

# BAHFA Mixed-Income Financing Program Update

## BAHFA Oversight & ABAG Housing Committee Meeting

Attachment B: Proposed Program Elements Detailed Addendum  
August 12, 2026



ASSOCIATION OF BAY AREA GOVERNMENTS  
METROPOLITAN TRANSPORTATION COMMISSION

# Operations Program Elements: Status Update

|            | 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>• Expanded to Allow New Construction</li> <li>• Fee Schedule Adopted</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> <li>• Proposed Fee Schedule</li> </ul>                           |

# Ownership Program Elements: Status Update

|           | 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>• Determining Risk &amp; Mitigation Parameters</li> <li>• Researching Legal Requirements</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>• Stakeholder feedback</li> <li>• Researching Legal Requirements</li> </ul>                                                                              |

# Capital Program Elements: Status Update

|         | 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>• Evaluating Admin Options and Structuring</li> <li>• Researching TEFRA Authority Options</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>• To Be Discussed</li> </ul>                                                                         |

# Summary of Terms by Loan Type: Overview

|                                          | Subordinate Debt                                                                                         | Small Permanent First Mortgage                                                                                        | Predevelopment Loan                                                      | Subordinate Bridge Loan                                    |
|------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------------|
| <b>Likely Borrower/<br/>Project Type</b> | <ul style="list-style-type: none"> <li>Mixed Income Projects</li> <li>Preservation Strategies</li> </ul> | <ul style="list-style-type: none"> <li>Small Projects</li> <li>100% Affordable</li> <li>Smaller Developers</li> </ul> | Smaller Emerging Developers                                              | Projects with Timing Challenges<br>re: Committed Financing |
| <b>Loan Amount</b>                       | Up to \$4 million<br>(\$40k/afford unit, 10% total cost)<br>1.05 DCR<br>100% LTV                         | Up to \$4 million<br>85% LTV<br>1.15 DCR                                                                              | Up to \$ 1 million<br>(Sponsor Match)                                    | Up to \$3 million<br>100% LTV                              |
| <b>Term/Amortization</b>                 | Co-Terminus with Senior Loan<br>Amortizing or Interest Only                                              | Up to 15 Years<br>Up to 40 year Amortization                                                                          | 1 Year, 6 month Extension<br>Payments deferred Until Pay-off             | Up to 3 years<br>Interest Only                             |
| <b>Rate</b>                              | 2.00% Above Senior Loan<br>Floor = 6.00%, Cap = 8.00%                                                    | Treasury + 2.00%<br>(current 6.59%)                                                                                   | 2 year Treasury + 3.00%<br>(current 7.21%)<br>Floor = 7.00%, Cap = 8.50% | 1.00% Above Senior Loan                                    |
| <b>Readiness</b>                         | All Other Financing Committed                                                                            | All Other Financing Committed                                                                                         | Source of Repayment Committed                                            | Source of Repayment Committed                              |

# Potential Capital Program Elements

| Product                        | Impact                                                                                                                                                                      | Risk                                                                                                                                                                            | Mitigations                                                                                                                                                                                                                                                                                          |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Permanent 1st Mortgage</b>  | <ul style="list-style-type: none"> <li>• <i>Smaller Loan Sizes Not Available in Commercial Market</i></li> <li>• <i>Supports Smaller Projects and Developers</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Less Risky</i></li> <li>• <i>Lower Pricing than Subordinate Debt Product</i></li> <li>• <i>Forward Commitment Timing</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Adequate DCR/LTV</i></li> <li>• <i>Certainty of Transaction</i></li> </ul>                                                                                                                                                                               |
| <b>Predevelopment Loan</b>     | <ul style="list-style-type: none"> <li>• <i>Assist with Cash Flow Needs</i></li> <li>• <i>Likely Emerging Developers</i></li> </ul>                                         | <ul style="list-style-type: none"> <li>• <i>More Risky – No Security</i></li> <li>• <i>Large-ish Amounts to Have Impact</i></li> </ul>                                          | <ul style="list-style-type: none"> <li>• <i>Ensure Key Perm Financing Secured</i></li> <li>• <i>Developer Match and Guarantee</i></li> <li>• <i>Loan Amount Relative to Project Size</i></li> <li>• <i>Assignment of Dev'l't Rights</i></li> <li>• <i>Limit Allocation from Portfolio</i></li> </ul> |
| <b>Subordinate Bridge Loan</b> | <ul style="list-style-type: none"> <li>• <i>Fills Temporary Financing Gap to Bridge to Identified Take Out</i></li> </ul>                                                   | <ul style="list-style-type: none"> <li>• <i>Construction/Rehab Risk</i></li> <li>• <i>Subordinate to 1<sup>st</sup> Lien Lender</i></li> </ul>                                  | <ul style="list-style-type: none"> <li>• <i>Confirm Take Out Financing in Place</i></li> <li>• <i>Secured by Real Estate + Guarantee</i></li> </ul>                                                                                                                                                  |

# Potential Capital Program Elements: Subordinate/Mezzanine Debt

| Feature                               | Draft Terms                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>Likely Borrower/Project</i></b> | <ul style="list-style-type: none"> <li>• <i>Mixed Income Projects</i></li> <li>• <i>Preservation Strategies</i></li> </ul>                                                                                                                                                                                                                                                                                                                 |
| <b><i>Eligible Projects</i></b>       | <ul style="list-style-type: none"> <li>• <i>New Construction</i></li> <li>• <i>Acquisition/Preservation</i></li> <li>• <i>Acquisition/Modest Rehab</i></li> </ul>                                                                                                                                                                                                                                                                          |
| <b><i>Loan Size</i></b>               | <ul style="list-style-type: none"> <li>• <i>Lesser of \$40,000 per affordable unit, or \$4 million, or 10% of total cost</i></li> </ul>                                                                                                                                                                                                                                                                                                    |
| <b><i>Terms</i></b>                   | <ul style="list-style-type: none"> <li>• <i>Subordinate, Non-Recourse (substantial renovation guaranty)</i></li> <li>• <i>Flexible Term: Due co-terminus with senior debt. Can be rolled in refi</i></li> <li>• <i>100% LTV and 1,05 DCR for all debt</i></li> <li>• <i>Amortized with ballon, Interest only in certain circumstances</i></li> <li>• <i>Rate: 200bp over senior debt rate, Floor of 6.00%, Ceiling of 8.00%</i></li> </ul> |
| <b><i>Other Considerations</i></b>    | <ul style="list-style-type: none"> <li>• <i>Fees Commensurate with Product Type</i></li> <li>• <i>Sponsor match required</i></li> <li>• <i>Replacement and operating reserves</i></li> </ul>                                                                                                                                                                                                                                               |

# Potential Capital Program Elements: Permanent First Mortgage

| Feature                        | Draft Terms                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Likely Borrower/Project</i> | <ul style="list-style-type: none"> <li>• <i>Smaller Projects</i></li> <li>• <i>Very Low Incomes that Cannot Support Much Debt</i></li> <li>• <i>Smaller, Emerging Developers</i></li> </ul>                                                                                                                                                                                     |
| <i>Eligible Projects</i>       | <ul style="list-style-type: none"> <li>• <i>New Construction</i></li> <li>• <i>Acquisition/Preservation</i></li> <li>• <i>Acquisition/Modest Rehab</i></li> </ul>                                                                                                                                                                                                               |
| <i>Loan Size</i>               | <ul style="list-style-type: none"> <li>• <i>Up to \$4 million</i></li> </ul>                                                                                                                                                                                                                                                                                                    |
| <i>Terms</i>                   | <ul style="list-style-type: none"> <li>• <i>First Lien Position, Non-Recourse</i></li> <li>• <i>Flexible Term: Up to 15 Years, 40 Year Amortization</i></li> <li>• <i>85% LTV, 1.15 DCR</i></li> <li>• <i>Demonstrated Positive Cash Flow Throughout Term, Incl Replacement Reserves</i></li> <li>• <i>Rate: Like Treasury + 200bp (Indicative: 10 Year @ 6.59%)</i></li> </ul> |
| <i>Other Considerations</i>    | <ul style="list-style-type: none"> <li>• <i>Fees Commensurate with Product Type</i></li> <li>• <i>Rate Lock Timing</i></li> <li>• <i>Certainty of Execution =&gt; Forward Commitment</i></li> </ul>                                                                                                                                                                             |

# Potential Capital Program Elements:

## Predevelopment Loan

| Feature                        | Draft Terms                                                                                                                                                                                                                                                                                       |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Likely Borrower/Project</i> | <ul style="list-style-type: none"> <li>• <i>Smaller, Emerging Developers</i></li> </ul>                                                                                                                                                                                                           |
| <i>Eligible Projects</i>       | <ul style="list-style-type: none"> <li>• <i>Projects That Have All Construction/Perm Financing Committed</i></li> <li>• <i>CD's/Permitting/Final prep Costs</i></li> </ul>                                                                                                                        |
| <i>Loan Size</i>               | <ul style="list-style-type: none"> <li>• <i>Up to \$1 million</i></li> </ul>                                                                                                                                                                                                                      |
| <i>Terms</i>                   | <ul style="list-style-type: none"> <li>• <i>1 Year w/ 6 Month Extension</i></li> <li>• <i>Rate: 2 Year Treasury + 300bp, Min 7.00%, Max 8.50% (Indicative: 7.21%)</i></li> <li>• <i>Sponsor Match</i></li> <li>• <i>Assignment of Work Product</i></li> <li>• <i>Guaranty/Recourse</i></li> </ul> |
| <i>Other Considerations</i>    | <ul style="list-style-type: none"> <li>• <i>Fees Commensurate with Product Type</i></li> <li>• <i>Certainty of Execution</i></li> </ul>                                                                                                                                                           |

# Potential Capital Program Elements: Subordinate Bridge Loan

| Feature                        | Draft Terms                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Likely Borrower/Project</i> | <ul style="list-style-type: none"> <li>• <i>Projects with Funding Timing Challenges</i></li> </ul>                                                                                                                                                                                                                                                                                        |
| <i>Eligible Projects</i>       | <ul style="list-style-type: none"> <li>• <i>New Construction</i></li> <li>• <i>Acquisition/Preservation</i></li> <li>• <i>Acquisition/Modest Rehab</i></li> </ul>                                                                                                                                                                                                                         |
| <i>Loan Size</i>               | <ul style="list-style-type: none"> <li>• <i>Up to \$3 million</i></li> </ul>                                                                                                                                                                                                                                                                                                              |
| <i>Terms</i>                   | <ul style="list-style-type: none"> <li>• <i>Subordinate Lien Position to Senior Lender</i></li> <li>• <i>Term: Up to 3 years</i></li> <li>• <i>Interest Only, Capitalized Interest Reserve for New Construction</i></li> <li>• <i>Rate: Senior Debt Rate + 100 bp</i></li> <li>• <i>Recourse for New Construction, Rehab Scope</i></li> <li>• <i>Committed Take Out Source</i></li> </ul> |
| <i>Other Considerations</i>    | <ul style="list-style-type: none"> <li>• <i>Fees Commensurate with Product Type</i></li> <li>• <i>Rate Lock Timing</i></li> <li>• <i>Certainty of Execution =&gt; Forward Commitment</i></li> </ul>                                                                                                                                                                                       |