BAHFA Program Description

Preservation: Anti-Displacement and Preservation Program

Equity Objectives	The Anti-Displacement and Preservation Program (the "Program") will invest in projects that support achievement of the Equity Framework's Preservation (P) and Cross-Cutting (CC) Objectives. The Program, in combination with other funding programs and initiatives implemented by BAHFA, will seek to: P1. **Preserve expiring use affordable housing to prevent displacement:** Fund the acquisition and rehabilitation of existing affordable housing with expiring restrictions that without intervention could be converted to market-rate housing and result in displacement of lower-income residents. P2. **Preserve existing unsubsidized housing and convert to permanently affordable housing:** Convert existing unsubsidized housing to permanent affordable housing for the purpose of preventing displacement and achieving stabilized, healthy living conditions for existing residents, especially low-income households, residents of Equity Priority Communities ("EPCs") and other marginalized communities. P3. **Target preservation investments for most-impacted residents:** Tailor financing products to enable occupancy by Extremely Low-Income ("ELI") households and households at risk of homelessness. P4. **Create opportunities for community-controlled housing:** Invest in developments that enable community control and/or equity growth, especially in EPCs and for households facing discriminatory and/or structural barriers to homeownership. CC1. **Support community-based, and community-owned organizations and developers**. Expand, diversify, and strengthen the capacity of the region's housing ecosystem by investing in community-based developers and organizations across all 3Ps. CC2. **Support individual and community wealth building.** Create opportunities for historically marginalized people and residents historically excluded from homeownership, to build wealth through housing, including traditional and shared homeownership opportunities.

	CC3. **Serve as a regional leader on local equitable programs and practices**. Advance local alignment with regional equity priorities across all 3Ps, encouraging counties and cities to incorporate and build off of the Equity Framework. CC4. **Commit to ongoing, meaningful, and equitable engagement**. Advance community participation among historically marginalized populations through ongoing engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on organizations who are accountable to and part of communities most impacted by housing unaffordability. CC5. **Secure more flexible and unrestricted funding.** Seek to expand and secure funding sources to achieve a broader range of equity needs across all 3Ps, including uses that would be difficult to fund with likely fund sources (e.g., general obligation bond). CC6. **Target most flexible BAHFA funding to accelerate AFFH.** Develop programs within BAHFA's optional 10% Local Government Incentive Program that address any gaps in a comprehensive Affirmatively Furthering Fair Housing ("AFFH") approach given AB 1487's parameters. Target any non-housing investments (i.e., infrastructure, community or cultural spaces, and public services) in communities that have faced historic disinvestment and/or are home to the region's most impacted residents.
Additional Objectives	Additional objectives of the Program are to: • **Support BAHFA's Legislated Preservation Goals.** A minimum of 15% of Regional Housing Revenue[1] ("RHR") raised by BAHFA is required to be distributed, in the form of a grant, loan or other financing tool, for the preservation of housing that is restricted by recorded document to be affordable to low- or moderate-income households (up to 120% AMI) for 55 years ("Preservation"). BAHFA's Preservation funding may be used to acquire, rehabilitate, and preserve existing housing units, including housing already restricted for affordability and housing from the private market, including residential hotels, to prevent the loss of affordability. The Program would provide financing for housing meeting the Preservation criteria.

[1] Regional Housing Revenue refers to the revenue BAHFA collects from general obligation bond issuances, parcel taxes, special head taxes, and gross receipts taxes as defined in AB 1487.

- **Prevent Displacement.** Across the Bay Area, existing affordable homes are being lost, leading to the displacement of residents. Preservation has been embraced as an effective strategy to prevent greater displacement from occurring, which can help to stabilize communities and the residents that contribute to them. The Program will prevent displacement by activating preservation strategies at greater scale across the region. These strategies include the acquisition, rehabilitation, and/or stabilization of:
    - **Currently Unregulated Properties.** Much of the region's rental housing stock is comprised of buildings that are not currently deed-restricted as affordable but have rents affordable to lower-income tenants due to age, location, condition, or other factors. These types of properties are also commonly referred to as "naturally occurring affordable housing," or "NOAH," but for purposes of this document, are described as "Unregulated Properties."[2] As these properties come up for sale, they are often targeted for acquisition by market-rate buyers, leading to rent increases and the displacement of lower-income residents. The Program is intended to provide financing for Unregulated Properties.
    - **Expiring Use Properties.** Further, there are existing, older affordable housing properties that were previously financed with federal, state, and/or local subsidies, and due to their expiring affordability or regulatory restrictions, are at risk of being sold and converted to market rate properties, potentially displacing lower-income residents. Continued affordability is especially tenuous when the property owner is not a stable, mission-aligned (typically non-profit) entity but is instead profit-motivated. The Program is also intended to provide financing for these "Expiring Use Properties."
    - **Recapitalization Properties.** Additionally, existing, non-profit owned affordable properties can require periodic recapitalization to fund necessary building repairs and improvements, maintain building conditions and affordability for tenants, and provide reliable cash flow to building owners/operators with which to pay staff and support operations. The Program will also provide funding for

[2] The Equity Framework refers to currently Unregulated Properties as "existing unsubsidized housing".

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properties requiring recapitalization (“Recapitalization Properties”), particularly when properties are owned by community-based organizations and developers.

Together, “Unregulated Properties,” “Expiring Use Properties,” and “Recapitalization Properties” are referred to in this document as “Preservation Properties.”

- **Support Stable, Community-Based Ownership.** Funding BAHFA provides for Preservation Properties will be structured to provide property owners and developers, especially community-based organizations, with sufficient fees and cash flow from building operations to pay for the costs they incur to own and manage these buildings sustainably for the long-term.[3]
- **Generate Revenue.** Revenue BAHFA generates from its financing activities in support of the Program will be used to support BAHFA’s financial self-sufficiency and Protection programming. Revenue may also be revolved by BAHFA as additional financing to additional projects and to invest in new BAHFA financing and technical capacities.
- **Coordinate and Streamline.** The Preservation Properties that are the focus of the Program present unique financing challenges that must be addressed in concert. The Program will seek to coordinate: fast-acting acquisition financing, available to mission-driven organizations at the speed of the market; rehabilitation financing, to restore building habitability, including seismic safety repairs, and where possible, to implement energy efficiency and climate resiliency measures; and permanent financing, including both hard debt and subsidy. By providing, directly or through financing partners, all of the above, BAHFA will streamline project financing.

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<tr><td>Funding Products</td><td>The initial funding products BAHFA will provide pursuant to the Program are intended to be responsive to the regional financing needs and opportunities identified for Preservation Properties, including Unregulated Properties, Expiring Use Properties, and Recapitalization Properties.[4]</td></tr>
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[3] At a later date, subject to restrictions on how its funds may be used, BAHFA may also consider providing funding for organizational capacity building and working capital. BAHFA is unlikely to have funding sources that could be used for these purposes in the near-term, however.
[4] For additional analysis of regional financing needs and opportunities, please refer to the Appendix.

	All units receiving BAHFA financing will have recorded long-term affordability restrictions for a minimum 55-year term.
	
	Initial Program funding products include:[5]
	
	Permanent Financing
	
	• **Subsidy Loans**, which may be structured as **residual receipts loans** and/or **subordinated, must-pay loans** for Preservation Properties, while also accessing a permanent senior loan from BAHFA or from another source acceptable to BAHFA
	    ○ BAHFA role: Lender
	    ○ Anticipated term: 55-57 years
	    ○ Anticipated interest rate and repayment requirements:
	        ▪ For Residual Receipts Loans: Concessionary interest rate. “Soft” debt service payable from surplus project cash flow with unpaid interest deferred and accruing. Outstanding loan balance is due upon loan maturity, property sale, or refinance.
	        ▪ For Subordinate Loans: Below-market interest rate. Must-pay, “hard” debt service serviceable from project cash flow. Required payments may also include principal amortization. Outstanding loan balance is due upon loan maturity, property sale, or refinance.
	    ○ Amount: Up to $200,000 per unit, with additional amounts available for projects determined to be a high priority based on their meeting criteria to be established by BAHFA. Local jurisdiction funding will also be encouraged.
	    ○ Funding source: RHR
	
	• **First Mortgage Loans**[6]
	    ○ BAHFA role: Lender, Participant, and/or Issuer
	    ○ Anticipated terms: Up to 30-year term; fully self-amortizing over the term. For properties in good condition without

[5] Several of these funding products are contingent on establishing BAHFA’s powers to issue project revenue bonds and/or be a conduit bond issuer.

[6] Initially, it is anticipated that loans for smaller properties will be originated by BAHFA acting as lender and funded from RHR.

	substantial capital needs anticipated during the loan term, longer term of up to 40 years available. ○ Collateral/security: First-position lien on the property. ○ Anticipated interest rate: Market or below-market, depending on loan structure, funding source and project type. ▪ Loans funded from project revenue bond issuance proceeds will be subject to capital market requirements and at market rates. ▪ Loans in which BAHFA participates will be at rates established by the lead lender. ▪ Loans funded from RHR may be at below-market or market rates. ○ Taxable or Tax-Exempt: Financing may be available on a tax-exempt basis for qualifying projects, for example: projects receiving an allocation of PABs; that have a 501(c)3 exemption; that are providing an Essential Government Service; or are being funded from recycled bonds. ○ Funding amount: Generally, sized to minimum 1.15 debt service coverage ratio (DSCR) from property stabilization. ▪ To support stable, long-term property ownership, particularly ownership by community-based organizations of smaller properties, BAHFA may underwrite to higher minimum DSCR of 1.20 or above on a project-by-project basis. ▪ Lower minimum debt service coverage ratio available when supported by the transaction structure. ○ Funding source: Housing revenue bond issuance proceeds (taxable or tax-exempt), or RHR • **Conduit Bond Issuance** on a taxable or tax-exempt basis, for bonds privately placed or publicly sold ○ BAHFA role: Issuer ○ Anticipated fees: BAHFA receives issuance and ongoing monitoring fees

	Acquisition and Rehabilitation, Recapitalization or Stabilization Financing

	• **Subsidy Loans**
	  ○ Same as above under "Permanent"; for projects receiving a subsidy loan from BAHFA, the loan could be permanent-only or funded earlier (e.g., prior to or during rehabilitation) and remain as a permanent loan.
	• **Acquisition/Rehabilitation Loans** (for properties that will be rehabilitated immediately following acquisition), **Acquisition/Stabilization Loans** (for properties that will defer rehabilitation while assembling additional funding sources), and **Recapitalization Loans** (for properties that are already nonprofit-owned)
	  ○ BAHFA role: Lender, Participant, and/or Issuer
	  ○ Anticipated terms:
	    ▪ **Acquisition/Rehabilitation loan** funds all eligible project costs for up to 3 years from property acquisition through completion of construction, including acquisition, predevelopment, and rehabilitation; converting to permanent financing after construction completion.
	    ▪ For projects expected to be refinanced after acquisition with permanent subsidy funding from sources other than BAHFA, e.g. low income housing tax credits (LIHTCs) or rental assistance from the U.S. Department of Housing and Urban Development (HUD), the **Acquisition/Stabilization loan** has a term of up to 5 years to provide for building acquisition and stabilization while accommodating applications to and refinancing with those other funding sources.
	    ▪ **Recapitalization loan** funds all eligible property rehabilitation and recapitalization costs for a period of up to 2 years; converting to permanent financing after construction completion.
	  ○ Anticipated interest rate: Same as above, under “Permanent – First Mortgage Loans.” Interest-only during

	rehabilitation/stabilization period, and interest reserve may be capitalized into loan amount. ○ Funding amount: Up to 100% of eligible costs. ○ Funding source: Housing revenue bond issuance proceeds (taxable or tax-exempt), or RHR • **Conduit Bond Issuance** on a taxable or tax-exempt basis, for construction-only or construction-to-permanent phase bonds privately placed or publicly sold ○ BAHFA role: Issuer ○ Anticipated fees: BAHFA receives issuance and ongoing monitoring fees.

Appendix includes:

- Current Financing Overview
- Landscape Analysis
- Opportunities for BAHFA
- Funding Scenarios

APPENDIX TO BAHFA PROGRAM DESCRIPTION

ANTI-DISPLACEMENT AND PRESERVATION PROGRAM

*This **Appendix** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Anti-Displacement and Preservation Program is intended to be responsive.*

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<td>Current Financing Overview</td>
<td>Project-by-project, specific financing needs will vary. In general, however, sources commonly used for Preservation Properties include:

Acquisition and Rehabilitation/Stabilization Loans, often provided by Community Development Financial Institutions ("CDFIs") to mission-driven organizations. This early-stage, short-term financing pays for acquisition of privately-owned, Unregulated or Expiring Use housing that is home to existing low-income residents, and for the rehabilitation of these units as needed to improve and stabilize habitability. This financing is typically in the form of a "bridge" loan—meaning, the financing "bridges" to and is expected to be fully repaid from permanent financing sources, including permanent senior loans and subsidy loans.
Permanent Senior Loan (or first mortgage loan) proceeds of which can be used to repay the bridge financing and capitalize the building for a longer term. The amount of a permanent senior loan the project can support is a function of 1) its net operating income (driven by rents and operating expenses), and 2) the terms offered by the lender (e.g., interest rate and amortization, term, required debt service coverage ratio, etc.). Maximizing the amount of the permanent senior loan (which has required monthly payments) on a building can reduce the subsidy needed per unit. Maximizing this debt can also, however: a) reduce affordability, by increasing the baseline rents tenants need to pay to support building operating expenses plus increased debt service; and b) reduce residual cash flows, after payment of operating expenses and debt service, that are available for distribution to mission-based building owner/operators and that are needed to support their organizational sustainability.
Subsidy Loans are needed to pay for the difference between total project costs and proceeds from all other permanent sources. In California, subsidies are typically structured as "residual receipts" loans payable from remaining project cash flow after other costs are paid. As an alternative to, or in addition to, residual receipts-type loans, subsidy loans can also take the form of a subordinate "must-

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	pay" loan. The subsidy required per unit varies widely across building types, geographies, and tenant income and rent levels. Subsidy loans are usually sourced from local and state government agencies, and to date have been in very limited supply for non-LIHTC preservation programs. The City and County of San Francisco is currently the only Bay Area municipality that has a dedicated and coordinated senior permanent loan and subsidy loan program for the preservation of non-LIHTC, Unregulated Properties, including "Small Sites" (buildings with 5 to 40 units), and "Big Sites" (greater than 40 units). • **Grants**, from the community, philanthropy, miscellaneous public programs, and other sources, are necessary to complete the financing stack for preservation when the combination of senior loans and subsidy loans available is less than the total costs of a project. Some community-based, mission-driven organizations focused on preservation work also depend on grant fundraising to pay for organizational overhead and support their operations, particularly if they focus on smaller properties with modest cash flows. • **Low Income Housing Tax Credits** ("LIHTCs" or "tax credits") which are available, on a competitive basis from a special (though limited) set-aside, for Expiring Use Properties. These properties fall under a "Preservation" pool when using 4% tax credits and bonds, and an "At Risk" set aside when applying for 9% tax credits. When awarded to a project, tax credits are sold to investors and generate tax credit equity that pays for around 40% (4% tax credit) to 60% (9% tax credit) of project development costs. Each time tax credits are used to finance a property, they require placement of a new, 55-year affordability restriction on the property; thus, refinancing Expiring Use Properties with tax credits extends the term of restrictions. Unregulated Properties that do not have an expiring regulatory restriction and/or have fewer units are not likely to use tax credits due to the scarcity of tax credits, their competitiveness, and the prioritization at the State level of expiring use properties and lower-cost, larger-scale projects for funding. • **Operating subsidies**, which provide ongoing funding to subsidize the operation of a building by either supplementing rents paid by tenants or paying a share of operating costs. Operating subsidies are needed when the rent tenants can afford to pay is less than the minimum income a landlord needs to sustainably operate a building. The most common source of operating subsidy is the Section 8 rental

	assistance program administered by the U.S. Department of Housing and Urban Development (HUD); rental assistance made available from this program pays the difference between 30% of a tenant's income and the actual rent owed to a landlord and may be either project- or tenant-based. Affordability in the properties that are a focus of the Program can be at-risk when the term of a rental assistance contract with HUD or another operating subsidy provider expires; HUD's project-based rental assistance contracts generally have an initial term of up to 20 years.
Landscape Analysis	Every lost affordable unit exacerbates the Bay Area's regional housing affordability crisis, and the number of affordable units that are potentially at-risk is large. In February 2022, California Housing Partnership Corporation ("CHPC") released a report, "Affordable Homes at Risk[7]," with the following findings: • Across the nine Bay Area counties, 7,509 unregulated five-plus unit properties provide an estimated 257,555 units affordable to households earning 80% AMI or below. These properties are susceptible to acquisition by for-profit developers at any time, putting in-place tenants at-risk of unaffordable rent increases and/or displacement. • From 1997 to 2021, affordability restrictions on 3,790 previously subsidized units in the Bay Area were lost. There are currently 134,298 subsidized, affordable units in the region; CHPC assesses that 6,814 (over 5%) of these are at-risk of losing their affordability in the next decade. The region has sought to respond to these challenges by intervening assertively to protect Expiring Use Properties, and by designing, funding, and experimenting with new programs that can preserve affordability and prevent displacement in Unregulated Properties as well. The region has also recognized that there is a need to stabilize properties that are currently non-profit owned but require recapitalization to be maintained as affordable housing in good condition for the long-term. **<u>Unregulated Properties</u>** To date, the financing approach for preserving affordability in Unregulated Properties has been mostly ad hoc across the region, except for in San Francisco which started by providing funding to acquire and preserve small

[7] "Affordable Homes at Risk," California Housing Partnership, February 2022 https://chpc.net/resources/affordable-homes-at-risk-2022-report/

	rental properties between 5 to 25 units and has since expanded to funding larger properties as well. Other municipalities have tried to implement replicable programs with limited success. • Universally across the region, a major impediment to anti-displacement and preservation efforts focused on Unregulated Properties has been the lack of a reliable, private source for long-term, low-cost first mortgage debt, which has forced municipalities interested in launching new programs to grapple with the complexities of needing to provide not only traditional subsidy loans, but also first mortgage loans. These programs have generally focused on preserving smaller properties, and unlike larger multifamily rental properties which are well-understood by lenders, and generally can choose from multiple, competitively-priced options from banks and CDFIs for their senior permanent debt financing, smaller properties often are able to obtain only higher-cost, shorter-term (7-10 year) mini-permanent loans from these sources. This burdens smaller properties and the mission-driven organizations that own and operate them with refinancing risk that can endanger long-term property affordability and habitability. • In San Francisco: ○ The Mayor's Office of Housing and Community Development (MOHCD) has used proceeds from the $260.7 million, voter-approved 2018 Preservation and Seismic Safety (PASS) general obligation bond measure to provide nonprofit developers with low-cost, long-term first mortgage loans for preservation of existing affordable units whose tenants are at risk of displacement. Known as the "Small Sites" program, loans can be used to preserve affordable units at up to 120% AMI, with a program-wide average AMI target of 80%. The favorable loan terms available from PASS mortgage loans include a 40-year loan term and interest rates based on the City's borrowing cost. When combined with MOHCD subsidy, these loans have significantly helped to expand the range of market opportunities that can be pursued by mission-driven organizations. As of 2021, 53 buildings consisting of 655 residential units including newly built accessory dwelling units (ADUs), along with additional commercial units, had been acquired, rehabilitated, and preserved. 47 of these buildings consist of 25 units or less, while 6 are larger buildings between 27 and 86 units.

   - In tandem with PASS mortgage loans, MOHCD offers subsidy loans at 3% interest. The latest program guidelines, revised in 2022, provide for maximum subsidy ranging from $275,000 per single room occupancy (SRO) unit to $500,000 for larger 3-bedroom units. Previously, maximum subsidy was capped at $375,000 per unit for buildings with 3-9 units and $300,000 per unit for buildings with 10-25 units, with higher subsidies available on a case-by-case basis to prevent displacement of extremely vulnerable tenants. In practice, the average subsidy per unit provided or committed between 2016 – 2021 has been $325,000 per unit for Small Sites (< 25 units), and $230,000 per unit for larger properties (>25 units) and SROs. See **Table 1** below.
   - The San Francisco Housing Accelerator Fund (HAF), a nonprofit CDFI that lends in support of the City and County of San Francisco's housing objectives, provides short-term acquisition and rehabilitation financing to developers participating in the Small Sites program. This financing is designed to bridge to MOHCD's permanent financing programs. As a fast-acting, nimble source, HAF financing makes it possible for developers to move at the speed of the market to acquire properties more quickly than would be possible if MOHCD funding were required to be in place at closing.

- Elsewhere across the Bay Area, similar programs have been explored; however, these efforts have seen only limited traction. For example:
   - In San Jose, the upfront acquisition costs and rehabilitation required are slightly lower than those in San Francisco (based on data from CoStar, less than $400,000 per unit). However, the City of San Jose has only limited subsidy available and does not have a funding partner that could provide low-cost, long-term first mortgages.
   - Similarly, acquisition and rehabilitation costs in Mountain View are slightly lower than in San Francisco, and program feasibility would depend on identifying reliable subsidy funding; a source for long-term, low-cost mortgage loans; and mission-based organizations with the capacity and

	interest to acquire, rehabilitate, own, and operate smaller multifamily rental buildings. ○ In Oakland, 2016's Measure KK funding provided $100 million for affordable housing projects. These funds have since been depleted, with $25.6 million applied to housing rehabilitation and preservation and the remainder used for other purposes. ○ The City of Berkeley also recently launched a program for smaller buildings, and other jurisdictions have funded small preservation projects when resources are available, e.g., the City of Concord, with the express desire to do more. • At a state-wide level: ○ California recently considered creating a new program specifically designed for anti-displacement and preservation. While it ultimately did not make the FY 2023 State Budget, the Community Anti-Displacement & Preservation Program (CAPP) would have provided revolving short-term acquisition capital and long-term public subsidy, as well as technical assistance when needed, to community development corporations. ○ In the FY 2023 Budget, a $500 million allocation to create the Foreclosure Intervention Housing Preservation Program (FIHPP) was included. By providing grants and loans, FIHPP will allow community land trusts and other nonprofits to acquire and rehabilitate 1-25 unit buildings that are at risk of foreclosure, currently in the foreclosure process, or at foreclosure auction. • For emerging developers, community-based organizations building a real estate development practice, community land trusts and other organizations implementing shared-equity and other innovative models for community ownership, smaller buildings—which are often Unregulated Properties—can be a more accessible entry point into the development space than larger buildings. These properties may be a part of the fabric of the community that the entity is dedicated to serving, and thus fit well with organizational goals and mission. Financially and organizationally, the upfront resources needed to staff and implement a smaller property-focused program are less than needed for larger properties, making it possible for organizations to start development activities sooner. However, organizational sustainability of smaller property-oriented

development activities can become an issue, since upfront fees and ongoing revenues earned on such properties are smaller than on larger buildings. The challenge of "scaling" an Unregulated Properties-portfolio within an organization to a point where it is self-sustaining without need for ongoing, additional subsidy will need to be embraced by BAHFA and other jurisdictions across the region, which can structure their financing to provide developers with opportunities to earn fees and share in ongoing residual project cash flow.

- For tenants, involuntary displacement from and/or rent increases in all Preservation Properties is wealth-destructing and destabilizing, often resulting in forced relocation further from a job, community, and services. Thus, removing the threat of displacement and maintaining rents at affordable levels is beneficial for household stability and wealth creation. Furthermore, although the minimum 55-year deed restriction BAHFA is legislatively required to impose on Preservation Properties makes homeownership opportunities challenging to implement, there may be some Unregulated Properties where moderate wealth-creating homeownership opportunities can be provided for residents as long as a deed restriction is maintained.

Expiring Use Properties

Across the region, preservation of affordability in Expiring Use Properties is generally an extremely high priority, since the loss of these buildings from the regulated affordable housing stock and the resulting displacement of tenants can be so devastating for existing residents and their communities. Jurisdictions will seek to rapidly bring the at-risk property under control of a mission-aligned (typically non-profit) buyer that will seek to prevent displacement of existing tenants and preserve affordability. In addition to establishing site control, buyers will need to assemble financing to complete property acquisition, implement any needed repairs, recapitalize the building, and preserve affordability for the long-term. As a part of that financing, buyers may seek to extend or renew, as applicable, any available federal project-based rental assistance, apply for new bond allocations and/or tax credits from the California Debt Limit Allocation Committee (CDLAC) and/or the California Tax Credit Allocation Committee (CTCAC), and use any available local capital or operating subsidy sources.

An important component of jurisdictional and community ability to anticipate and prepare to seek to acquire Expiring Use Properties is California's State Preservation Notice Law, which supplements federal law

to provide advance notice to tenants and local governments before affordability restrictions expire, and pursuant to which qualified buyers can submit non-binding offers to purchase Expiring Use Properties.

The region's ability to protect more Expiring Use Properties is limited, in the immediate term, by the total funding available to rapidly acquire these properties when they become available; and, in the longer term, by the total funding available from local, state, and federal sources to preserve affordability.

Recapitalization Properties

Existing, non-profit owned affordable properties can require periodic recapitalization to fund necessary building repairs and improvements, maintain building conditions and affordability for tenants, and provide reliable cash flow to building owners/operators with which to pay staff and support operations. Because community-based non-profits who own affordable housing are mission-driven, the risk that tenant rents could rise and become unaffordable, or that tenants could be displaced, is generally perceived as more remote than in Unregulated Properties and in Expiring Use Properties. Over time, however, if recapitalization needs are allowed to mount, these properties may become an unsustainable drain on the resources of their non-profit owners and may result in unaddressed building capital needs and deferred maintenance.

Given the limited resources available to the region to preserve affordable housing, and the comparative urgency of preserving affordability in Unregulated Properties or in Expiring Use Properties, there is a regional backlog of existing, non-profit owned affordable housing—and non-profit owner/operators—that would benefit from recapitalization.

Table 1: San Francisco MOHCD Small Sites and Big Sites Preservation Program (2016-21)

Unit Type	# of Projects	# of Units*	Total Subsidy	Total Cost/Unit	Acquisition Cost/Unit	Subsidy/Unit	1st Mtg/Unit
Small Sites (<25 units)	47	374	$121,546,005	$500,457	$326,961	$324,989	$175,468
Big Sites (>25 units)	6	314	$72,342,000	$314,729	$170,462	$230,389	$84,341
Total	**53**	**688**	**$193,888,005**	**$415,692**	**$255,535**	**$281,814**	**$133,878**

*Includes 33 commercial units

Opportunities for BAHFA	BAHFA has a region-wide opportunity to provide both permanent senior loans and subsidy loans for Preservation Properties.[8] BAHFA also has an opportunity to provide fast-acting, early-stage acquisition, predevelopment, and rehabilitation/stabilization funding to these projects, or to partner with existing CDFIs or other lenders to deliver this product. There is also an opportunity to support sustainable, long-term ownership of affordable housing by community-based organizations by providing funding for recapitalization of these assets.
Funding Scenarios	If $2 billion in RHR becomes available to BAHFA, a minimum of 15% would be allocated to Preservation. It is assumed BAHFA would draw all $2 billion of its general obligation bonds via five bond issuances at three-year intervals. This schedule could be accelerated if the region expends funds more quickly. BAHFA may seek to achieve greater scale by augmenting the RHR it has available to fund the Program with additional resources raised by accessing the capital markets, by, in addition to providing loans funded from RHR, pursuing funding strategies such as issuing bonds secured by project revenues or participating in loans originated by third-party lenders.[9]

[8] In contrast with BAHFA's Multifamily Rental Production Program, for which BAHFA may seek to establish a bond indenture or participate in loans with capital providers to provides senior debt financing, the Regional Anti-Displacement and Preservation Program may include smaller properties with as little as 5 units, preserved by emerging, less well-established developers. The Program's target asset class, and the developers that may participate in the Program, are not currently well-understood by capital markets. Furthermore, as a majority of BAHFA's RHR will be allocated to Production per the legislation, the initial volume of projects and debt funding needed across the Preservation Program is anticipated to be modest, and not enough to support a large-scale capital markets execution. Consequently, establishing a bond indenture for funding Program debt is unlikely to be viable in the near- to mid-term, but may become an option at a later date.

[9] For additional discussion of these strategies, please refer to the Funding Scenarios section of the Appendix to the Multifamily Rental Production Program.