

Bay Area Housing Finance Authority BAHFA

June 24, 2026

Agenda Item 4a-26-0752

Bay Area Housing Finance Authority (BAHFA) Resolution No. 40 - Proposed Fiscal Year (FY) 2026-27 Operating Budget

Subject:

Adoption of the Bay Area Housing Finance Authority (BAHFA) Resolution No. 40, approving the Proposed Fiscal Year (FY) 2026-27 Operating Budget.

Summary of Changes from May draft:

On May 27, 2026, staff presented the FY 2026-27 draft Operating and Capital Budget to the Authority as an information item. The proposed budget reflects several updates since that time, including revised revenue projections; new philanthropic funding from Crankstart and the Charles and Helen Schwab Foundation; refined staffing allocations; updated benefit and overhead assumptions; a revised cost-of-living adjustment (COLA) consistent with MTC labor agreements and recent Consumer Price Index (CPI) projections; and updated contractual services. Collectively, these revisions improve the projected operating position, increasing the projected operating surplus from \$0.8 million in the May draft to \$0.9 million in the proposed budget.

Background:

The Bay Area Housing Finance Authority (BAHFA) was established by California Assembly Bill 1487 (AB 1487) in 2019 to advance affordable housing across the region by supporting production, preservation, and anti-displacement efforts.

BAHFA was launched with a \$20 million state grant to develop five pilot programs addressing immediate housing needs while laying the groundwork for a future regional funding measure.

The agency has delivered on these pilot goals while adapting to changing conditions. In April 2022, the Metropolitan Transportation Commission (MTC) transferred the grant funding, originally awarded by the California Department of Housing and Community Development (HCD), to BAHFA to support startup and operations. These funds are expected to be fully spent by 2028. Due to the uncertainty of long-term funding, BAHFA staff currently remain in time-limited positions.

In response to BAHFA's limited operational funding, the agency launched a Strategic Planning process to define a path for sustaining operations until a long-term funding source is secured. This effort evaluated existing programs, identified funding strategies, and established a roadmap to maintain momentum toward a potential regional housing revenue measure as early as November 2028.

The Strategic Planning process concluded in early 2026, establishing a roadmap to sustain operations while advancing BAHFA's highest-priority initiatives. The FY 2026-27 Proposed Operating Budget reflects that strategy by aligning expenditures with available funding, supporting ongoing statutory responsibilities and pilot programs, and maintaining financial stability as the agency transitions toward longer-term funding sources.

FY 2026-27 Budget Assumptions

The following assumptions provide the basis for developing the FY 2026-27 proposed budget and reflect current and anticipated economic conditions, funding outlooks, and operational expectations.

The proposed budget incorporates the following key assumptions:

- **Interest Earnings:** A net interest yield of 3.6% is assumed, reflecting expectations for higher interest rates based on recent economic trends.
- **Grant Funding:** A decrease in state Regional Early Action Planning 2.0 (REAP 2.0) grant funding is anticipated. Carryover projects remain on schedule to meet the December 30,

2026 expenditure deadline, which will substantially draw down BAHFA's existing programmatic funding.

- **Regional Measure Costs:** No costs are assumed for a regional ballot measure in FY 2026-27. However, limited funding is included for stakeholder engagement activities to evaluate potential amendments to BAHFA's enabling statute in advance of a possible 2028 affordable housing measure.
- **Staffing:** The budget assumes an 8% vacancy rate across authorized positions.
- **Compensation Adjustments:** A 3.8% cost-of-living adjustment (COLA) is included, consistent with MTC labor agreements and recent Consumer Price Index (CPI) projections.
- **Indirect Costs:** The FY 2026-27 Indirect Cost Allocation Plan (ICAP) reflects an increased indirect cost rate compared to FY 2025-26, resulting in a projected rise in overhead costs.

These assumptions have been incorporated to support a balanced and fiscally responsible budget aligned with current policy direction and operational priorities.

FY 2026-27 Revenue and Expense

Total FY 2026-27 revenue is projected at \$42.5 million, a decrease of \$15.6 million from the amended FY 2025-26 budget. The decline primarily reflects the planned expenditure of one-time state grant funding, particularly REAP 2.0. Remaining operations will be supported through existing carryover balances, local funding, general fund resources, and \$1.0 million in philanthropic support from Crankstart and the Charles and Helen Schwab Foundation. This funding will advance key priorities, including development of the Mixed-Income Financing Program, the Doorway Housing Portal, and continued regional coordination, technical assistance, and strategic initiatives.

Together, these revenues sustain ongoing commitments while highlighting the need for future, more stable funding sources.

A summary of BAHFA operating revenue is provided below:

FY 2026-27 Proposed Operating Revenue (millions denoted as M):

	FY 2025-26 Amendment No. 1	FY 2026-27 Proposed	Change \$ Increase/ (Decrease)
State Grants	\$40.3M	\$19.2M	(21.1M)
Local Funding	16.0M	20.0M	4.0M
General Fund	1.8M	3.3M	1.5M
Total	\$58.1M	\$42.5M	(\$15.6M)

Total FY 2026-27 expenses are projected at \$41.6 million, a decrease of \$16.5 million from the amended FY 2025-26 budget. The reduction primarily reflects the planned wind-down of one-time grant-funded pilot activities as existing resources are expended. The proposed spending plan continues to support core operations and strategic priorities while aligning expenditures with available funding.

A summary of BAHFA operating expenses is provided below:

FY 2026-27 Proposed Operating Expense (millions denoted as M):

	FY 2025-26 Amendment No. 1	FY 2026-27 Proposed	Change \$ Increase/ (Decrease)
Salaries, Benefits, and Indirect Cost	\$2.3M	\$2.7M	\$0.4M
Doorway, Loans, Sites, Rental Assistant Pilots/Programs, and Mixed Income	52.7M	36.0M	(16.7M)

Program Reserves	1.0M	1.0M	0.0M
Strategic Initiatives & Other General Operations	2.1M	1.9M	(0.2M)
Total	\$58.1M	\$41.6M	(\$16.5M)

Expenses are shifting as follows:

- Personnel and Overhead: Salaries, benefits, and indirect costs increase by \$0.4 million, driven by a higher Indirect Cost Allocation Plan (ICAP) rate compared to FY 2025-26, and staff reallocations, resulting in increased overhead costs, as well as a 3.8% cost-of-living adjustment (COLA), pursuant to MTC labor agreements.
- Program Costs: Expenses for Doorway, loan and site pilots, rental assistance, and mixed-income initiatives decrease by \$16.7 million, reflecting the planned wind-down of expenditures as available grant funds are utilized.
- Strategic Initiatives and Operations: Modest decrease of \$0.2 million, reflecting continued but streamlined support for core operations.
- Program Reserves: Remain unchanged at \$1.0 million.

The FY 2026-27 budget continues to support key initiatives, including:

- Advancement of Doorway implementation and regional coordination
- Ongoing Housing Preservation Loan, Priority Sites, and Napa Rental Assistance pilots
- Support to launch the Mixed-Income Financing Program
- Stakeholder engagement to inform potential updates to BAHFA’s enabling statute

Together, these investments sustain program delivery while aligning expenditures with the remaining balance of available funding.

The FY 2026-27 Proposed Operating Budget reflects BAHFA’s strategic priorities while maintaining fiscal discipline during a transitional funding period. The budget supports continued

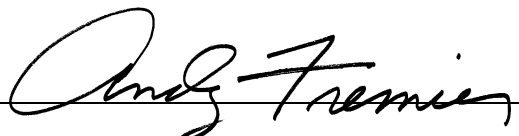
implementation of core programs and pilot initiatives, preserves organizational capacity, and positions the agency to pursue longer-term funding opportunities, including a potential regional housing measure.

Recommendations:

Staff recommend adoption of BAHFA Resolution No. 40, approving the BAHFA FY 2026-27 Operating Budget.

Attachments:

- Bay Area Housing Finance Authority (BAHFA) Resolution No. 40, FY 2026-27 Operating Budget
- Attachment A: Bay Area Housing Finance Authority (BAHFA) FY 2026-27 Operating Budget
- Bay Area Housing Finance Authority (BAHFA) FY 2026-27 Operating Budget PowerPoint Presentation


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