

BAHFA Strategic Planning

Module 3 Update

Mixed-Income Financing Proposal

BAHFA Oversight & ABAG Housing Committees

October 8, 2025



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Agenda

1. Recap Module 3 Overview
2. Feedback Synopsis
3. Case Study Results/Conclusions
4. Proposed Program Revisions
5. Proposed Program Terms
6. Considerations
7. Next Steps

BAHFA Strategic Planning Overview

North Star:

BAHFA was created to raise transformative revenue to meet regional affordable housing needs at scale

Purpose:

Articulate the vision and plan to sustain BAHFA until capitalized at scale

Process:

An inclusive process is necessary to maintain, strengthen, and expand coalition of BAHFA supporters

Four Modules:

1. *Regional Revenue Measure: Reflections & Framework for Future Ballot Measure*
2. *Funding Strategy and Financial Sustainability Plan*
3. **New Regional Financing Products & Approaches**
4. *Regional Housing Programs*

Program Objectives

1. **Improve affordability** by filling unmet needs or outperforming existing products in the marketplace
2. **Generate revenue** to promote BAHFA's financial self-sufficiency
3. Serve as **proof-of-concept** for the BAHFA model
4. Build long-term **organizational capacity**

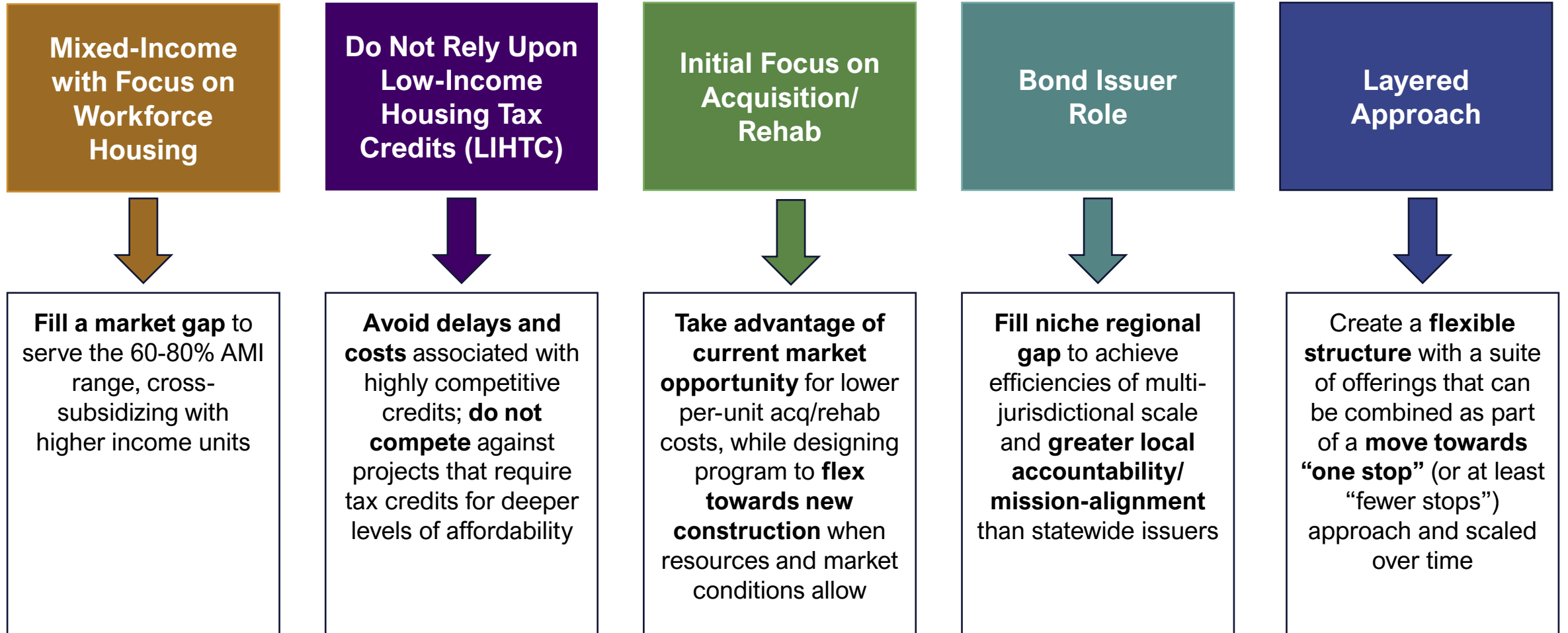


Work To Date: Program Concept Testing

- To date, focus has been high level testing to determine whether a program could achieve BAHFA's goals under current market conditions
- Review by BAHFA Advisory Committee, Technical Advisory Group, and MTC's CFO office
- Draft program elements, terms, and projections are preliminary and subject to change
- Going forward, staff will pivot from concept testing to more detailed program design
- Final program structure and terms are subject to Board approval



Proposed Program Concept Elements



Program Elements Considered

| Program | BAHFA Role | Impact |
|--------------------------------------|--|---|
| Conduit Bond Issuer | <ul style="list-style-type: none"> • Issuer, Tax Exempt Bonds • Deed Restrictions • Long Term Monitoring | <ul style="list-style-type: none"> • Lowers Borrowing Cost |
| Top Tier Loss Guaranty | <ul style="list-style-type: none"> • Guaranty Potential Loss to Senior Lender | <ul style="list-style-type: none"> • Lowers Borrowing Cost |
| Essential Purpose Bonds | <ul style="list-style-type: none"> • Issuer of Tax Exempt Debt • Owner of Asset • Private Sector “Partners” | <ul style="list-style-type: none"> • Lowers Borrowing Cost • Lowers Operating Costs Through Property Tax Exemption • Ensures Permanent Affordability |
| Welfare Exemption | <ul style="list-style-type: none"> • Small Grant • 55 Year Deed Restriction • Long Term Monitoring | <ul style="list-style-type: none"> • Ensures Long Term affordability • Lower Operating Costs Through Property Tax Exemption |
| Matched Subordinate Financing | <ul style="list-style-type: none"> • Lender, Subordinate to Senior Lender | <ul style="list-style-type: none"> • Lower Cost Allows More Capital to be Raised to Achieve Feasibility |
| Doorway | <ul style="list-style-type: none"> • Marketing Assistance • Vacancy Listings • Lottery Management | <ul style="list-style-type: none"> • Equitable Access for Tenants • Faster Lease-up for Property Owners |

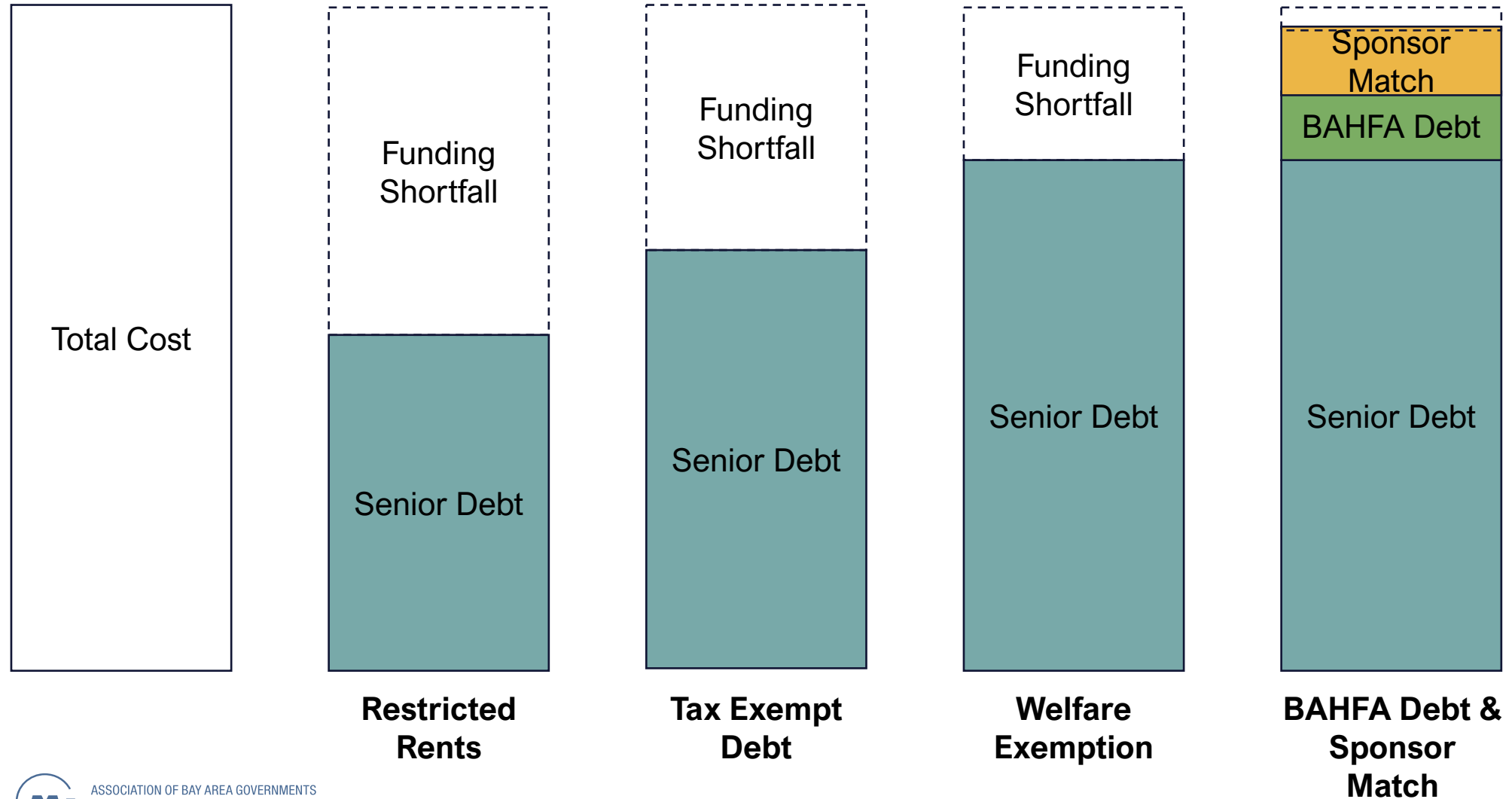
Stakeholder Feedback

1. Broaden Restricted Income Levels, Be Mindful of Market
2. Ensure Tenant Protections for Acquisitions
3. Apply Underwriting Best Practices/Lessons Learned
4. Focus on Execution Speed, Program Flexibility
5. Consider Upcoming Trends and Challenges
6. Proposed Program Elements:
 - ✓ Bond Programs
 - Top Tier Loss
 - ✓ Welfare Exemption
 - ✓ Subordinate Debt
 - ✓ Doorway Housing Portal

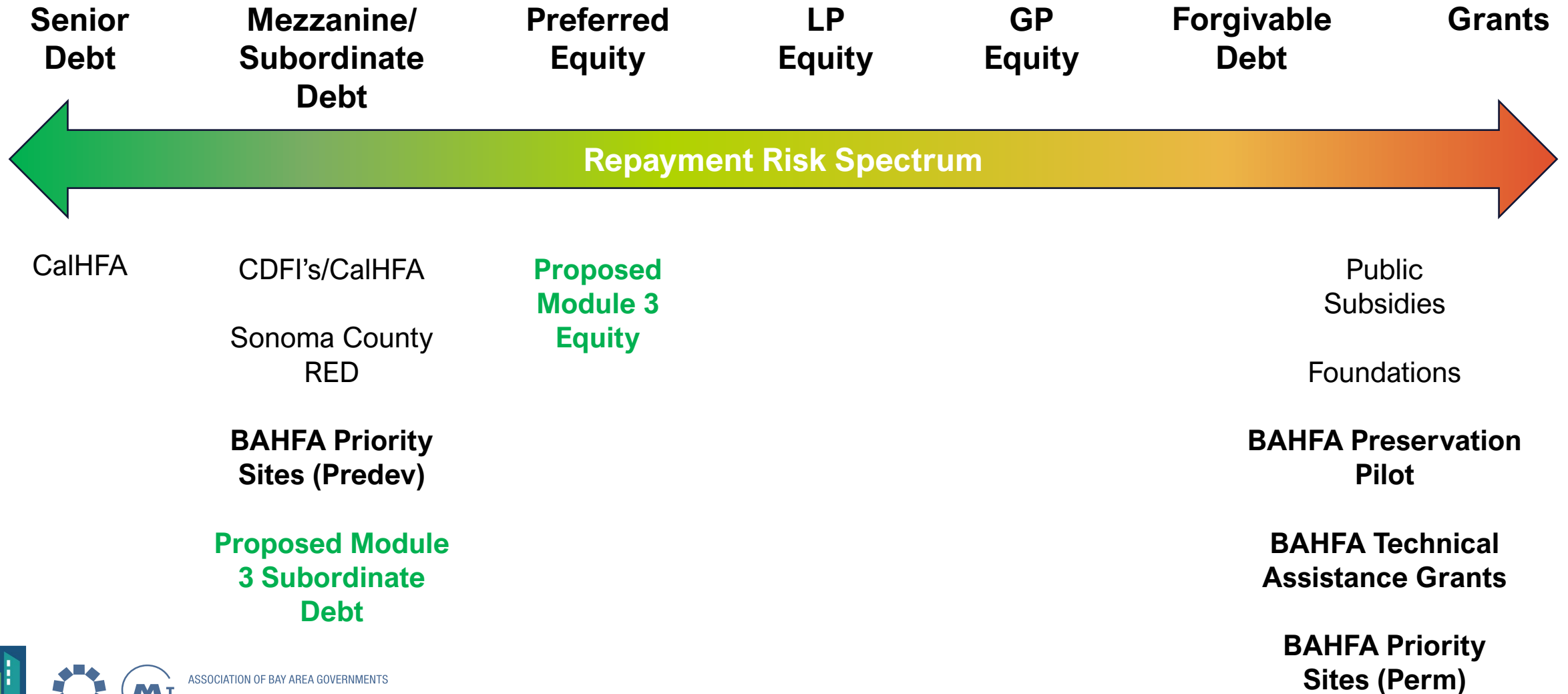
Case Study Results: Cohort Profiles

- 6 Properties
- 1 New Construction, 5 Acquisition
- Daly City, Santa Rosa, San Francisco, Oakland, Sunnyvale
- Construction Type: Type V, Type III, and Type I
- Property Size: 32 Units – 200+ Units

Case Study Results: Example Analysis



Real Estate Financing Roles



Updated Potential Program Elements

| Program | BAHFA Role | BAHFA Risk Profile | Volume Limits |
|--------------------------------------|--|--|---|
| Conduit Bond Issuer | <ul style="list-style-type: none"> • Issuer, Tax Exempt Bonds • Deed Restrictions • Long Term Monitoring | <ul style="list-style-type: none"> • No Financial or Liability Risk | <ul style="list-style-type: none"> • Staff Capacity • Otherwise No Limits |
| Essential Purpose Bonds | <ul style="list-style-type: none"> • Issuer of Tax Exempt Debt • Owner of Asset • Private Sector “Partners” | <ul style="list-style-type: none"> • Typical Ownership Risks • Limited Financial Risk • Most Risks Mitigated Through Partnerships | <ul style="list-style-type: none"> • Staff Capacity • Otherwise No Limits |
| Welfare Exemption | <ul style="list-style-type: none"> • Small Grant • 55 Year Deed Restriction • Long Term Monitoring | <ul style="list-style-type: none"> • No Financial Risk | <ul style="list-style-type: none"> • Staff Capacity • Otherwise No Limits |
| Matched Subordinate Financing | <ul style="list-style-type: none"> • Lender, Subordinate to Senior Lender | <ul style="list-style-type: none"> • Repayment Risk | <ul style="list-style-type: none"> • Limited to Capital Available |
| Doorway | <ul style="list-style-type: none"> • Marketing Assistance • Vacancy Listings • Lottery Management | <ul style="list-style-type: none"> • No Financial or Ownership Risk | <ul style="list-style-type: none"> • Staff Capacity • Otherwise No Limits |

Program Revisions

- Expand income targets up to 120% AMI, while still requiring at least 10% discount to market
- Allow new construction to the extent feasible
- Considering an equity product
- Eliminate top tier loss for now – explore alternative ways to assist taxable debt
- Expand Welfare Tax Exemption Program to apply to new construction
- Refined program terms/underwriting standards

Potential Program Terms: Public Benefit Requirements

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

Draft Program Operating Budget

Staff have developed a draft operating budget to test financial sustainability. Modeling includes assumptions subject to further testing, including:

Capitalization

- \$30 million in lending capital over 4 years
 - \$10M secured, \$14M identified, \$6M gap

Revenue

- Closing and annual monitoring fees; interest rate of 6.5% on subordinate debt
- \$3 million contribution from BAHFA reserves

Expenses

- Initially consultant led, transitioning to staff by 2028

Outcomes

- By Year 5, program covers costs and produces net positive revenue stream for BAHFA
- More than 30 projects financed over 4 years

Take Aways:

- Potential for program-level self-sufficiency by Year 5
- Deliver proof of concept for BAHFA as public mortgage lender
- Achieve institutional stability even if revenue measure not viable in 2028

Additional Considerations

Structural Considerations

- Consistent Program Management
- Adequate Technical Expertise
- Financial & Systems Management
- Sustainable Organization

Implementation Strategies

- Balance In-House Team vs Consultants
- Thorough Documentation
- Flexibility to Adjust with Learnings
- Leverage Partners to Maximize Impact
- Leverage Existing Systems within MTC & ABAG
- Regular Monitoring/Feedback Loop

Initial Conclusions

- Proposed Program Concept Meets Unmet Demand
- Meets Module 3 Program Development Criteria
- Program Design/Structure to Manage Risks and Capacity
- Projected to be Financially Sustainable, Contribute to BAHFA Long Term



Next Steps

- Continued Refinement of Program Elements
- Craft Plan for Risk Mitigation and Program Capacity
- Create Draft Program Documents for Comment (term sheets, underwriting guidelines, process, etc.)
- Stakeholder Engagement (ongoing)
- Finalization of Terms & Board Approvals (early 2026)
- Program Launch (Spring 2026)

Thank you.



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