requirements, to support provision of some affordable homes. The purpose here is to provide more affordable homes than market-rate developers would otherwise be required to produce. **BAHFA's investment will be permanent loans issued when construction is complete.**

- **Adaptive Re-Use: Construction and/or permanent loans** for conversion of buildings from commercial to residential use, acknowledging the need to reimagine commercial districts and reinvigorate aging and obsolete malls, office buildings, and other spaces given changes in employment trends since COVID.

Additional details about BAHFA's Innovation Program are included in Appendix 3.B.

### 3.3 Preservation Program

BAHFA's Preservation program provides investments in three different scenarios, all of which pursue the same goal of keeping low-income residents safely in their homes with affordable housing costs and preserving the affordability levels for decades to come.

#### Market-Rate Building Conversions

The first Preservation investment category is the conversion of market-rate buildings into deed-restricted, long-term affordable housing. This effort addresses the fallout from steeply rising housing costs the Bay Area experienced starting in 2012 as the country emerged from the Great Recession. As rents began to rise, investors began to purchase older multifamily properties with lower rents (sometimes referred to “naturally occurring affordable housing”) to raise rents in line with the escalating market – often displacing all or most residents of an entire building at once. These mass displacement events also steepened the cost increases as whole buildings became significantly more expensive overnight. To keep people in their homes at permanently affordable rents, **the Preservation program will provide subsidies and low-cost acquisition, rehabilitation and permanent loans** for existing properties with affordable rents that are at risk of profit-driven conversions that often force current residents out.

BAHFA will create a funding set-aside target in this investment category to support the development of community-controlled housing, such as cooperatives and limited-equity cooperatives. The goals of investing in community-controlled housing are to support models that reject the treatment of housing as a commodity primarily designed to increase investor profits and support wealth generation among communities and families that have historically been denied ownership opportunities, thus helping to rectify the consequent deprivation of inter-generational wealth building.

#### Expiring Affordability Restrictions

Thousands of deed-restricted affordable homes across the region have occupancy restrictions attached to their financing agreements to ensure the homes are reserved for

low-income households that are set to expire in the near- and medium-term. Without additional public investment, these properties are at risk of converting to market rate – which would displace current residents such as fixed-income seniors, while also taking a step backwards on reducing our affordable housing shortage by “losing” currently affordable units. **BAHFA will seek to provide the mortgage financing these developments need to extend affordability for at least 55 additional years.**

### Physical Preservation Needs

Many older affordable buildings face the loss of units and/or diminished habitability due to age and the limited availability of funding for rehabilitation of existing housing. **BAHFA will provide Preservation loans to repair existing affordable buildings, prevent unit loss and ensure high-quality habitability standards are maintained for tenants and the surrounding community.**

Additional details about BAHFA’s Anti-Displacement and Preservation Program are included in Appendix 3.C.

### **3.4 Tenant Protections Program**

The Act requires BAHFA to devote funding to protect tenants from displacement and prevent homelessness, if constitutional. As defined in the Act, Protections programming includes pre-eviction and eviction legal services; emergency rental assistance; homelessness prevention services; and relocation assistance, among other things. Since the availability of GO bond funding for any form of Protections currently is unknown, pending a proposed constitutional amendment, BAHFA will, as directed in the Act, prioritize other funding it may secure for Protections.

In addition, BAHFA is now and will continue to provide regional leadership, research, advocacy, and technical and financial support to strengthen protection policies aimed at improving housing security for renters.

Additional details about BAHFA’s Tenant Protections and Homelessness Prevention Program are included in Appendix 3.D.

### **3.5 Expenditure Planning**

BAHFA, counties, and cities receiving funding pursuant to a GO bond measure are required to submit annual expenditure plans. These plans must show how each public

agency intends to allocate its funding across the 3Ps in accordance with the rules of the Act.

BAHFA is currently developing its first expenditure plan (Regional Expenditure Plan) and will submit it for the board's approval in 2024, after consultation with the Advisory Committee and ABAG and BAHFA housing committees. BAHFA's Regional Expenditure Plan follows the principles of the Equity Framework; pursues the goals of the Funding Programs; and incorporates input received from the public and BAHFA's governing boards and committees over the last two years. The Regional Expenditure Plan also acknowledges that market conditions, BAHFA capacity building, and program execution are all subject to change over time. Consequently, future expenditure plans submitted annually on July 1<sup>st</sup>, as required by the Act, offer the opportunity to adjust planning and programming to meet changing market conditions and BAHFA policy priorities.

### 3.5.1 Objectives of the First Regional Expenditure Plan

As presented to the Advisory Committee, BAHFA Board and Executive Board, BAHFA's first Regional Expenditure Plan objectives include:

- **Serving those with the greatest housing needs**, through (whenever possible):
  - The Production of new PSH and ELI housing.
  - Preventing displacement of low-income households and those at risk of homelessness through Preservation efforts.
- **Support for community-based priorities** through investments in community-controlled housing.
- **Geographic equity** through investments in both historically disinvested communities and exclusionary communities.
- **Operational self-sustainability** through interest and fee income earned on Production and Preservation loans.
- **Provision of regional leadership** through a collaborative approach, with BAHFA working with local jurisdictions to be an additive and complementary financial and technical resource and a unifying regional voice in advocating for more federal and state funding.
- **Scale** achieved through provision of new financial resources, innovative investment approaches, and coordinated efforts across the region.

### 3.5.2 Recommendations for the First Regional Expenditure Plan

BAHFA's first Regional Expenditure Plan components are as follows:

## Production

- **70% of initial funding allocated to Production.**
  - This includes the minimum portion required to be spent on Production as well as all 18% of BAHFA's Flexible Funds
- **Production funding targets for each county based on their “return to source” percentages**, i.e., assessed property values. BAHFA will strive to achieve these targets over the life of the GO bond, not just the first tranche, so that jurisdictions can receive meaningful investments when most needed.
- **Prioritize production of permanent supportive housing (PSH) for unhoused residents and extremely low-income (ELI) households.**
  - This housing type requires reliable, ongoing operating subsidies to successfully stabilize households' tenancies.
  - BAHFA anticipates working closely with counties, cities and public housing authorities to create the financing programs necessary to make PSH and ELI housing successful.
- **Seek additive state and federal funding for BAHFA's investments whenever possible, but not at the expense of local governments.**
  - BAHFA will work collaboratively with cities and counties, not competitively, especially when affordable housing funds allocated by the state are oversubscribed.
- **Take a flexible approach** that enables BAHFA to respond effectively to changing market conditions, take advantage of new and unexpected opportunities as they arise, and pursue the investment goals approved by the BAHFA and Executive Boards to the greatest extent possible.
- **Pursue cost efficiencies to help achieve the goals of the Business Plan, maximize the beneficial impact of expenditures, and maximize the number of affordable homes created.**

## Preservation

The principal goals for BAHFA's Preservation program are to:

- Prioritize investments in **historically disinvested areas**.
- **Forestall immediate risk of displacement** due to market pressure to increase rents or an expiring affordability covenant.
- **Support community-controlled developments**, especially those that allow wealth building for residents, through a funding target of 20%. (Note: this target does not exclude community-controlled developments from competing for the balance of Preservation funding available.)

### Local Government Grants

The Act provides that Local Government Grants must be used for housing and housing-related uses. The principal goals for BAHFA's Local Government Grant Program are to:

- **Prioritize investments that benefit the overall community** and address local community demands arising from increased affordable housing production.
- **Result in the greatest beneficial impact** regarding number of households served by the investment, directly or indirectly, **especially low-income households and households living in historically disinvested communities.**
- **Apply a flexible investment approach** that recognizes the diversity of needs across Bay Area communities.
- **Distribute grants to all nine counties over the life of the bond.**

BAHFA anticipates the adoption of the first Regional Expenditure Plan in the first half of 2024, concurrent with actions by the governing boards to place a GO bond measure on the November 2024 ballot.

### **3.6 Pilot Programs and Other Opportunities**

In advance of the anticipated GO bond measure in November 2024, and to meet its ambitious 3Ps goals, BAHFA has already jumpstarted programs and secured funding to begin addressing the region's housing needs. Multiple BAHFA pilot programs are now underway or set to launch soon. These pilots offer "proof of concept" of the benefits of maintaining an opportunistic and flexible approach, which BAHFA will bake into its long-term planning and implementation efforts. This work also provides a path for BAHFA's continued operations regardless of the outcome of the 2024 ballot measure.

#### **3.6.1 Pilot Programs**

In 2021, the Legislature included a \$20 million line-item in the state budget for BAHFA to launch its operations and programs. BAHFA secured additional resources in 2022 and 2023 from state sources and private donations. With these initial resources, BAHFA has launched the following programs:

- **Doorway Housing Portal** is a regional affordable housing application platform launched in June 2023 that provides housing seekers across the Bay Area a one-stop-shop to search and apply for affordable housing opportunities online.

- **Welfare Tax Exemption Preservation Program** enables developers to convert existing buildings from market-rate to permanently affordable housing through a long-term deed restriction and nominal financial investment.
- **Preservation Pilot Program** is an \$18 million acquisition and rehabilitation lending pilot that seeks to prevent displacement by providing financing for conversions of market-rate housing to permanently affordable housing. Funded by the Regional Early Action Planning Grant of 2021 (REAP 2.0) with state monies passed through MTC, this pilot sets the stage for BAHFA's preservation Funding Program.
- **Priority Sites Predevelopment Loan Program** is a \$28 million program, also funded by REAP 2.0, that will provide predevelopment loans between \$1 million and \$5 million for regionally significant sites that include a high percentage of affordable housing. This pilot will demonstrate the power of partnership between BAHFA, MTC, and ABAG – with BAHFA providing implementation funding for the transit-oriented, climate-friendly growth pattern developed by its sister regional planning agencies.
- **Rental Assistance Subsidy Pilot** launched in 2023 with \$5 million that provides shallow rent subsidies to extremely low-income seniors and other vulnerable populations at risk of homelessness.
- **Affordable housing pipeline studies** that annually collect data from public and private sources to quantify the number of affordable developments in predevelopment and the value of funding they require to start construction.
- Technical assistance, including:
  - **SB 35 (Weiner, 2017) / SB 423 (Weiner, 2023) Toolkit** development to help jurisdiction staff and affordable housing developers – together with California Native American tribes – navigate SB 35 requirements, especially regarding tribal notification practices.
  - The **Bay Area Eviction Study**, a study on the causes and characteristics of eviction across the region.
  - Regular **regional housing staff convenings** with 3Ps stakeholders in every Bay Area County to discuss pragmatic implementation strategies for delivering more affordable housing.

### MTC/ABAG Collaboration

BAHFA will coordinate with MTC and ABAG on housing-related programs, such as the Transit Oriented Communities (TOC) Policy and the Regional Housing Technical Assistance (RHTA) Program, among others. MTC's TOC Policy advances Plan Bay Area 2050 and pursues transit-oriented development goals that encourage transit ridership, reduce vehicle miles traveled and generally help facilitate car-free (and car-

light) living. The RHTA Program, established in 2020 with one-time state funding from the Regional Early Action Planning Grant of 2019 (REAP 1.0), has provided cities with tailored technical assistance to complete their most recent Housing Elements and is transitioning to focus on supporting implementation. While BAHFA will not be the lead agency on these efforts, the agencies' shared staffing model (BAHFA, ABAG and MTC share a combined staff) as well as overlapping governing boards will facilitate a strategic and coordinated regional housing strategy.

### 3.6.2 Potential Areas of Opportunity

BAHFA may wish to pursue alternative programs that are not subject to voter approval or successful fundraising efforts. Several areas with potential for ongoing program development have been identified and include:

- **Middle-Income Housing Program.** An area of growing interest for many Bay Area jurisdictions has been the development and preservation of housing that is affordable to middle-income households earning up to 120% of AMI. While these households typically do not qualify for housing subsidies, they usually cannot afford market-rate housing. BAHFA could assist in the effort to create more affordable middle-income housing by issuing project revenue bonds to finance the projects. BAHFA can also provide the added benefit of a property tax exemption, which helps keep rents affordable, by serving as the building owner. BAHFA's design and implementation of this program would be in collaboration with cities in which such opportunities arose, ensuring that the developments created strong community benefits.
- **Conduit Bond Issuance.** BAHFA is legislatively authorized to issue conduit bonds, on a taxable or tax-exempt basis, on behalf of affordable housing projects. As a conduit bond issuer, BAHFA can earn issuance and ongoing monitoring fees.
- **Regional Technical Assistance Programs.** MTC and ABAG have long championed the expansion and diversification of the region's housing ecosystem through technical assistance programs designed to enhance the capacity of nonprofit developers, service providers, community-based organizations, and local jurisdictions' housing agencies and departments. BAHFA's mandate to provide regional leadership on housing makes it an important partner in supporting and amplifying these programs.

## Chapter 4: Operations and Organizational Sustainability

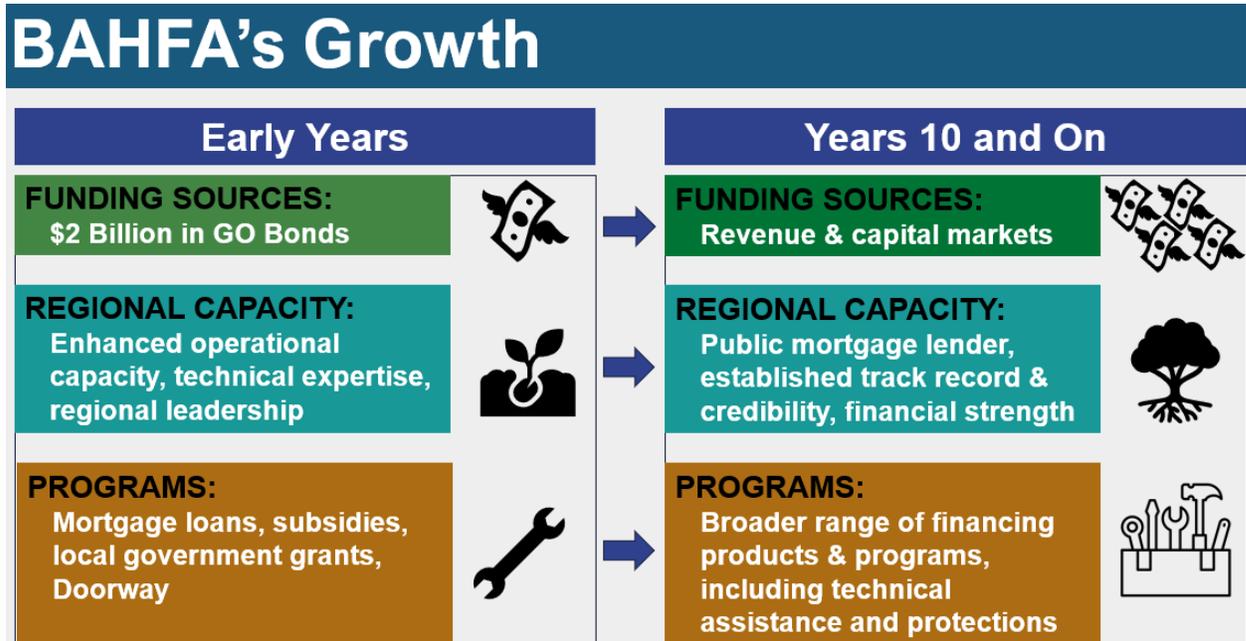
As a newly formed public agency, BAHFA will commence its work following a successful GO bond measure focused on two vital goals: administering its Funding Programs across the region and achieving financial sustainability. This chapter of the Business Plan describes BAHFA's revenue sources, recommended organizational structure, and associated financial outcomes along with estimated units produced and preserved.

The growth of BAHFA's income, reserves and financial strength over time will allow it to access different types of capital (such as through the capital markets) and launch different types of products and programs, all while maintaining its self-sufficiency through careful planning by staff and stakeholders. This diversification of products and capital sources will create new opportunities for BAHFA to earn revenue and become a stronger organization financially. This beneficial, iterative process will complement other non-revenue generating activities such as tenant protections programming and technical assistance to jurisdictions. The breadth of experience, programs and types of capital that BAHFA is able to support can cement it as a leader in the Bay Area's housing finance ecosystem and a reputable advocate with state and federal policy makers, able to use its role to advance better rules and regulations regarding tax credits, tax-exempt bonds, and programs from the United States Department of Housing and Urban Development (HUD) and Federal Housing Administration (FHA) to enhance access to housing resources for the entire Bay Area.

BAHFA's organizational and operating approach benefits from the demonstrated success of the sustainable model used by several successful housing finance agencies around the country. Functioning on the surface like commercial banks or other lenders, these agencies generate revenue from interest and fees on loans for affordable housing projects. But unlike commercial banks, where net income is taken as profit and distributed to executives and shareholders, these agencies reinvest the revenues they receive back into affordable housing as subsidy loans.

This is a "public lender" model that also will be used by BAHFA, where reinvested income can increase the number of new homes produced and create additional community benefits. The streamlining and simplification created when affordable housing developers can receive both subsidies and debt products from one source helps reduce projects costs, which further increases the resources available for more housing.

The New York City Housing Development Corporation (NYC HDC), among others, offers proof of concept of this successful affordable housing financing strategy.



### 4.1 Revenue Sources

BAHFA will have access to various revenue sources that can pay for administrative and operating expenses. Remaining funds generated from these sources after payment of expenses can be used by BAHFA to fund projects and programs in pursuit of its mission to address the Bay Area’s housing needs, including by providing additional subsidies. Remaining funds can also be applied to strengthening BAHFA’s financial position in conformance with best fiduciary practices and to enable efficient access to the capital markets in support of future lending activities.

The Business Plan anticipates that BAHFA’s principal revenue sources will shift over time. In its early years, BAHFA will rely heavily on its administrative cost allowance from GO bond proceeds. Over time, BAHFA will become self-sustaining by funding its costs from revenue earned from its lending and financing activities.

BAHFA’s anticipated revenue sources include:

#### Principal Revenue Sources

- **Allowable Administrative Costs.** The Act allows up to 5% of GO bond proceeds to be used for administrative costs necessary to implement the bond. Assuming a \$10 billion GO bond, BAHFA would receive \$2 billion, of which up to 5% – \$100 million – would be available to cover BAHFA’s administrative costs. Local jurisdictions would receive \$8 billion, of which \$400 million can be used for

their administrative expenses. It is projected that the GO bonds would be drawn, and the corresponding administrative fund would be received, in installments over an estimated 10- to 15-year period. BAHFA and the counties and direct allocation cities do not have to draw on bonds in lockstep; the cadence and amount of each bond issuance may vary based on each jurisdiction's needs and how quickly each can deploy funds to support the 3Ps.

- **Lending Revenue from Funding Programs.** How BAHFA structures its Funding Programs will set the stage for its future success. Production and preservation loans will generate fees and interest that will support BAHFA, even after the bond proceeds are depleted. These revenues can be used flexibly for costs and investments incurred by BAHFA. Distinct from payments of fees and interest, repayments of principal on all GO bond-funded loans must be redeployed into new loans and subsidies that conform with statutory requirements for bond funding.

### **Other Revenue Sources**

- **Fees from Moderate Income Acquisitions.** BAHFA may issue project revenue bonds to acquire housing for moderate income households with incomes up to 120% of AMI. On these transactions, BAHFA may earn revenue from program management, bond issuance, and ongoing monitoring fees.
- **Fees from Conduit Bond Issuance.** In addition to bonds BAHFA may issue for the acquisition of moderate-income housing, BAHFA also may issue conduit bonds for other types of projects and earn issuance and ongoing monitoring fees.
- **Interim Reinvestment Income:** Excess revenue, or “cash on hand” that is not immediately redeployed into additional loans may be reinvested, on an interim basis, in permitted financial instruments. Permitted investments will be outlined in an approved investment policy. While safety and liquidity of funds will be the primary consideration, these investments will generate a rate of return. Example investment types may include U.S. Treasuries, bank certificates of deposit, commercial paper, and other instruments commonly included in the investment portfolio of California's public agencies.
- **Grants and Fundraising:** BAHFA must remain opportunistic and engage with federal, state, corporate and philanthropic funders regularly to seek additional funding opportunities when available, whether for programming or administrative costs. As noted earlier, BAHFA was launched from a \$20 million appropriation from the state budget, which is expected to fund four years of business planning and staffing to launch pilot projects. BAHFA also successfully secured \$18 million and \$28 million of REAP 2.0 funding for Preservation and Production, respectively, as a passthrough of a portion of a formula grant that MTC received from HCD in 2023.

## 4.2 Organization

BAHFA's organizational model is driven by implementation needs for the Funding Programs. This model anticipates that BAHFA will continue to leverage the existing staffing capacity at MTC (whose staff jointly support BAHFA and ABAG) while additional long-term staff focused on BAHFA work will be hired as needed and as ongoing resources become available. BAHFA likely will retain specialized consultants and third-party service providers to augment in-house staff.

A flexible organizational approach will be necessary. The assumptions used in BAHFA's business planning are based on staff and stakeholders' current understanding and research of project costs and market dynamics throughout the Bay Area. These assumptions are oriented around a specific point in time and are certain to change. Significant unknowns include:

- **The size and pace of GO bond issuances.** The business planning process tested a modestly-paced GO bond issuance scenario where BAHFA deploys its proceeds into Funding Programs from five equally-sized bond issuances totaling \$2 billion over a 15-year period. It also considered an accelerated scenario with three equal issuances over 10 years. In either scenario, BAHFA's capacity increases rapidly to accommodate organizational needs; the magnitude of this increase would be even greater if additional GO bonds were issued or were issued more rapidly.
- **Market conditions.** The Funding Programs reflect current regional housing needs and are eligible uses of funds under BAHFA's legislative framework. The types of loan products and their associated terms will need to be monitored over time and periodically revisited, based on factors including construction costs, household income increases, interest rate environments, and changes in other market factors. These factors affect: 1) the mix of loans and subsidies that affordable housing needs to be successful across the region; 2) the interest rates and fees BAHFA can charge on its loans while remaining competitive with other lenders; and 3) numerous other aspects of the Funding Programs and the agency's operating model.
- **The availability of leveraged funding sources for Production investments.** A substantial increase in the supply of these sources, such as low-income housing tax credits and tax-exempt private activity bonds, could create expanded opportunities for BAHFA to rely on these sources in its Funding Programs, and correspondingly impact BAHFA's approach to operating and delivering those programs.
- **The evolving nature of MTC/ABAG's and BAHFA's shared staffing model.** As contemplated by the Act, BAHFA currently uses MTC staffing, with a few staff members dedicated solely to BAHFA's work, and the rest of BAHFA's needs addressed by MTC in other departments. The operational framework presented in this Business Plan continues this model, with some increased staffing capacity

supported by the bond issuance. As BAHFA's lending programs evolve in pursuit of BAHFA's long-term vision, it may require more dedicated staffing to most effectively and efficiently administer its new programs.

- **Loan portfolio performance.** Loans BAHFA makes to specific affordable housing projects may or may not perform as expected. The performance of loans within BAHFA's portfolio will affect BAHFA's revenues as well as the asset management and other organizational capacities it will need.

The ability to periodically assess and respond to these factors will help to ensure that BAHFA meets its goals of being financially self-sufficient while still providing needed products and services across the region.

#### ***4.2(a) Staffing Categories***

The individuals supporting BAHFA early in its existence will be critical to create a strong organizational framework to deploy and administer the Funding Program, as well as to grow the expertise and organizational capacity that will enable these programs and the agency's regional leadership to expand over time.

Generally, staffing by MTC for BAHFA will fall within three categories:

- **BAHFA Leadership:** BAHFA's leadership will report directly to BAHFA/ABAG executive leadership and work very closely with members of the BAHFA and Executive Boards.
- **MTC Department Support:** Certain functional areas for BAHFA staffing and capacity are likely to remain dispersed across MTC sections, while others may migrate to BAHFA as dedicated programmatic staff over time. It is expected that BAHFA will continue to rely on MTC for human resources, technology services, legislation and public affairs, and contracting. Core business function areas such as legal, finance, and treasury may migrate from MTC to BAHFA-dedicated staff over time as BAHFA builds upon these departments with expertise related to BAHFA's housing-related activities – though as noted above, additional study would be required to evaluate whether and when this should occur.
- **BAHFA Programmatic Staff:** BAHFA will need to hire new and retain existing staff to administer its real estate lending, asset management, Doorway, and tenant-protection business functions. As the agency matures, these hires will develop and implement administrative systems and procedures internal to BAHFA.

The balance between hiring additional staff to increase capacity and managing costs in consideration of available revenue will need to be actively managed. To maintain the

optimal balance, BAHFA may outsource to third-party service providers and consultants short-term, one-time, or “surge” capacity needs, as could occur if the schedule of GO bond issuances creates uneven agency funding availability from year to year.

**4.2(b) Roles and Responsibilities**

The following table describes the capacities and business functions that BAHFA will require, either through staff or contracting with third-party service providers and consultants.

Functions	Description	Location and Strategy for Phasing
Leadership & Management	<ul style="list-style-type: none"> <li>– Focus on organizational mission, alignment with policy objectives, and financial sustainability</li> <li>– Strategic business planning and pursuit of new opportunities and programs at the federal/state/local levels</li> <li>– Represents BAHFA’s interests to related and partner organizations (e.g., MTC/ABAG)</li> <li>– Annual review of BAHFA and county expenditure plans in conjunction with BAHFA/ABAG finance staff and governing boards</li> </ul>	<ul style="list-style-type: none"> <li>– Capacities provided in-house, reporting to MTC Executive Team</li> <li>– Supporting leadership (e.g., deputy) may be added over time</li> </ul>
Real Estate Lending: Production & Preservation	<ul style="list-style-type: none"> <li>– Originations: develop Notices of Funding Availability, score projects, develop/issue term sheets to selected projects, collaboration with local jurisdiction housing staff</li> <li>– Underwriting: perform financial/credit analysis on potential projects, produce credit memos, utilize internal term sheets as guidelines</li> <li>– Closings: loan closings and coordination with internal parties and external lenders/investors</li> <li>– Construction monitoring</li> <li>– Project close-outs</li> <li>– Provision of underwriting assistance to jurisdictions that request it, including creation of template budgets, checklists, and loan documents</li> </ul>	<ul style="list-style-type: none"> <li>– Capacities provided in-house; during peak periods, contracted 3<sup>rd</sup> party underwriters may be needed</li> <li>– Staff includes lending leadership, supported by lending staff, loan servicers, and construction engineer(s)</li> </ul>

<p>Asset and Risk Management</p>	<ul style="list-style-type: none"> <li>- Fiscal management of loan repayments and asset investments (e.g., processing construction draws, coordination with accounting and finance staff)</li> <li>- Regulatory and asset compliance monitoring and reporting (e.g., monitoring the ongoing physical condition of projects, monitoring the fiscal performance of the projects and their respective borrowers, collect required reporting related to the Equity Framework)</li> </ul>	<ul style="list-style-type: none"> <li>- Some capacities including asset management leadership provided in-house; supported by 3<sup>rd</sup> party asset management service providers</li> </ul>
<p>Finance &amp; Treasury</p>	<ul style="list-style-type: none"> <li>- Implement key financial systems during start-up</li> <li>- Management of GO bond issuances, cash flow, and debt repayments</li> <li>- Assist management staff to track organizational financial sustainability</li> <li>- Management of BAHFA's operating budget</li> <li>- Oversee authority financials, cash management and reserve investments</li> </ul>	<ul style="list-style-type: none"> <li>- At the outset, finance leadership will be leveraged from MTC, supported by loan servicers and accounting staff</li> </ul>
<p>Accounting, Loan Servicing, and Budgeting</p>	<ul style="list-style-type: none"> <li>- Disburse loan funds (construction draws, subsidy loans, or permanent loans) in coordination with asset management and real estate lending staff</li> <li>- Project accounting and progress reporting for loan portfolio</li> <li>- Ongoing income and expense management</li> <li>- Coordinate with fund auditors on annual audits</li> </ul>	<ul style="list-style-type: none"> <li>- Capacities housed within MTC or provided through dedicated staff</li> </ul>
<p>General Counsel</p>	<ul style="list-style-type: none"> <li>- Oversee BAHFA's legal affairs: real estate lending, bond issuances, interpretation of authorizing legislation, regulatory compliance and other corporate affairs</li> <li>- Coordinate with outside counsel as needed</li> </ul>	<ul style="list-style-type: none"> <li>- Capacity housed within MTC's Office of General Counsel, but dedicated to housing-related legal matters</li> </ul>
<p>Outside Counsel</p>	<ul style="list-style-type: none"> <li>- Drafting template loan agreements at start-up</li> <li>- Transaction documentation (using loan templates) for Production/Preservation loans</li> </ul>	<ul style="list-style-type: none"> <li>- Third-party counsel to be engaged as needed to support specific projects or on bond issuances</li> </ul>

	– Represent BAHFA on bond issuances	
Protections	– Tenant protections program management	– Capacities provided in-house
Doorway	– Develop and manage regional housing application online platform	– Capacities provided in-house; contracted third-parties, such as software engineers, may be used for technical development and maintenance
Supporting MTC/ABAG Departments	– Administration & Human Development – Technology Services, employee IT support – Facilities & Contract Services – Legislation and Public Affairs – Regional Planning Program	– Capacities leveraged from MTC/ABAG as needed

**4.3 BAHFA’s Financial Model**

Modeling of BAHFA’s income and expenses was conducted for both “modestly-paced” and “fast-paced” GO bond issuance scenarios, with varying mixes of Production and Preservation project typologies consistent with the Funding Programs. The modeling produced the following estimates:

- BAHFA may accrue **\$150 million to \$165 million of cumulative net income** over the first 10-15 years, which can be used to support operations, programs, and longer-term capital markets endeavors.
- After fully expending GO bond funds in Years 10-15, the agency may generate **annual net income of approximately \$10 million to \$17 million.**

These scenarios depend on assumptions related to the projects funded within each of the Funding Programs, the revenue BAHFA can generate as a result and the associated expenses for the programs. Each scenario was tested for its ability to withstand periods of stress and poor market performance. Under a wide range of scenarios, BAHFA can **achieve financial self-sufficiency** while still growing as an agency to help support its ability to secure new capital resources and provide new investments and subsidies.

**Modestly-Paced Scenario: 5 Issuances**

<b>BAHFA Funds from \$10B GO Bond</b>	<b>2025-2027</b>	<b>2028-2030</b>	<b>2031-2033</b>	<b>2034-2036</b>	<b>2037-2040</b>	<b>Total</b>
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Funds for Programs (95%)	\$380M	\$380M	\$380M	\$380M	\$380M	\$1.9B
Program Administration (5%)	\$20M	\$20M	\$20M	\$20M	\$20M	\$100M
<b>Total Regional Housing Revenue to BAHFA (20%)</b>	<b>\$400M</b>	<b>\$400M</b>	<b>\$400M</b>	<b>\$400M</b>	<b>\$400M</b>	<b>\$2B</b>

**Fast-Paced Scenario: 3 Issuances**

<b>BAHFA Funds from \$10B GO Bond</b>	<b>2025-2027</b>	<b>2028-2030</b>	<b>2031-2033</b>	<b>Total</b>
Funds for Programs (95%)	\$633M	\$633M	\$633M	\$1.9B
Program Administration (5%)	\$33M	\$33M	\$33M	\$100M
<b>Total Regional Housing Revenue to BAHFA (20%)</b>	<b>\$667M</b>	<b>\$667M</b>	<b>\$667M</b>	<b>\$2B</b>

*Note: Totals may not sum due to rounding*

**4.4 Units Produced and Preserved**

A primary goal of BAHFA’s financial modeling is to estimate a range for the number of units BAHFA’s funding can help to produce or preserve. As with other planning estimates, these estimates are highly variable and depend on factors such as market conditions. Importantly, the pace at which BAHFA receives GO bond proceeds and the pace at which it disburses those funds, as well as the project costs and need for additional funding, will affect how many units can be built and preserved. Units financed by BAHFA may also be funded in part, or not at all, from funding counties and cities would receive directly from BAHFA’s anticipated GO bond measure.

Assuming a \$10 billion GO bond, BAHFA’s 20% share of the funds is expected to produce and preserve **3,700 to 4,000 housing units**. This assumes that approximately 45% of BAHFA’s funding for new construction projects supports ELI and very low-income (VLI) households, matching the Regional Housing Needs Allocation target of 45% for ELI and VLI housing as a share of housing at or below market rates.

When combined with the 80% of GO bond funds that will be administered by counties and direct allocation cities, the estimated total unit count **expands to 35,000 to 40,000**. Additional detail related to the allocation of units produced and preserved with BAHFA’s 20% share of bond funds is provided below.

<b>BAHFA’s New &amp; Preserved Unit Count: 3,700 – 4,000</b>
Units Produced: 3,220 – 3,490

ELI (≤30% AMI)	VLI (31-50% AMI)	LI (51-80% AMI)	Unregulated <sup>4</sup>
32%	12%	55%	1%
Units Preserved: 480 - 510			
ELI (≤30% AMI)	VLI (31-50% AMI)	LI (51-80% AMI)	Unregulated
10%	15%	75%	For 16+ unit buildings

#### ***4.5 Policies, Procedures, and Reporting***

BAHFA’s ability to disburse its capital to support projects across the Bay Area, as well as to maintain an efficient and effective operating structure, relies on strong internal policies and procedures for administering the Funding Programs and other activities. Streamlined internal guidelines and processes will also help to minimize costs over time. BAHFA will need to clearly define its role, its offerings and its criteria with respect to its programs, and will need to have internal standards and mechanisms to identify, prioritize and interact with transaction counterparties and other stakeholders.

#### ***4.5(a) Pipeline Development and Applicant Solicitation Strategy***

BAHFA’s ability to build a strong pipeline of projects to finance will depend on its relationships with stakeholders, developers and lenders across the region. Clear and flexible criteria for how funding applications are evaluated will also be important. BAHFA will need to clearly communicate its funding approach so potential borrowers, lending partners and counterparties know how and why they should do business with BAHFA.

For each Funding Program as well as any other future programs that BAHFA may launch, prospective borrowers and service providers (as in the case of BAHFA’s Protections and Homelessness Prevention programming) will be solicited via Notices of Funding Availability (“NOFAs”) or Requests for Proposals or Qualifications (“RFPs” or “RFQs”) or similar mechanisms.

These solicitation documents will be specifically tailored to each program and will request that applicants submit proposals or responses that describe how their projects or organizations meet underwriting guidelines or criteria described in the NOFA, RFP, or RFQ, and how the project or organization will help BAHFA meet its programmatic goals and equity objectives. The solicitation will describe the type of funding BAHFA is making available, requirements associated with the funding, and other criteria or priorities. The solicitation also will list any supporting documentation that a developer or organization should provide alongside their application or proposal. Broad outreach and strong

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<sup>4</sup> Refers to Manager’s Units within new affordable housing developments.

partnerships will be essential to the success of BAHFA’s NOFA and RFP/RFQ issuances. The types of local partners, and their ability to contribute to BAHFA’s pipeline development process, are further described below.

	<b>Local Housing Agencies &amp; Departments</b>	<b>Affordable Housing Developers &amp; Service Providers</b>	<b>Financial Institutions and Intermediaries</b>
Description:	Staff at local housing agencies and departments (cities and counties) with knowledge of their own financing programs, as well as BAHFA’s.	Affordable housing (production and preservation) developers with a pipeline of projects in need of funding that aligns with the Funding Programs. Service providers are those that support tenant protection measures and homelessness prevention.	Banks, community development financial institutions (CDFIs), and other lenders providing loan products to support housing developers and service providers.
Pipeline Development Strategy:	Local housing, homelessness prevention staff, and housing authorities are best positioned to know and respond to their constituents’ needs. For projects or programs where local agencies can provide resources such as rental subsidies, BAHFA may partner and provide loans directly or through a solicitation process. Local agencies may also direct their resources towards some projects, while referring other projects that meet scoring criteria to BAHFA.	Developers and services providers are likely to be the principal applicants for most BAHFA funding opportunities. These organizations will be the entities assembling financing to move their projects forward, and rely on various sources of upfront, construction and permanent financing to make their projects financially feasible.	Banks and CDFIs commonly provide short-term or interim financing that requires subsequent take-out by construction or permanent-phase loans and subsidies. By maintaining close relationships with other funders, BAHFA can coordinate on fully meeting projects’ capital funding needs.

**4.5(b) Underwriting Guidelines and Project Term Sheets**

Underwriting guidelines outline the general terms and conditions expected to apply to all loans under a specific program. They provide parameters for borrowers to structure production or preservation projects in a manner that meets both BAHFA’s financial and equity requirements, and are foundational for BAHFA’s staff, consultants, and governing boards to be able to underwrite and manage lending risk.

The parameters set forth in BAHFA’s underwriting guidelines should be clear and prudent, but also provide for potential exceptions to specific criteria for especially high-impact, policy-aligned projects. All guidelines should be revisited periodically and updated based on program performance and market needs. It is recommended that BAHFA establish underwriting guidelines that address the areas described below.

Financing Terms	Loan terms for all BAHFA lending products such as term, maximum loan amounts, interest rates, fees, security, repayment provisions
Project Eligibility	Parameters for projects eligible to apply for BAHFA funding such as household income levels, Funding Program category, achievement of Equity Objectives
Sponsor Eligibility	Parameters for project sponsors/developers eligible to apply for BAHFA funding
Borrower Underwriting Assumptions	Requirements for borrowers’ underwriting proformas such as vacancy allowance, debt coverage ratios, operating/replacement/other reserve requirements, developer fees, and surplus cash flow sharing
Ongoing Project Requirements	Ongoing project reporting or certification requirements related to unit affordability, leasing, financial reporting, equity metrics, or other requirements

Once a project is selected to receive a loan, a non-binding commitment is issued to the project borrower. A lender’s commitment to a borrower typically is provided in the form of a “term sheet” that outlines the basic terms and conditions of the loan for a specific project, prior to entering into binding loan agreements.

**4.5(c) Underwriting**

Using BAHFA’s established underwriting guidelines, once a project is offered a preliminary loan commitment, BAHFA staff or its contracted consultants will perform quantitative and qualitative analysis on potential projects, addressing risks and mitigants, as summarized in an underwriting memo.

Financial	<ul style="list-style-type: none"> <li>– Assessment of the borrower’s ability to complete construction or rehabilitation of the proposed project, including review of budgeted costs, contingencies, and developer and contractor capacity</li> <li>– Assessment of the borrower’s ability to repay any project loans, including analysis of the sufficiency of project income and expense cash flows, debt service coverage ratios, interest reserves, and borrower financials</li> <li>– Downside risk analysis relating to identified areas of risk, and potential mitigants</li> </ul>
Legal and Reputational	<ul style="list-style-type: none"> <li>– Legal due diligence and risk assessment of borrower, projects, and service providers</li> <li>– “Know your customer” analysis; identification of potential reputational risks</li> <li>– Jurisdictional support from city or county</li> </ul>
Technical	<ul style="list-style-type: none"> <li>– Engineering assessment of construction or rehabilitation feasibility, reasonableness of cost estimates, construction risks and overall project management risks</li> <li>– Contractor due diligence, and service provider diligence as applicable</li> </ul>
Equity Impact	<ul style="list-style-type: none"> <li>– Evaluation of how the project achieves BAHFA’s programmatic goals and Equity Objectives</li> </ul>

**4.5(d) Loan Approvals**

BAHFA is likely to follow MTC/ABAG’s existing framework for securing approval of loans, subsidies and grants it makes, as follows:

Full Approvals Process

- Staff develop project selection criteria, such as funding guidelines, NOFAs, RFP/RFQs, Requests for Letters of Interest, etc.
  - Staff requests a recommendation of approval from the relevant Committees (e.g., the BAHFA Advisory and Oversight Committees).
  - The Board acts on the Committees’ recommendations and adopts the policy (subject to any adjustments made by the Board).
- Staff issues the relevant solicitation document approved by the Board, evaluates proposals, and selects those that meet the published project criteria and rank highest according to published criteria.

- Staff returns for approval of the selected developers/awardees to the relevant Committee and Board.

Delegated Approval Process

- After approval of the project selection criteria documentation, the Board may also delegate final approval authority to the MTC Executive Director (or their designee) for the purpose of expediting the approvals process.

**4.5(e) Ongoing Risk and Asset Management**

Once a project receives BAHFA funding and through the term of the funding, BAHFA will require regular borrower reporting as part of its ongoing asset and risk management functions. At minimum, reporting should include:

- Monthly construction or rehabilitation status reports
- Annual borrower and project financial statements
- Equity metric reports

BAHFA staff will monitor and report on all loans, individually and portfolio-wide, to keep BAHFA leadership apprised of loan performance and any areas of concern. In cases where a loan or a program shows significant credit weakness, deterioration or defaults, staff will develop, recommend and conduct work-out strategies to protect BAHFA's financial, programmatic and equity interests in the transaction.

**4.5(f) Coordination with Local Jurisdictions**

For BAHFA's programs to drive the regional change stakeholders have set out to accomplish, the importance of strong coordination and support between BAHFA and local jurisdictions cannot be overstated. Cities and counties have their own existing, internal funding resources and will receive 80% of any funds raised pursuant to a BAHFA GO bond. Local governments also have the best sense of the affordable housing needs and priorities within their local markets. Cities and counties are well-positioned to strategically combine BAHFA as a technical assistance provider with their own resources in a way that expands their local pipeline of affordable housing projects.

Capacity at local housing departments and housing agencies is not equal across the Bay Area. Certain cities and counties have access to more resources and have higher levels of staffing expertise than others. This results in a disparate approach to tackling housing affordability and instability across the region, with greater activity concentrated in the jurisdictions that have greatest access to resources and expertise. Lower-capacity agencies and departments may not be able to push as many high-impact projects

forward, and may also slow the adoption of best practices and methodologies across the region.

If a BAHFA GO bond measure is successful, the ability for these dollars to flow into transformative projects across the region will rely on both BAHFA and local housing department and agency staff having the capacity and expertise to deploy these funds. With an unequal distribution of funding and capacity across the region, BAHFA has the ability and opportunity to act as a regional clearinghouse and provider of technical assistance. BAHFA already has begun regular convenings of local housing department staff to share best practices and keep other housing departments aware of new housing projects in the pipeline in their jurisdictions. BAHFA intends to continue holding regular convenings, particularly if the voters approve an influx of funding from a GO bond. These convenings also give BAHFA the opportunity to share updates about BAHFA's Funding and pilot programs with representatives of local jurisdictions.

Stakeholders indicate another major hurdle in completing Bay Area housing projects is the disparity between funding documents and requirements across jurisdictions, the state, and federal sources—and the time and expense it takes to develop these internally. BAHFA will make templates for its loan agreements and supporting documentation (e.g., regulatory agreements, subordination agreements, pro formas) available, so jurisdictions that may not have the resources or time to develop these on their own can refer to samples provided by BAHFA. Over time, BAHFA intends to build its own internal capacity for supporting jurisdictions in their underwriting of new projects and asset management of existing portfolio projects. This may mean staffing up internally so that BAHFA is able to support jurisdictions that do not have their own dedicated underwriting or asset management staff, or identifying a pool of consultants and third-party support that jurisdictions could use.

#### ***4.5(g) Communications and Reporting***

BAHFA will regularly provide financial and programmatic reporting to its governing boards. To maximize transparency, these reports will be made available to the public.

Pursuant to the requirements of the Act, BAHFA also will:

- Provide annual audits and financial reports;
- Hold at least one public meeting regarding relevant plans or proposals that BAHFA is considering implementing;
- Submit an annual Regional Expenditure Plan to its governing boards outlining BAHFA's use and priorities for spending GO bond proceeds; for subsequent expenditure plans submitted to the boards, BAHFA will report on the allocations

and expenditures to date of projects and programs funded by BAHFA, as well as its progress in meeting 3P funding requirements; and

- Submit an annual report to the State Legislature as required by state law outlining BAHFA's use and allocations of its funds and of funds controlled by counties and cities receiving allocations of GO bond proceeds, including description of projects that have received funding, their status, and associated household income levels.

The Equity Framework outlines additional reporting recommendations to convey to the public and stakeholders BAHFA's progress in meeting its Equity Objectives. BAHFA may choose to consolidate this reporting into its annual expenditure report, which is reviewed and approved by its advisory and governing committees and boards, or may produce a separate, standalone report that specifically addresses progress in relation to the Equity Framework. Strategies BAHFA will use for equity reporting, as well as the suggestions for ways in which BAHFA can collect, analyze, and report on data, are further discussed in the "Accountability and Implementation Strategies" section of the Equity Framework.

## Chapter 5: Conclusion

Since 2018, BAHFA has moved from an ambitious idea posed by housing stakeholders to an established regional organization actively advancing the 3Ps. Now, after several years of hard work and determination to create a better system, BAHFA is poised to take its next step – seeking unprecedented affordable housing resources for the nine-county Bay Area. With voter approval of a regional GO bond, BAHFA will help produce more housing, protect vulnerable residents, heal systemic inequities, and respond to climate change.

BAHFA will be precedent setting. As California’s first regional housing finance authority, it will bring together new tools and resources that have never before been available for collaborative deployment across multiple jurisdictions. By using its unique combination of powers and revenue to coordinate policy, create innovative financing programs, and provide technical assistance within an Equity Framework, BAHFA can remake how the Bay Area meets its interconnected challenges and help to secure its continued vibrancy.

This Plan has been shaped by the communities, individuals, and organizations that have shared their vision for what BAHFA can become and the more equitable and affordable Bay Area it can make possible. These voices will continue to be essential to BAHFA, ensuring that the foundation set in this Plan can continually be strengthened to meet the needs of the region for generations to come.