

Initial Set of Potential New BAHFA Activities

- 1) *Middle-Income Acquisition Program*. Middle-income affordable housing – that is, housing affordable to households earning between 80% and 120% of area median income – is especially challenging to produce due to the dearth of dedicated public resources available for this income bracket. The consequence is that many valued community members (e.g., teachers, nurses and emergency responders) earn too much to qualify for affordable housing produced through typical funding programs but too little to afford market-rate rents. Delivering housing affordable to middle-income households at below-market rates stabilizes communities and creates broad economic benefits.

The proposed Middle-Income Acquisition Program expands the reach of BAHFA's Welfare Tax Exemption Preservation Program by offering the option of public ownership – through BAHFA – of the residential building. Public ownership achieves two critical benefits:

- Expanded Household Eligibility. Public ownership uses the property tax exemption as the subsidy vehicle for converting properties to affordable housing but extends the reach of the benefit. State law caps household eligibility for the exemption in privately owned buildings at 80% AMI. But publicly owned buildings are not subject to an income cap. This flexibility enables the extension of affordable housing opportunities to a wider range of households. This is especially relevant in high-cost markets, such as San Jose and San Francisco, where market rents may be affordable only to households with incomes at 150% AMI and above. BAHFA's goal, as owner, would be to always maintain affordability of units below market rate.
- Long-term public stewardship. Ownership of residential properties by a public entity that is governed by elected officials subject to Brown Act requirements and public service obligations creates strong accountability. Ownership under BAHFA will ensure that buildings are maintained as permanently affordable housing.

Implementation of this program would include reimbursement of BAHFA staff costs and ongoing asset management fees to cover annual monitoring and reporting.

Next Steps: BAHFA staff will return to its Committees and Boards with a term sheet proposal for review and approval.

- 2) *Grant and Philanthropic Funding*. BAHFA benefitted significantly from a \$2.5 million donation by Google.org to assist the Doorway Housing Portal launch. The San Francisco Foundation provided additional philanthropic funding for BAHFA over the last two years.

Public sector grants facilitating BAHFA's affordable housing work include REAP 2.0 funds and a \$5 million competitive grant awarded in June 2024 by HUD for its PRO-Housing program. MTC is the HUD grant recipient and BAHFA is administering the money for investment in two Priority Sites mixed-income/mixed-use developments: Blossom Hill in San Jose and El Cerrito BART Station in El Cerrito. These grants, as is typical, provide administrative fees that cover staff costs and expenses.

Next Steps: BAHFA will continue to pursue all philanthropic and public sector funding opportunities that fulfill its mandate and offer a reasonable return on staff time investments. In particular, staff will prioritize exploring funding partnerships to pilot the creative financing pathways identified in BAHFA's Business Plan, which could help to launch BAHFA towards serving as a public mortgage lender in the same vein as the New York Housing Development Corporation. Any such steps are likely to be very modest in scale, yet nonetheless may demonstrate proof of concept for this long-term vision for BAHFA.

- 3) *Regional Convenings:* As part of its RM4 outreach, BAHFA regularly convened housing directors and staff from around the region to collaborate and share information. Regular meetings of this type did not previously occur in the Bay Area.

Next Steps: BAHFA will continue to foster these relationships and encourage collaborative regional engagement, focused on information sharing and technical assistance that enhances affordable housing efforts in every Bay Area county.

- 4) *Further Integration Into MTC/ABAG's Broader Programs.* Pursuit of Plan Bay Area 2050's vision – a more affordable, connected, diverse, healthy and vibrant Bay Area – includes housing as a key and co-equal component of the region's long-range plan. BAHFA and MTC/ABAG staff have demonstrated the effectiveness of this integration through their joint work on Priority Sites and the HUD PRO-Housing grant, among other examples described in Attachment B. The expertise of BAHFA staff in lending, housing preservation and production, anti-displacement work, and housing data analysis can add value to additional MTC/ABAG programs, including, for example, implementation of the Transit-Oriented Communities Policy; work on BayREN's multifamily energy efficiency retrofitting; and development of environmental justice and anti-displacement components of both transit and environmental programs.

Next Steps: Leveraging the new Housing & Energy portfolio in MTC/ABAG's revised organizational chart, BAHFA staff will proactively pursue new opportunities within the organization and lend their expertise to help ensure the successful implementation of the Plan Bay Area 2050 vision.