

# BAHFA Strategic Planning

## Summary and Conclusion

**BAHFA Oversight & ABAG Housing Committees**

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ASSOCIATION OF BAY AREA GOVERNMENTS  
METROPOLITAN TRANSPORTATION COMMISSION

# 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

# Why BAHFA?

## BAHFA's Value Proposition

- Need for a strong regional voice to **win transformative resources**
- Bay Area must **work together to achieve impact at scale**
- Unique regional authority that can unlock:
  - **Billions in future funding** for affordable housing & homelessness prevention
  - **Structural change** in affordable housing delivery systems to improve efficiencies and impact at scale
  - **Self-sufficient** public lender that reinvests earnings back into communities **while reducing reliance on repeated tax increases**

# Module 1 (Regional Revenue Measure)

**Goal:** Accelerate “lessons learned” from the 2024 election cycle to lay the groundwork for a future regional measure as early as 2028

## Lessons Learned from Regional Measure 4

### Strengths

- BAHFA-ABAG partnership
- Technical assistance to counties and local governments
- Regional housing capacity and expertise

### Challenges

- “Dual strategy” of regional & statewide measures
- Error in ballot question
- Complexity (statute & communications)
- Lack of consensus on some issues
- Economic conditions & tax fatigue

# Results of Stakeholder Feedback

**Overwhelmingly, there is appetite to explore a potential 2028 measure.**

- The need for housing solutions remains high in communities
- Housing affordability and homelessness remain top issues for voters
- BAHFA has unique authority to raise transformative scale resources across the region

**However, there are challenges that will require a thoughtful and strategic approach.**

- Trust building and relationship repair are needed to build a new coalition
- There are significant unresolved policy issues that may necessitate additional legislative amendments, with tension between stakeholders
- Limited capacity and competing priorities

# Regional Revenue Measure Timeline

## Phase 1: Stakeholder Engagement

Broad table to discuss outstanding policy issues to inform proposed legislative changes

BAHFA coordinates with **stakeholders**, building trust and generating buy-in

Outcome: policy framework for statutory amendments

**Timing: ~March-Oct 2026**

## Phase 2: Legislative Changes

Implement policy framework through proposed amendments to BAHFA's enabling legislation

Joint advocacy between BAHFA and **coalition** that could emerge from stakeholder process

Outcome: amended statute

**Timing: Oct 2026-Sept 2027**

## Phase 3: Revenue Measure

Policy development of a regional measure, guided by revised statute

Potential for amended statute to permit placement via qualified voter initiative

If a measure proceeds, BAHFA role limited to public information; not involved in **campaign** activity

Outcome: ballot measure

**Timing: Fall 2027-Nov 2028**



# Module 2: Outcomes of Strategic Planning

**Goal:** Create a multi-pronged funding strategy to sustain BAHFA's impact and set the agency on a path to self-sufficiency

**Still operating in a resource-constrained environment**

## Mixed results from initial fundraising:

- Unsuccessful FY 24-25 \$30 million state budget ask
- Mixed-Income Financing Program: raised \$10 million in lending capital secured from CZI and MTC + \$1 million startup costs from CZI
- Doorway: raised \$200,000 from San Francisco Foundation

## Key takeaways:

- Prioritize BAHFA programs that balance impact with revenue generation
- Wind down pilots that cannot be sustained
- Near-term funding is necessary to bridge towards a more sustainable operating model

# Module 2: Funding Strategy

**In the current resource-constrained environment, BAHFA must pursue a multi-pronged approach that weaves together funding from multiple sources:**

## **1. FY 26-27 State Budget Request**

- \$15 million request building on strong Bay Area support from last year
- Align with peer agencies in Los Angeles and San Diego

## **2. Pursue funding and investment partnerships**

- E.g., philanthropy, private sector

## **3. Generate revenue from BAHFA Programs**

- Combination of revenue from financing activities and fee-for-service (e.g., Doorway)

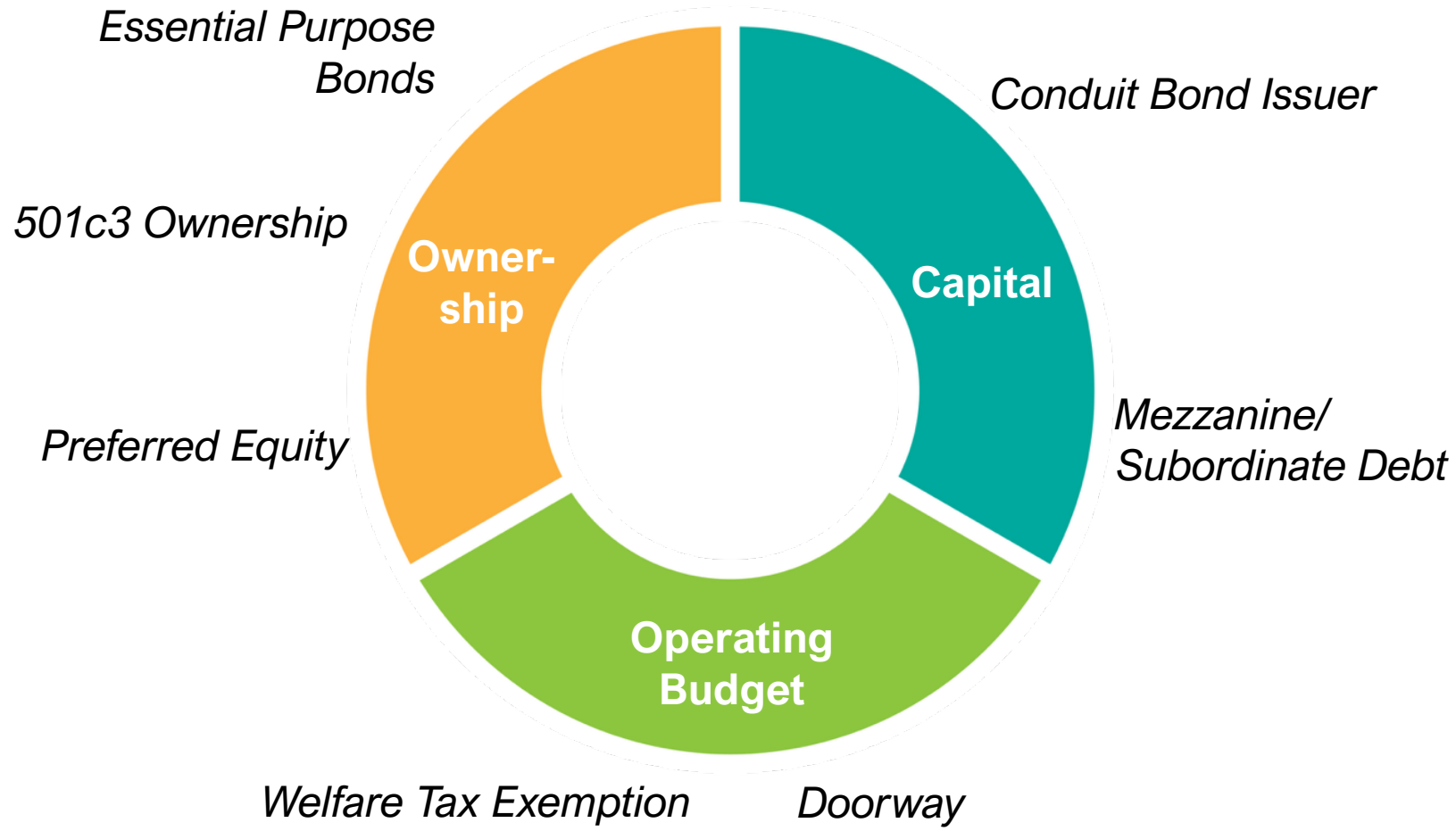


# Module 3 (New Mixed-Income Program)

**Goal:** develop a new regional financing program to demonstrate BAHFA's potential and create a stable revenue stream

- **Established Program Principles**
- **Defined Real Estate Financing Roles**
  - Public financing
  - Public ownership
  - Operating support
- **Designed Program: a “kit-of-parts” that can be easily layered to multiply impact**
  - Initial focus on middle or mixed-income, acquisition-rehab projects
  - Incorporate existing Welfare Tax Exemption Program and expand to new construction
- **Multiple rounds of feedback with Committees, Technical Advisory Group and other stakeholders**
- **Due diligence, case studies, modeling and budgeting**

# Real Estate Financing Roles



# Potential Capital Program Elements

	Program	BAHFA Role	Impact	Status
CAPITAL	<b>Conduit Bond Issuer</b>	<ul style="list-style-type: none"> <li>• Issuer, Tax-Exempt Bonds</li> <li>• Deed Restrictions</li> <li>• Long Term Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Lowers Borrowing Cost, Increases Borrowing Capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Researching Market Demand</li> <li>• Evaluating Admin Options and Cost-Benefit</li> </ul>
	<b>Matched Subordinate Financing</b>	<ul style="list-style-type: none"> <li>• Subordinate Lender</li> </ul>	<ul style="list-style-type: none"> <li>• Lower Cost Increases Borrowing Capacity</li> <li>• Primary revenue generator for BAHFA</li> </ul>	<ul style="list-style-type: none"> <li>• Draft Term Sheet Under Development</li> <li>• Exploring Partnership Opportunities</li> </ul>

# Potential Ownership Program Elements

	Program	BAHFA Role	Impact	Status
OWNERSHIP	<b>Essential Purpose Bonds</b>	<ul style="list-style-type: none"> <li>• Issuer of Tax-Exempt Debt</li> <li>• Owner of Asset</li> <li>• Private Sector “Partners”</li> </ul>	<ul style="list-style-type: none"> <li>• Lower Cost Increases Borrowing Capacity</li> <li>• Tax Exemption Extended to Middle-Income</li> <li>• Ensures Permanent Affordability</li> </ul>	<ul style="list-style-type: none"> <li>• On Hold Until Possessory Interest Issue Resolved</li> </ul>
	<b>501c3 Ownership</b>	<ul style="list-style-type: none"> <li>• Issuer of Tax-Exempt Debt</li> <li>• Nonprofit owns asset</li> <li>• Private Sector “Partners”</li> </ul>	<ul style="list-style-type: none"> <li>• Lower Cost Increases Borrowing Capacity</li> <li>• Stricter Affordability Requirements</li> <li>• Ensures Permanent Affordability</li> </ul>	<ul style="list-style-type: none"> <li>• Researching Legal Requirements and Market Demand</li> <li>• Evaluating Admin Options and Cost-Benefit</li> </ul>
	<b>Preferred Equity</b>	<ul style="list-style-type: none"> <li>• LP Investor</li> </ul>	<ul style="list-style-type: none"> <li>• Equity Position Increases Borrowing Capacity</li> <li>• Shared Risk/Upside</li> </ul>	<ul style="list-style-type: none"> <li>• Researching Legal Requirements</li> </ul>

# Potential Operations Program Elements

	Program	BAHFA Role	Impact	Status
OPERATIONS	Welfare Tax Exemption	<ul style="list-style-type: none"> <li>• Small Grant</li> <li>• 55 Year Deed Restriction</li> <li>• Long Term Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Property Tax Exemption = Lowers Operating Expense</li> <li>• Ensures Long Term Affordability</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding to New Construction</li> <li>• Draft Term Sheet Under Review</li> </ul>
	Doorway	<ul style="list-style-type: none"> <li>• Marketing Assistance</li> <li>• Vacancy Listings</li> <li>• Lottery Management</li> </ul>	<ul style="list-style-type: none"> <li>• Equitable Access for Tenants</li> <li>• Faster Lease-up for Property Owners</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>

# 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 may produce net positive revenue stream for BAHFA
- More than 30 projects financed over 4 years

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## Take Aways:

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

# Module 4 (BAHFA Programs)

**Goal:** Evaluate and right-size BAHFA's programmatic portfolio based on available funding

## Sustaining

**Value add programs with regional impact that can be sustained over time**

- **Doorway**
- **Mixed-Income Financing Program**
  - Includes retaining and expanding Welfare Tax Exemption Program

## Winding Down

### **Deliverables-based pilots**

- Pipeline Reports
- Eviction Study
- Tribal Consultation TA

### **Capital-intensive Pilots**

- Priority Sites Loans & TA
- Preservation Loans & TA
- Napa County SHARE Rental Assistance





# Next Steps

## Spring 2026

### **Strategic Planning Webinar**

### **Regional Revenue Measure**

- Refine and launch stakeholder engagement process to shape potential 2027 legislation

### **Funding**

- Pursue multiprong strategy, including \$15 million state budget request

### **Mixed-Income Financing Program**

- Additional research and program development
- Complete term-sheets & underwriting guidelines

## Summer 2026

- Launch new financing program
- Continue stakeholder engagement process