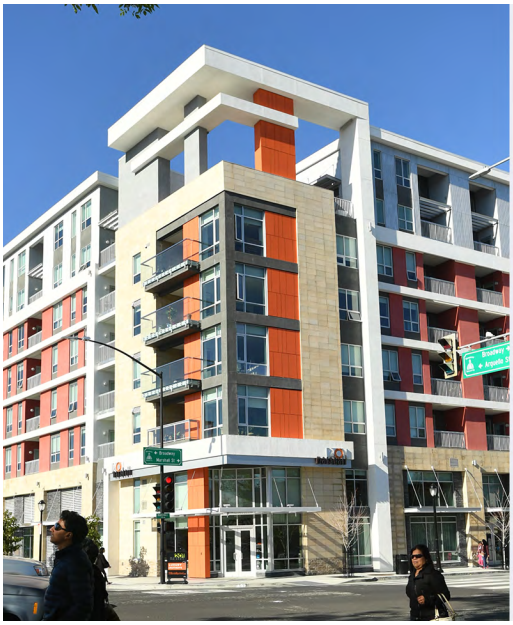

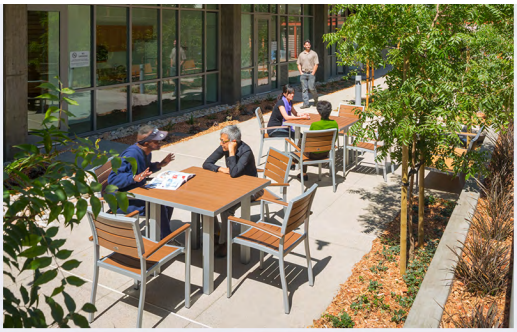

BAY AREA HOUSING FINANCE AUTHORITY BUSINESS PLAN

A Blueprint for Equitable and Lasting Solutions

February 2024

Bay Area Housing Finance Authority

METROPOLITAN TRANSPORATION COMMISSION
ASSOCIATION OF BAY AREA GOVERNMENTS

Table of Contents

ACKNOWLEDGEMENTS i

BOARD MEMBERS ii

EXECUTIVE SUMMARY iii

CHAPTER 1: Legislative and Business Planning Overview 1

CHAPTER 2: Equity Framework Summary 9

CHAPTER 3: Funding Programs 17

CHAPTER 4: Operations and Organizational Sustainability Plan 29

CHAPTER 5: Conclusion 51

APPENDIX 1: Equity Framework 53

APPENDIX 2: Equity Framework Accompanying Materials 93

- 2A. Definitions 1
- 2B. Equity Working Group 3
- 2C. Stakeholder Engagement Report 4
- 2D. Guiding Questions for Program Development and Design 18
- 2E. Data Sources for Metrics 22

APPENDIX 3: Funding Programs 121

- 3A. Multifamily Rental Production Program 1
- 3B. Innovation Program 11
- 3C. Preservation Program 19
- 3D. Tenant Protections Program 30

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Residential housing, San Mateo County
Photo: Karl Nielsen

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Residential apartments, Alameda County
Photo: Karl Nielsen

Executive Summary

When the California Legislature created the Bay Area Housing Finance Authority (BAHFA) in 2019 – the first regional housing finance authority in the state – it resolved to change a system failing to provide the housing Bay Area residents need. BAHFA's launch marks a once-in-a-generation opportunity to address several of the structural issues driving the region's chronic affordability and displacement challenges. BAHFA embraces a collaborative approach to delivering housing affordability at scale. It moves beyond a system in which cities and counties not only lack the resources to solve housing unaffordability and homelessness on their own but also compete among themselves for scarce resources. With approval of significant new resources by Bay Area voters, BAHFA has the potential to change the housing landscape with powerful new financing tools and a "3Ps" mission to **produce** new, permanently affordable housing; **preserve** existing affordable housing; and **protect** current residents from displacement.

In November 2024, BAHFA and the Association of Bay Area Governments (ABAG) are poised to pursue the first-ever regional housing revenue measure in California: an affordable housing general obligation bond of up to $20 billion. The nine counties will retain 80% of the funds raised, with distribution based on each county's financial contribution to the bond.[1] This unprecedented level of resources will allow all counties to pursue a common purpose: to house the unhoused; meet local workforce needs; protect vulnerable residents from displacement; and enable homeownership for individuals and families currently shut out of the most common means by which American families historically have created inter-generational wealth. While working toward these shared goals, each county will have the ability to tailor its programs to best address local needs and circumstances.

1. "Funds" refers to the net proceeds from a bond.

Top Left: Residential home, Alameda county, Photo: Noah Berger

Top Right: Affordable housing, Santa Clara county, Courtesy of Resources for Community Development

Bottom: Residential apprtments, Santa Clara county, Photo: Noah Berger

BAHFA will retain 20% of funds from a 2024 housing bond to fulfill its promise to deliver bold housing outcomes at the regional scale. The central purpose of this Business Plan is to chart a path whereby BAHFA can maximize the impacts of its investments in the near-term while simultaneously building the foundation for BAHFA to become a self-sustaining, specialty public lender in the long-term – transforming the housing finance ecosystem to deliver results long after the general obligation bonds are spent.

Establishing itself as a mission-driven public lender, BAHFA will provide affordable housing loans to projects, then reinvest income earned on those loans back into affordable housing developments and programs throughout the region. Currently, this lending activity is conducted by private banks and other financial institutions which capture and distribute profits to their shareholders.

The Business Plan identifies ways for BAHFA to grow its own lending capacity so that financing revenues are retained within the region and redeployed to fulfill the public purpose of providing affordable and stable homes for Bay Area residents. Over time, this will create a beneficial financing cycle that will strengthen and enhance BAHFA's 3Ps mission.

This BAHFA Business Plan serves as a blueprint for how BAHFA can accomplish these near- and long-term goals. The Business Plan has four main parts:

Chapter 1: Legislative and Business Planning Overview describes BAHFA's legislative requirements, the regional planning context, and BAHFA's governance structure.

Chapter 2: Equity Framework Summary provides an overview of BAHFA's Equity Framework which was developed with substantial community input and sets guiding principles to advance equity and social justice. The full text of the Equity Framework is included as Appendix 1 to the Business Plan, with accompanying materials included as Appendix 2.

Chapter 3: Funding Programs describes financing opportunities that will maximize BAHFA's impact, leverage additional funds, and efficiently deploy public dollars. Detailed descriptions of BAHFA's initial Funding Programs are included as Appendix 3.

Chapter 4: BAHFA's Operations and Organizational Sustainability Plan describes current and future staffing needs and identifies how BAHFA will achieve financial self-sustainability while delivering on its 3Ps mandate.

The Bay Area faces a complex set of interconnected challenges: the post-pandemic transformation of the workplace; climate-change induced environmental hazards; the well-documented toll of systemic racism on multiple generations; and demographers' projections that income inequality will worsen by 2050. All these trends and events make it clear that concerted action is urgently needed to protect the Bay Area's greatest strengths – its diversity, free spirit and creative economy.

Housing lies at the center of this need. Without a safe, affordable place to call home for people of all incomes and aspirations, the Bay Area will cede its leadership role in the country's economic and social spheres. BAHFA seeks to create long-lasting housing solutions that promote a vibrant, healthy and affordable Bay Area for future generations.

Merritt Crossing Senior Apartments, Oakland
Photo: Tim Griffith, courtesy Satellite Affordable Housing Associates (SAHA)

Drs. Julian and Raye Richardson Apartments, San Francisco
Photo: Bruce Damonte

Chapter 1:

Legislative and Business Planning Overview

BAHFA's business planning process has proceeded in conformance to its:

- Enabling legislation, the San Francisco Bay Area Regional Housing Finance Act (Government Code Section 64500, *et seq.*) ("the Act");
- Requirements of additional state legislation, such as the California Constitution's rules regarding general obligation bond debt;
- Governance by the BAHFA Board, which is comprised of the same members as the Metropolitan Transportation Commission (MTC), and the Association of Bay Area Governments' (ABAG) Executive Board, acting as the executive board to BAHFA (Executive Board); and
- Commitment to public engagement and collaboration with Bay Area residents and local jurisdictions, including each of the nine Bay Area counties and 101 cities.

2.1 Powers of BAHFA

REVENUE RAISING

The Act provides that the purpose of BAHFA is to help meet "3P" needs: the production of new affordable housing; the preservation of existing affordable housing; and the protection of vulnerable tenants from displacement and homelessness. These central BAHFA objectives have their roots in years of outreach, organizing, convening and visioning efforts across the Bay Area.

The Act sets forth BAHFA's unique power to raise regional revenue through four means that all require voter approval:

- General obligation (GO) bonds secured by an *ad valorem* property tax
- Parcel tax
- Per employee "head tax"
- Commercial gross receipts tax

In addition, the BAHFA Board and the ABAG Executive Board may approve a commercial linkage fee – charging commercial developments for their anticipated increase in the demand for new housing – but only if voters first approve one of the property taxes listed above.

The Act codifies BAHFA's spending mandates:

- A significant portion of any revenue BAHFA raises returns to the counties, and, in some instances, is directly allocated to cities. In the case of general obligation bonds, 80% of funds raised will return to the county (or city) of origin according to assessed property values. In 2024, cities eligible for a direct allocation are San Jose, Oakland, Santa Rosa, and Napa.
- BAHFA, the counties and direct-allocation cities must create "expenditure plans," which detail how funds will be used across the 3Ps in ways that achieve the goals of the Act and engage stakeholders.
- BAHFA can also provide support and technical assistance to local governments to aid their affordable housing efforts; collecting data on housing production and the region's progress meeting state housing targets; and engaging the public.

The financing BAHFA provides can take the form of grants, loans, equity, interest rate subsidies, and other financing tools, subject to additional limitations that may apply to specific funding sources, such as California Constitutional restrictions on bond expenditures.

Among its other powers, BAHFA may own real property and form joint power authorities, or "JPAs" — governmental agencies in which at least two municipalities exercise common powers — with other qualifying governmental entities.

2.2 Permitted Use of Funds

This Plan discusses BAHFA's expenditure approach for the 20% of measure funding it administers pursuant to a successful GO bond ballot measure. Counties and cities will separately plan for the 80% of funding they administer. BAHFA is pursuing a GO bond in 2024 rather than one of the other revenue-raising options because of the scale of funding a GO bond can raise and the speed with which such resources can be raised; the more progressive nature of an *ad valorem* tax as opposed to a parcel tax; and the viability of passage, as supported by research and public and stakeholder outreach.

Figure 1. Distribution of General Obligation Bond Revenue

Regional Resources

- BAHFA planning for 20% of funds it will retain
- Complete by spring 2024

Local Resources

- Counties and direct allocation cities must plan for the 80% of funds that they will administer
- Complete by early 2025 (post-election)

ALLOCATION REQUIREMENTS

Funding BAHFA receives directly (the 20% portion) from a GO bond can be spent anywhere in the nine-county Bay Area region, subject to the following allocation requirements provided in the Act:

- A minimum of 52% must be dedicated for the production of rental housing that will be deed restricted and affordable for households earning up to 80% of area median income (AMI) for at least 55 years (**Production**).[1]

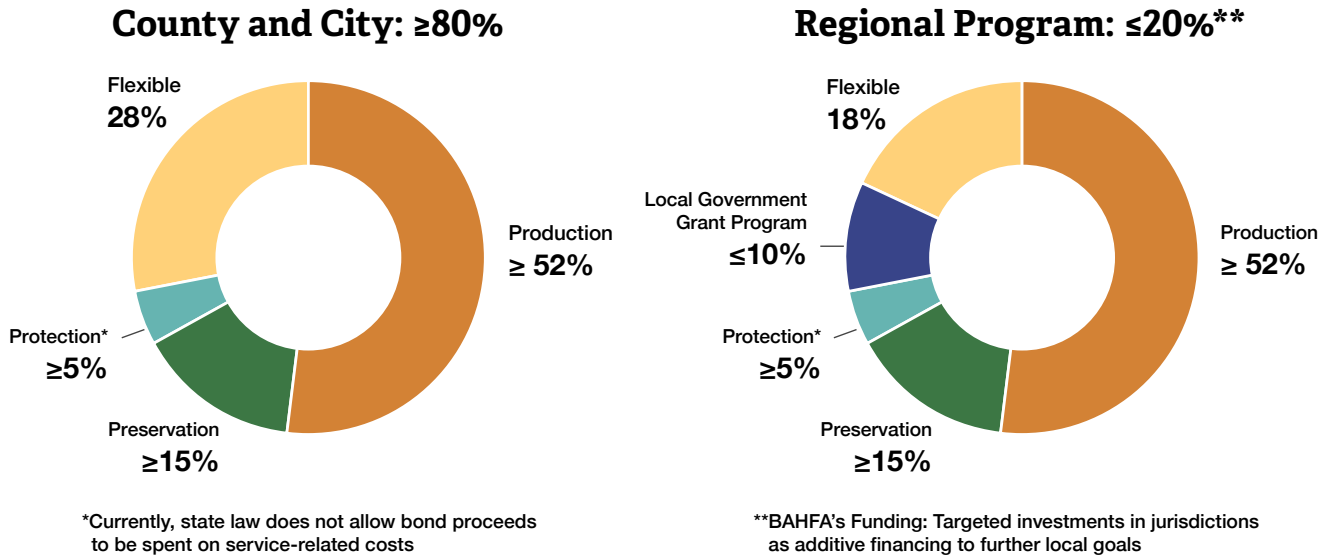
- A minimum of 15% must be dedicated to the preservation of housing that will be deed restricted and affordable to households earning up to 120% AMI for at least 55 years (**Preservation**).[2]

- A minimum of 5% must be dedicated to tenant protections for households earning up to 120% AMI (**Protection**).

The balance of funds must be used in ways that reinforce the 3P housing objectives. Of this remaining 28%, up to 10% will be disbursed as local government grants that may be for housing or housing-related uses. The balance (18% of BAHFA funds) must be used for either Production, Preservation or Protection purposes. Up to 5% of the total bond proceeds may be used by BAHFA to pay for administrative expenses.

1. Section 64650(B)(a)(2)(I) of the Act states that a "minimum of two-thirds" of Regional Housing Revenue must be allocated to affordable housing Production and Preservation, with a minimum of 52% of two-thirds of the funds allocated to Production and a minimum of 15% of two-thirds allocated to Preservation. Language presented in the narrative above is modified for simplicity.
2. See previous note regarding the Act's percentage allocation requirements for Regional Housing Revenue and Production and Preservation funds.

Figure 2. How Funds May Be Spent



While counties and cities must adhere to similar percentage allocations for their funding, the rules of the Act applicable to their expenditures are more flexible than BAHFA's, recognizing the diversity of Bay Area counties. For example, while BAHFA's Production funds may only be used for new rental housing, the county and city funds may be used for either rental or homeownership housing. Additionally, while 18% of BAHFA's "flexible funds" can only be used for 3P investments, the counties and cities have greater flexibility and may use 28% of their funds for housing or housing-related uses according to their local needs.

Fifth Street Housing, Berkeley
Photo: Karl Nielsen

BAHFA RULES

- **At least 52% of funds must be used for the construction of new rental housing,** with affordability limited to 80% of area median income and requiring a 55-year deed restriction.
- **At least 15% of funds must be used for affordable housing preservation.** This may be rental or ownership, with affordability capped at 120% of area median income and subject to a 55-year deed restriction.
- **At least 5% of funds** must be allocated to **tenant protections,** including:
  - Pre-eviction and eviction legal services, counseling, training and renter education
  - Emergency rental assistance
  - Relocation assistance
  - Displacement tracking and data collection
- **A maximum of 10%** of funds may be spent for **local government grants.** These may include homelessness interventions, homeownership programs and infrastructure that supports housing.
- **18% of remaining funds** must be spent on either **production or preservation.**

COUNTY/CITY RULES

- **At least 52% of funds must be used for new affordable housing** that prioritizes projects that will help meet the jurisdiction's extremely low-, very low- and low-income RHNA housing targets. This may be rental or ownership, permanent supportive housing, low-income housing or workforce housing, so long as it's deed-restricted and affordable to households earning up to 120% of the area median income.
- **At least 15% of funds** must be used for deed-restricted, **affordable housing preservation.**
- **At least 5% of funds** must be used for **tenant-protection** programs.
- **28% of funds** may be spent on **housing and housing-related uses,** like infrastructure and neighborhood amenities, so long as it complies with these general terms:
  - Conformance with the adopted county expenditure plan
  - A cap on affordability at 120% of area median income
  - Imposition of a deed restriction on the affordable housing

CALIFORNIA CONSTITUTIONAL RESTRICTIONS

Article XIII(A)(1) of the California Constitution restricts the use of bonded indebtedness in the state to the "acquisition or improvement of real property," and requires approval by two-thirds of voters. This restriction, unless amended, means that revenue raised by BAHFA may not be used for Protection purposes as they are defined in the Act, including, for example, legal services to prevent eviction, emergency rental assistance, and homelessness prevention services.

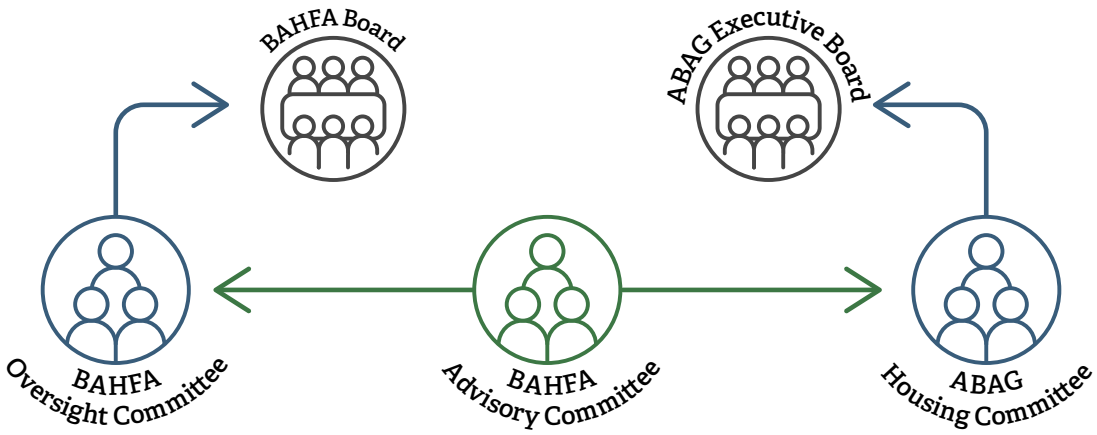
There is currently a statewide effort underway to amend this provision of the constitution in November 2024. If successful, the amendment (Assembly Constitutional Amendment 1; ACA 1) would lower the voter approval threshold for affordable housing bond measures from two-thirds to 55%. It may also modestly expand the eligible uses of GO bonds from "bricks and sticks" only (i.e., real property acquisition and improvement) to include capitalized operating reserves. Depending on the final version of ACA 1 presented to voters in November 2024, it is possible the proposed expansion of GO bond eligible uses could serve unhoused and/or extremely low-income households by allowing bond funds to be used, in effect, as a form of rental subsidy that is baked into an apartment's financing plan.

Note that while a BAHFA GO bond measure could take advantage of the lower voter approval threshold posed by ACA 1, this Business Plan does not assume an expansion of eligible uses of GO bonds given the tentative nature of such a change at the time of this writing. If such expanded uses are included within the final version of ACA 1, BAHFA will adjust the Business Plan accordingly and as necessary.

2.3 Timing of Fund Availability

Should a GO bond measure be approved by voters in 2024, funding likely would become available to BAHFA and local jurisdictions as soon as 2025. Funding would be disbursed through multiple bond issuances, or "tranches," the number, size, and spacing of which would be subject to the regional pace of bond-supported expenditures. This Plan anticipates that GO bond proceeds would be disbursed by BAHFA and its local partners over a period of 10 to 15 years.

2.4 Governance



The ABAG Executive Board and BAHFA Board must work together to approve most revenue-related actions. For example, before the BAHFA Board proposes a revenue measure that requires voter approval, the Executive Board must first approve the proposal. Both the Executive Board and BAHFA Board also must approve BAHFA's Expenditure Plan for its 20% share of funds. This structure ensures broad representation from around the Bay Area and a truly regional governance focus: local elected officials such as city council members, mayors, and county supervisors comprise a majority of the 21 BAHFA Board members and the Executive Board.

Both the BAHFA Board and the Executive Board have established subcommittees focused on housing. The BAHFA Oversight Committee is an 11-member committee of BAHFA Board members that meets jointly with the ABAG Housing Committee, a 12-member committee of Executive Board members. Both committees meet in advance of board meetings to review and discuss matters that will require board approval.

The Executive and BAHFA Boards are further assisted by an Advisory Committee composed of representatives with knowledge and experience in the areas of affordable housing finance, construction workforce and development, tenant protections, and housing preservation. The Act tasks the BAHFA Advisory Committee with providing consultation to the Executive Board and BAHFA Board and assisting in the development of funding guidelines and the overall implementation of BAHFA's programs.

All committee and Board meetings are subject to California's Brown Act open meetings requirements. Over the last two years, BAHFA staff have kept a steady pace of presenting information and seeking committee and board feedback and guidance to inform this Business Plan. Specifically, BAHFA requested detailed feedback on its:

- Equity Framework
- Funding Programs
- Key decision points and recommendations for the BAHFA Expenditure Plan
- Other policies and practices, such as the development of a rental subsidy program and Preservation Pilot

2.5 Public Engagement Process

BAHFA's governance structure — in which feedback and recommendations are taken from various committees and then presented to the Boards for approval — is designed to maximize accountability and provide ample opportunity for the public to provide feedback and direction. Consistent with Brown Act requirements and MTC/ABAG practices, specific time within meetings is set aside for public comment, and all meeting materials — such as agendas, report drafts, and presentations — are made available to the public in advance. All votes are held in public.

In addition to public meetings, BAHFA's business planning process included interviews, public listening sessions, virtual "town hall" public workshops, and establishment of an Equity Working Group, as further described in Chapter 2. BAHFA also gave presentations regarding its work and the proposed bond measure to nearly 100 groups and agencies, including public bodies, civic organizations and housing stakeholders such as affordable housing developers, disability rights organizations, transit-oriented development advocates, and planning collaboratives. BAHFA intends to continue stakeholder and community engagement to refine its existing programs and develop new programs over time. Critical to this outreach will be gaining an understanding of how easy to use BAHFA's programs are for different stakeholders and borrowers and ways in which BAHFA can improve its programming to expand accessibility.

Engagement board detail, Sonoma County
Photo: FlorHaus

Apartments, San Francisco
Photo: Noah Berger

Chapter 2:
Equity Framework Summary

Decisions about how to organize BAHFA and what programs and policies to pursue must be evaluated through a lens of "just inclusion" to reverse the persistent, systemic racism that has contributed to wide disparities in wealth, educational attainment, homeownership rates and credit access in the Bay Area and nationally. BAHFA will anchor its response to these challenges using its "Equity Framework" – which is both a foundation for this Business Plan and a stand-alone document to guide BAHFA's future planning and implementation. The full text of the Equity Framework is included as Appendix 1, with accompanying documents included as Appendix 2.

This Chapter summarizes the Equity Framework, including stakeholder engagement, the structure of the Equity Framework, the Equity Objectives and corresponding Metrics, as well as the accompanying documents in Appendix 2.

2.1 Equity Framework Development Process and Stakeholder Engagement

The Equity Framework is the culmination of nearly two years of work. Stakeholder engagement played a critical role in scoping, developing, and refining the Framework. Starting with a series of interviews and conversations with local experts and stakeholders across the region, BAHFA staff and the consultant team solicited additional input from multiple sources and conducted an iterative, creative process of drafting, revising and presenting back to engaged collaborators. Specific engagement activities included:

- Over 25 **preliminary interviews** with housing, finance, and equity leaders involved in the 3Ps, conducted between November 2021 and March 2022.
- Three virtual **public listening sessions** held in June 2022, during which 138 stakeholders discussed and provided recommendations on draft equity goals, objectives and metrics. Invitations for the sessions were distributed to over 300 stakeholders and 175 government staff working across all 3Ps.
- Seven **Equity Working Group sessions** held between May 2022 and April 2023. The Equity Working Group, comprised of 11 leaders from across the region, used a consensus-based decision-making process to co-create the Equity Framework and provide input on the Funding Programs. Group members drew from their extensive experience related to the 3Ps and social equity, as well as their relationships to the communities and places most impacted by the region's ongoing housing crisis. A roster of Equity Working Group members is included as Appendix 2.B.
- Dozens of **one-on-one meetings** with staff from local governments across all nine counties, **presentations** at over 30 convenings of public sector staff and elected officials, and meetings with over 40 stakeholders – including practitioners across all 3Ps, advocacy organizations and members of impacted communities – in **one-on-one** and small group settings.
- Two virtual **public workshops** in February and March 2023 during which BAHFA staff presented the draft Equity Framework and draft Funding Programs to over 160 stakeholders from across the region. Participants provided feedback on both drafts, including recommendations for how to strengthen the connection between the Equity Framework and Funding Programs. Invitations for the sessions were distributed to over 560 stakeholders.
- Presentations to the **BAHFA Oversight Committee and the ABAG Housing Committee** throughout 2022 about BAHFA's business planning process. Staff and the consulting team presented the draft Equity Framework and draft Funding Programs to the Joint Housing Committees as well as the BAHFA Advisory Committee starting in January 2023.
- The **Advisory Committee approved** the Equity Framework and Funding Programs in April 2023. The **BAHFA Board approved** the documents in October 2023, followed by the **Executive Board's approval** in November 2023.

Throughout this process, staff and the consultant team collaborated closely to ensure that the Equity Framework and Funding Programs are aligned in their objectives and approach.

2.2 Structure of the Equity Framework

The Equity Framework is divided into four main parts. First, there is an introductory section that highlights the significant disparities that exist in the Bay Area's housing system and which motivate the strong social and racial equity lens for BAHFA's work. This section also provides a regional framework for Affirmatively Furthering Fair Housing (AFFH) and gives greater detail on stakeholder engagement activities and the role of the Equity Working Group.

Second, the core of the Draft Equity Framework is a set of Objectives and Metrics that will guide and measure the impact of BAHFA's work. "Objectives" are the specific outcomes that BAHFA's actions should seek to achieve. "Metrics" are specific measurements of social equity by which BAHFA will design its programs and evaluate its progress. The Equity Framework establishes objectives and metrics for each of the "3Ps" (Production, Preservation, and Protection) as well as a fourth "Cross Cutting" category for items that advance all 3Ps or do not fit squarely within any of the Ps. Within each program track, the Equity Framework also presents a summary of "opportunities and challenges" identified by stakeholders as important to consider as BAHFA implements the Business Plan and designs programs to further the equity objectives. The objectives and metrics are described in more detail below.

The third part of the Equity Framework begins with a discussion of BAHFA's role to provide regional leadership and technical assistance that serves to expand, diversify and strengthen the capacity of the region's housing ecosystem and marshal the collective resources in service of equitable outcomes. Next, the Draft Framework highlights implementation and accountability considerations, which include data collection and reporting, embedding equity in all phases of program design and evaluation, ongoing equity-focused engagement strategies, a need to periodically reevaluate the Equity Framework to accommodate changing circumstances and evolving priorities, and ongoing collaboration with local jurisdictions.

Finally, the Equity Framework ends with a set of broad Social Equity Goals that detail BAHFA's long-term, aspirational vision for an equitable future in the Bay Area. These goals represent the "north star" for transformation of the region's housing systems that the equity objectives should strive towards, and which the metrics will help measure. However, importantly, BAHFA cannot achieve these broad social equity goals on its own. Rather than direct measures of BAHFA's impact, the social equity goals and their associated metrics illuminate regional trends in housing that BAHFA should track and respond to, particularly with regard to any disproportionate impacts connected to inequity in housing.

Residential home, San Mateo County
Photo: Alain McLaughlin

2.3 Equity Objectives

The core of the Equity Framework is a set of equity objectives and metrics for each of the 3Ps and a "Cross Cutting" program track. The equity objectives are as follows:

2.3.1 Production Equity Objectives

1. **Produce more affordable housing, especially for extremely low-income (ELI) households.** Increase production of housing with long-term affordability restrictions across the region and provide special focus on the production of housing types that meet the needs of ELI households and populations most disproportionately impacted by housing inequity.
2. **Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that create stability for residents while transforming historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.
3. **Create affordable housing opportunities for lower-income households in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated, diverse and balanced living patterns in areas of concentrated affluence.
4. **Create programs that address homelessness.** Increase housing types, in coordination with counties, that directly serve the needs of unhoused residents (including permanent supportive housing), while developing strategies to ensure that operating and services subsidies are available and utilized to the greatest extent possible. This Objective recognizes that more housing of appropriate types if a key solution to homelessness.
5. **Achieve regional climate and environmental justice goals.** Prioritize affordable housing placement near high-quality transit and invest in housing that achieves high performance scores in recognized sustainable building systems.

2.3.2 Preservation Equity Objectives

1. **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.
2. **Preserve existing unsubsidized housing and convert to permanently affordable housing.** Convert existing unsubsidized housing to permanently 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, and other marginalized communities.
3. **Target preservation investments for most impacted residents.** Tailor financing products to enable occupancy by ELI households and households at risk of homelessness.
4. **Create opportunities for community-owned housing.** Invest in developments that enable community control and/or equity growth, especially in Equity Priority Communities and for households facing discriminatory and/or structural barriers to homeownership.

2.3.3 Protection Equity Objectives

1. **Increase access to anti-displacement and homelessness prevention services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, improving tenant quality of life, and increasing housing stability – such as legal assistance, counseling and advice, financial assistance, and enhanced relocation assistance. Support residents across the full spectrum of anti-displacement and homelessness prevention needs, including tenants with formal leases as well as those with more precarious living situations.
2. **Support tenant education and advocacy.** Invest in training, education, advocacy, and outreach that raises awareness of tenant rights and facilitates greater access to community resources available to support housing stability. Support tenant associations and similar organizations that reduce power disparities between renters and property owners.
3. **Prioritize protections and investments in households and communities facing the greatest housing precarity.** Target BAHFA programs so that tenants at greatest risk of displacement and homelessness – disproportionately ELI, residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures – are prioritized.
4. **Ensure adequate funding for tenant protections.** For BAHFA revenue sources that prohibit expenditures on Protections (e.g., general obligation bonds), design BAHFA funding programs so that they generate new revenue streams that can be reinvested in Protections region wide. Proactively seek other revenue such as state and federal grants to enhance BAHFA tenant protection funding.
5. **Elevate the urgency of tenant protections through regional leadership.** Invest in research, data collection, and coordination to inform policy change and region wide adoption of best practices.

2.3.4 Cross-Cutting Equity Objectives

1. **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.
2. **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.
3. **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 upon this Equity Framework.
4. **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.
5. **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).
6. **Target most flexible BAHFA funding to accelerate AFFH.** Develop programs within BAHFA's optional 10% Local Government Grant Program that address any gaps in a comprehensive AFFH approach given the Act'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.

2.4 Equity Metrics

Each of the four program tracks described above contain a set of metrics designed to measure BAHFA's progress towards meeting the equity objectives. While some of these metrics are particular to an individual program track, many fall within the following broad categories:

- Amount and percentage of funding allocated to each programmatic approach
- Number and type of housing units, disaggregated by attributes, including but not limited to:
  - Affordability levels (e.g., extremely low-income, very low-income, etc.)
  - Location (e.g., Equity Priority Communities, Transit Priority Areas, etc.)
  - Tenure types (e.g., rental vs traditional homeownership, permanent supportive housing, collective ownership models, etc.)
  - Accessibility features for people with disabilities
- Number and characteristics of people served, disaggregated by race, income, family size, disability status, etc.
- Types of organizations funded (e.g., community-based developers, Black, Indigenous, People of Color (BIPOC)-led organizations, etc.)

In some instances, there are different metrics for BAHFA and the cities and counties due to differing requirements in the Act about how revenue may be used. For example, cities and counties may pursue homeownership opportunities with their "production" funds while BAHFA's production funds are limited to rental housing.

Arnett Watson Apartments, San Francisco
Photo: Federica Armstrong, courtesy of Non-Profit Housing (NPH)

2.5 Equity Framework Accompanying Materials

The development of the Equity Framework yielded a series of additional accompanying materials that provide helpful context for the Business Plan and are resources for BAHFA to use going forward:

- **Appendix 2.A (Definitions)** explains key terms referenced throughout the Equity Framework, including various developer types (for example, "community-based developers," "BIPOC-led developers") and geographic typologies ("Equity Priority Communities).
- **Appendix 2.B (Equity Working Group Roster)** lists the 11 members of the Equity Working Group who participated in co-creating the Equity Framework, as well as the criteria used in their selection.
- **Appendix 2.C (Stakeholder Engagement Report)** is a more comprehensive summary of feedback and recommendations received from stakeholders that expands upon discussions of opportunities and challenges contained within the body of the Equity Framework.
- **Appendix 2.D (Guiding Questions for Program Development and Design)** is a set of rubrics that have been developed as planning tools to help generate ideas and evaluate program strategies that further the Equity Objectives. BAHFA will use these questions to apply the Equity Framework as it proceeds with implementation of its business plan and funding programs.
- **Appendix 2.E (Data Sources)** tabulates all Equity Metrics and identifies data sources for each. It also includes a discussion of opportunities and challenges related to data collection.

Fair Oaks Plaza apartments, Santa Clara County
Photo: Frank Domin

Vacaville Development, Solano County
Photo: Karl Nielsen

Chapter 3:
Funding Programs

BAHFA will provide a wide range of financing for affordable housing Production and Preservation, as well as funding for Protections. The loans, grants, and other financing tools BAHFA will make available comprise its "Funding Programs."

At launch, BAHFA's Funding Programs will include:

- The **Multifamily Rental Production Program**, which invests in new housing Production and seeks to leverage complementary funding from additional sources outside of BAHFA to achieve beneficial housing outcomes at scale.
- The **Innovation Program**, which seeks to achieve faster, more cost-effective housing than is possible using current funding methods by piloting new models for affordable housing delivery.
- The **Preservation Program**, which prevents displacement of low-income households from their existing homes and stabilizes communities by rehabilitating existing buildings.
- The **Tenant Protections Program**, which funds specific strategies aimed at keeping vulnerable residents housed and preventing homelessness.

The initial Funding Programs are designed to meet challenges the Bay Area faces today. As conditions across the region change, BAHFA will develop additional, new Funding Programs designed to respond to emerging needs and opportunities.

In concert, the Funding Programs pursue these overarching goals:

- **Integration with the Equity Framework.** Among many others included in the Equity Framework, the Funding Programs will seek to achieve the following equity objectives:
  - Delivery of new housing that serves households and communities with the greatest need, such as permanent supportive housing and investments in historically disinvested communities.
  - Preventing residents, especially low-income households and those at risk of homelessness, from displacement and homelessness through housing preservation and tenant protection measures.
  - Promotion of climate and environmental justice through investments in transit-oriented projects that also employ sustainable construction and design standards.
  - Expansion of opportunities for community-based and emerging developers on projects that reflect strong community support.
- **Operational Self-Sustainability.** Revenue and fees generated through provision of the Funding Programs will allow BAHFA to maintain high-quality operations and continue to invest across the 3Ps into the future. To establish itself as a financially self-sustaining agency able to provide value to the Bay Area after the 2024 GO bonds are spent, BAHFA must provide more than subsidies; by making loans, BAHFA will generate interest income and fees that can be reinvested to sustain its programs. This income can also be reinvested as project subsidies into new housing developments and fund Protections programs without further taxpayer support. Finally, these loans will be the backbone of BAHFA's balance sheet and allow BAHFA to build the asset base necessary to access the capital markets to address the Bay Area's ongoing affordable housing needs.
- **Scale.** To meet its housing needs after decades of underproduction, the Bay Area requires funding at scale. The 6th Regional Housing Needs Assessment Allocation ("RHNA") cycle for 2023-2031 identified the need for over 441,000 new housing units in the Bay Area, with more than 253,000 of these affordable to households below 120% of AMI.

Richardson Apartments, San Francisco
Photo: Noah Berger

3.1 Multifamily Rental Production Program

The construction of new affordable rental housing is almost always funded with a combination of low-income housing tax credits (LIHTCs), tax-exempt or taxable debt, and subsidies from state or local sources. Many of these sources — tax credits, tax-exempt debt, and state and local subsidies — are chronically in short supply and disbursed competitively, creating a significant bottleneck for Bay Area affordable housing production.

To move more projects forward, **BAHFA will provide low-cost construction and permanent loans and subsidies.** Initially, BAHFA expects to focus on projects' permanent financing needs (i.e., post-construction loans with 15- to 40-year terms). BAHFA may also provide construction financing. Projects will benefit from the lower cost of loans available from BAHFA, which will support project feasibility and reduce subsidy need, as well as from BAHFA-provided subsidies. BAHFA expects to impose per-unit caps on its lending in the interest of achieving cost control goals and shifting the industry perspective towards more cost-efficient development.

Housing that sets aside a high percentage of homes for unhoused people (permanent supportive housing: PSH) and/or extremely low-income (ELI) households, which BAHFA has identified as an investment priority, requires ongoing operating subsidies in addition to development capital for building. Unfortunately, reliable and renewing operating subsidies are scarce. The California Constitution currently prevents BAHFA from spending GO bonds on rental assistance and operating subsidies, which means BAHFA cannot independently finance a PSH or ELI building. BAHFA will, however, seek out partnerships with jurisdictions and public housing authorities to the greatest extent possible to assist in the development of more PSH/ELI homes. Regardless of the source of operating subsidies, BAHFA's lower-cost loans and subsidies can still help to support project feasibility for developments that serve residents with the highest levels of need.

Additional details about BAHFA's Multifamily Rental Production Program are included in Appendix 3.A.

Multifamily home construction, Santa Clara County
Photo: Noah Berger

3.2 Innovation Program

The region's affordable housing costs continue to rise at a pace that impedes the Bay Area's ability to deliver the housing it needs. BAHFA is intent on encouraging cost control by prioritizing innovation as well as known methods for achieving cost savings (e.g., streamlined entitlements, efficient design, and reducing the number of different capital sources per development). This approach does not mean quality is sacrificed. Rather, it shifts perspective – we need more housing and, by demanding a cost-focused approach, we can bring costs down and thus more effectively deliver housing at the scale needed.

BAHFA is especially focused on investing in cost-effective housing that does not require low-income housing tax credits and tax-exempt bonds, which have been oversubscribed in recent years, leading to an expensive and slow-moving funding bottleneck for Bay Area affordable developments. Both construction and permanent financing from BAHFA are anticipated for these projects. BAHFA can participate in "efficient delivery" developments for both middle-income households (up to 80% of AMI) and PSH, if the sponsor has secured operating subsidies.

ADDITIONAL INNOVATION PROGRAMS MAY INCLUDE:

- **Affordable Unit Buy-Downs:** Subsidies provided to market-rate developers to increase the number of affordable homes included in the development, whether as an increase to existing inclusionary housing ordinance obligations, or, in cities without inclusionary requirements, to support provision of some affordable homes. The purpose here is to provide more affordable homes than market-rate developers would otherwise be required to produce. BAHFA's investment will be permanent loans issued when construction is complete.
- **Adaptive Re-Use: Construction and/or Permanent Loans** for conversion of buildings from commercial to residential use, acknowledging the need to reimagine commercial districts and reinvigorate aging and obsolete malls, office buildings, and other spaces given changes in employment trends since COVID-19.

Additional details about BAHFA's Innovation Program are included in Appendix 3.B.

Residential neighborhood, Alameda County
Photo: Karl Nielsen

3.3 Preservation Program

BAHFA's Preservation Program provides investments in three different scenarios, all of which pursue the same goal of keeping low-income residents safely in their homes with affordable housing costs and preserving the affordability levels for decades to come.

MARKET-RATE BUILDING CONVERSIONS

The first Preservation investment category is the conversion of market-rate buildings into deed-restricted, long-term affordable housing. This effort addresses the fallout from steeply rising housing costs the Bay Area experienced starting in 2012 as the country emerged from the Great Recession. As rents began to rise, investors began to purchase older multifamily properties with lower rents (sometimes referred to as "naturally occurring affordable housing") to raise rents in line with the escalating market – often displacing all or most residents of an entire building at once. These mass displacement events also steepened the cost increases as whole buildings became significantly more expensive overnight. To keep people in their homes at permanently affordable rents, the Preservation program will provide subsidies and low-cost acquisition, rehabilitation and permanent loans for existing properties with affordable rents that are at risk of profit-driven conversions that often force current residents out.

BAHFA will create a funding set-aside target in this investment category to support the development of community-controlled housing, such as cooperatives and limited-equity cooperatives. The goals of investing in community-controlled housing are to support models that reject the treatment of housing as a commodity primarily designed to increase investor profits and, support instead wealth generation among communities and families that have historically been denied ownership opportunities, thus helping to rectify the consequent deprivation of inter-generational wealth building.

EXPIRING AFFORDABILITY RESTRICTIONS

Thousands of deed-restricted affordable homes across the region have occupancy restrictions attached to their financing agreements to ensure the homes are reserved for low-income households that are set to expire in the near- and medium-term. Without additional public investment, these properties are at risk of converting to market rate – which would displace current residents such as fixed-income seniors, while also taking a step backwards on reducing our affordable housing shortage by "losing" currently affordable units. BAHFA will seek to provide the mortgage financing these developments need to extend affordability for at least 55 additional years.

PHYSICAL PRESERVATION NEEDS

Many older affordable buildings face the loss of units and/or diminished habitability due to age and the limited availability of funding for rehabilitation of existing housing. BAHFA will provide Preservation loans to repair existing affordable buildings, prevent unit loss and ensure high-quality habitability standards are maintained for tenants and the surrounding community.

Additional details about BAHFA's Preservation Program are included in Appendix 3.C.

3.4 Tenant Protections Program

The Act requires BAHFA to devote funding to protect tenants from displacement and prevent homelessness, if constitutional. As defined in the Act, Protections programming includes pre-eviction and eviction legal services; emergency rental assistance; homelessness prevention services; and relocation assistance, among other things. Since the availability of GO bond funding for any form of Protections currently is unknown, pending a proposed constitutional amendment, BAHFA will, as directed in the Act, prioritize other funding it may secure for Protections.

In addition, BAHFA is now and will continue to provide regional leadership, research, advocacy, and technical and financial support to strengthen protection policies aimed at improving housing security for renters.

Additional details about BAHFA's Tenant Protections and Homelessness Prevention Program are included in Appendix 3.D.

Midrise Apartments, San Mateo County
Photo: Karl Nielsen

3.5 Expenditure Planning

BAHFA, counties, and cities receiving funding pursuant to a GO bond measure are required to submit annual expenditure plans. These plans must show how each public agency intends to allocate its funding across the 3Ps in accordance with the rules of the Act.

BAHFA is currently developing its first expenditure plan (Regional Expenditure Plan) and will submit it for the board's approval in 2024, after consultation with the Advisory Committee and ABAG and BAHFA housing committees. BAHFA's Regional Expenditure Plan follows the principles of the Equity Framework; pursues the goals of the Funding Programs; and incorporates input received from the public and BAHFA's governing boards and committees over the last two years. The Regional Expenditure Plan also acknowledges that market conditions, BAHFA capacity building and program execution are all subject to change over time. Consequently, future expenditure plans submitted annually on July 1st, as required by the Act, offer the opportunity to adjust planning and programming to meet changing market conditions and BAHFA policy priorities.

3.5.1 Objectives of the First Regional Expenditure Plan

As presented to the Advisory Committee, BAHFA Board and Executive Board, BAHFA's first Regional Expenditure Plan objectives include:

- **Serving those with the greatest housing needs**, through (whenever possible):
  - The Production of new PSH and ELI housing.
  - Preventing displacement of low-income households and those at risk of homelessness through Preservation efforts.
- **Support for community-based priorities** through investments in community-controlled housing.
- **Geographic equity** through investments in both historically disinvested communities and exclusionary communities.
- **Operational self-sustainability** through interest and fee income earned on Production and Preservation loans.
- **Provision of regional leadership** through a collaborative approach, with BAHFA working with local jurisdictions to be an additive and complementary financial and technical resource and a unifying regional voice in advocating for more federal and state funding.
- **Scale** achieved through provision of new financial resources, innovative investment approaches and coordinated efforts across the region.

3.5.2 Recommendations for the First Regional Expenditure Plan

BAHFA's first Regional Expenditure Plan components are as follows:

PRODUCTION

- **70% of initial funding allocated to Production**
  - This includes the minimum portion required to be spent on Production as well as all 18% of BAHFA's Flexible Funds
- **Production funding targets for each county based on their "return to source" percentages, i.e., assessed property values.** BAHFA will strive to achieve these targets over the life of the GO bond, not just the first tranche, so that jurisdictions can receive meaningful investments when most needed.
- **Prioritize production of permanent supportive housing (PSH) for unhoused residents and extremely low-income (ELI) households**
  - This housing type requires reliable, ongoing operating subsidies to successfully stabilize households' tenancies.
  - BAHFA anticipates working closely with counties, cities and public housing authorities to create the financing programs necessary to make PSH and ELI housing successful.
- **Seek additive state and federal funding for BAHFA's investments whenever possible, but not at the expense of local governments**
  - BAHFA will work collaboratively with cities and counties, not competitively, especially when affordable housing funds allocated by the state are oversubscribed.
- **Take a flexible approach** that enables BAHFA to respond effectively to changing market conditions, take advantage of new and unexpected opportunities as they arise and pursue the investment goals approved by the BAHFA and Executive Boards to the greatest extent possible.
- **Pursue cost efficiencies to help achieve the goals of the Business Plan, maximize the beneficial impact of expenditures and maximize the number of affordable homes created.**

PRESERVATION

The principal goals for BAHFA's Preservation program are to:

- Prioritize investments in **historically disinvested areas.**
- **Forestall immediate risk of displacement** due to market pressure to increase rents or an expiring affordability covenant.
- **Support community-controlled developments**, especially those that allow wealth building for residents, through a funding target of 20%. (Note: this target does not exclude community-controlled developments from competing for the balance of Preservation funding available.)

LOCAL GOVERNMENT GRANTS

The Act provides that Local Government Grants must be used for housing and housing-related uses. The principal goals for BAHFA's Local Government Grant Program are to:

- **Prioritize investments that benefit the overall community and address local community demands arising from increased affordable housing production.**
- **Result in the greatest beneficial impact regarding number of households served by the investment, directly or indirectly, especially low-income households and households living in historically disinvested communities.**
- **Apply a flexible investment approach that recognizes the diversity of needs across Bay Area communities.**
- **Distribute grants to all nine counties over the life of the bond.**

BAHFA anticipates the adoption of the first Regional Expenditure Plan in the first half of 2024, concurrent with actions by the governing boards to place a GO bond measure on the November 2024 ballot.

3.6 Pilot Programs and Other Opportunities

In advance of the anticipated GO bond measure in November 2024, and to meet its ambitious 3Ps goals, BAHFA has already jumpstarted programs and secured funding to begin addressing the region's housing needs. Multiple BAHFA pilot programs are now underway or set to launch soon. These pilots offer "proof of concept" of the benefits of maintaining an opportunistic and flexible approach, which BAHFA will bake into its long-term planning and implementation efforts. This work also provides a path for BAHFA's continued operations regardless of the outcome of the 2024 ballot measure.

3.6.1 Pilot Programs

In 2021, the Legislature included a $20 million line-item in the state budget for BAHFA to launch its operations and programs. BAHFA secured additional resources in 2022 and 2023 from state sources and private donations. With these initial resources, BAHFA has launched the following programs:

Doorway Housing Portal is a regional affordable housing application platform launched in June 2023 that provides housing seekers across the Bay Area a one-stop-shop to search and apply for affordable housing opportunities online.

Welfare Tax Exemption Preservation Program enables developers to convert existing buildings from market-rate to permanently affordable housing through a long-term deed restriction and nominal financial investment.

Preservation Pilot Program is an $18 million acquisition and rehabilitation lending pilot that seeks to prevent displacement by providing financing for conversions of market-rate housing to permanently affordable housing. Funded by the Regional Early Action Planning Grant of 2021 (REAP 2.0) with state monies passed through MTC, this pilot sets the stage for BAHFA's preservation Funding Program.

Priority Sites Predevelopment Loan Program is a $28 million program, also funded by REAP 2.0, that will provide predevelopment loans between $1 million and $5 million for regionally significant sites that include a high percentage of affordable housing. This pilot will demonstrate the power of partnership between BAHFA, MTC, and ABAG – with BAHFA providing implementation funding for the transit-oriented, climate-friendly growth pattern developed by its sister regional planning agencies.

Rental Assistance Subsidy Pilot launched in 2023 with $5 million that provides shallow rent subsidies to extremely low-income seniors and other vulnerable populations at risk of homelessness.

Affordable housing pipeline studies that annually collect data from public and private sources to quantify the number of affordable developments in predevelopment and the value of funding they require to start construction.

Technical Assistance, including:

- **SB 35 (Wiener, 2017) / SB 423 (Wiener, 2023) Toolkit** development to help jurisdiction staff and affordable housing developers – together with California Native American tribes – navigate SB 35 requirements, especially regarding tribal notification practices.
- The **Bay Area Eviction Study**, a study on the causes and characteristics of eviction across the region.
- Regular **regional housing staff convenings** with 3Ps stakeholders in every Bay Area County to discuss pragmatic implementation strategies for delivering more affordable housing.

3.6.2 Potential Areas of Opportunity

BAHFA may wish to pursue alternative programs that are not subject to voter approval or successful fundraising efforts. Several areas with potential for ongoing program development have been identified and include:

Middle-Income Housing Program. An area of growing interest for many Bay Area jurisdictions has been the development and preservation of housing that is affordable to middle-income households earning up to 120% of AMI. While these households typically do not qualify for housing subsidies, they usually cannot afford market-rate housing. BAHFA could assist in the effort to create more affordable middle-income housing by issuing project revenue bonds to finance the projects. BAHFA can also provide the added benefit of a property tax exemption, which helps keep rents affordable, by serving as the building owner. BAHFA's design and implementation of this program would be in collaboration with cities in which such opportunities arose, ensuring that the developments created strong community benefits.

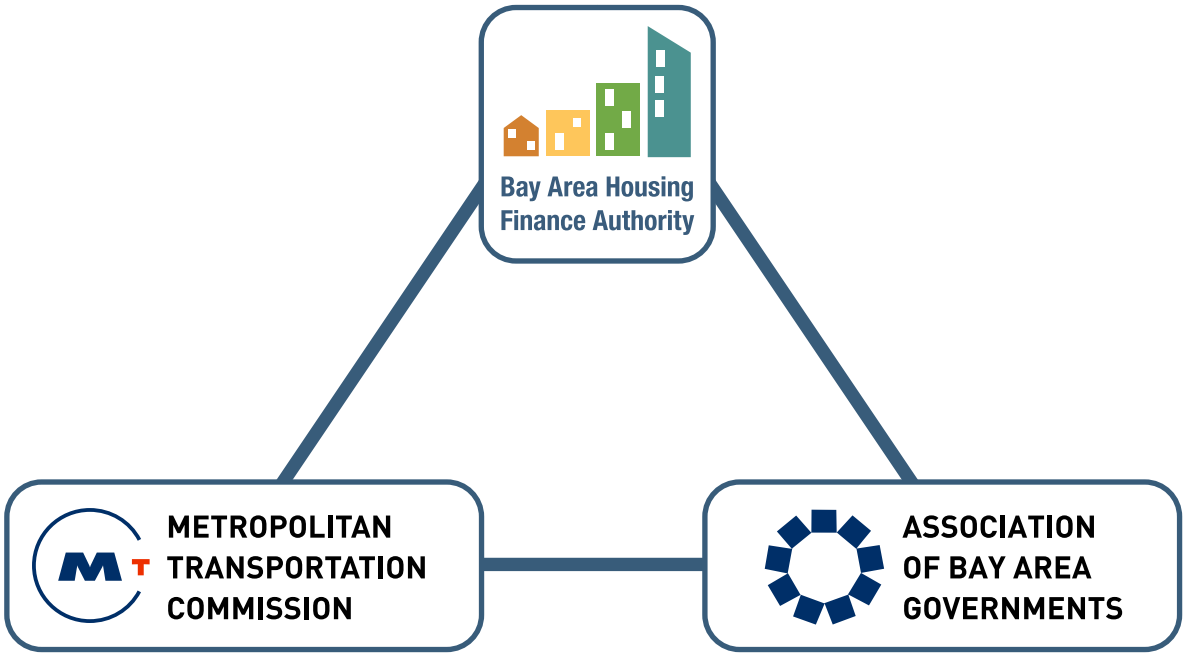
Conduit Bond Issuance. BAHFA is legislatively authorized to issue conduit bonds, on a taxable or tax-exempt basis, on behalf of affordable housing projects. As a conduit bond issuer, BAHFA can earn issuance and ongoing monitoring fees.

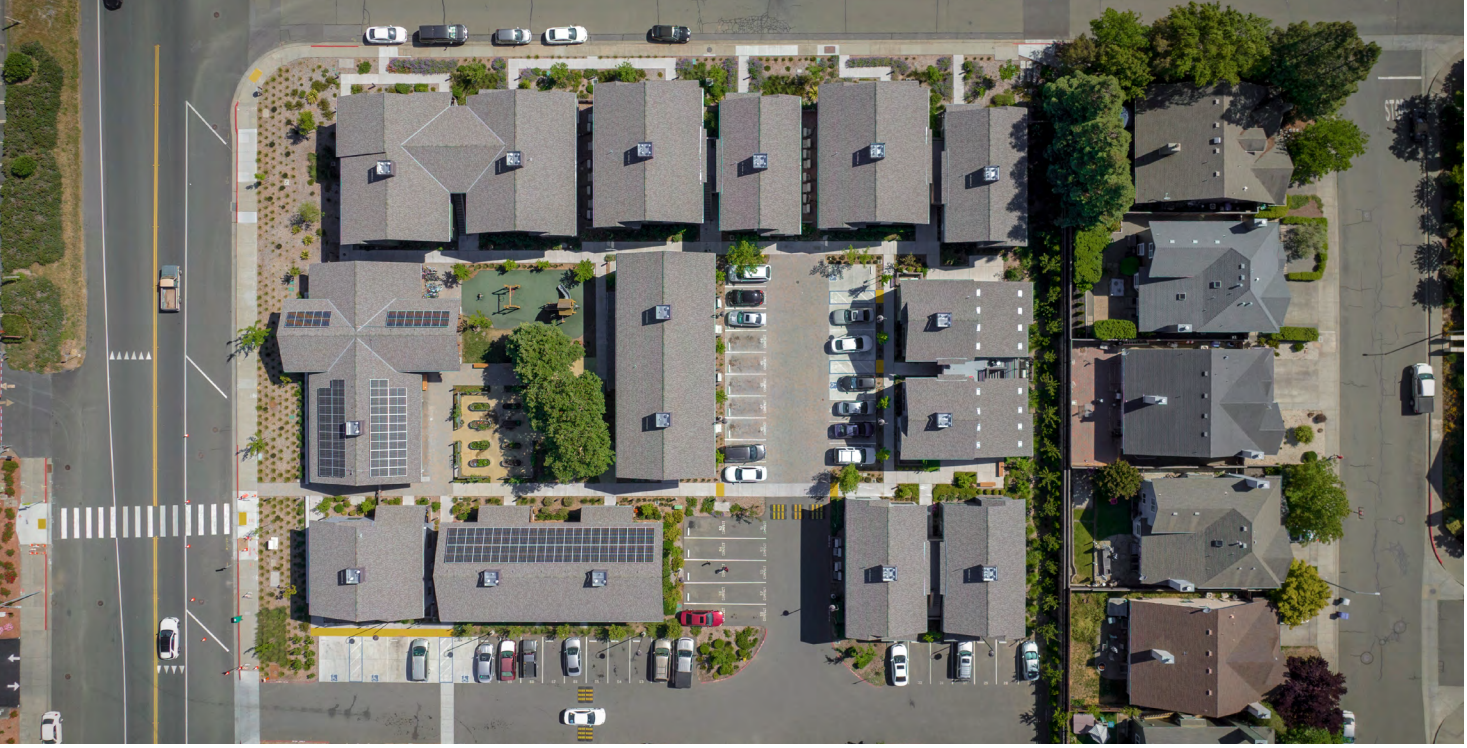
Regional Technical Assistance Programs. MTC and ABAG have long championed the expansion and diversification of the region's housing ecosystem through technical assistance programs designed to enhance the capacity of nonprofit developers, service providers, community-based organizations, and local jurisdictions' housing agencies and departments. BAHFA's mandate to provide regional leadership on housing makes it an important partner in supporting and amplifying these programs.

Contra Costa Centre, Contra Costa County
Photo: Karl Nielsen

MTC/ABAG Collaboration

BAHFA will coordinate with MTC and ABAG on housing-related programs, such as the Transit Oriented Communities (TOC) Policy and the Regional Housing Technical Assistance (RHTA) Program, among others. MTC's TOC Policy advances Plan Bay Area 2050 and pursues transit-oriented development goals that encourage transit ridership, reduce vehicle miles traveled and generally help facilitate car-free (and car-light) living. The RHTA Program, established in 2020 with one-time state funding from the Regional Early Action Planning Grant of 2019 (REAP 1.0), has provided cities with tailored technical assistance to complete their most recent Housing Elements and is transitioning to focus on supporting implementation. While BAHFA will not be the lead agency on these efforts, the agencies' shared staffing model (BAHFA, ABAG and MTC share a combined staff) as well as overlapping governing boards will facilitate a strategic and coordinated regional housing strategy.





Residential housing, Sonoma County
Photo: Karl Nielsen

Chapter 4:

Operations and Organizational Sustainability Plan

As a newly formed public agency, BAHFA will commence its work following a successful general obligation (GO) bond measure focused on two vital goals: administering its Funding Programs across the region and achieving financial sustainability. This chapter of the Business Plan describes BAHFA's revenue sources, recommended organizational structure and associated financial outcomes along with estimated units produced and preserved.

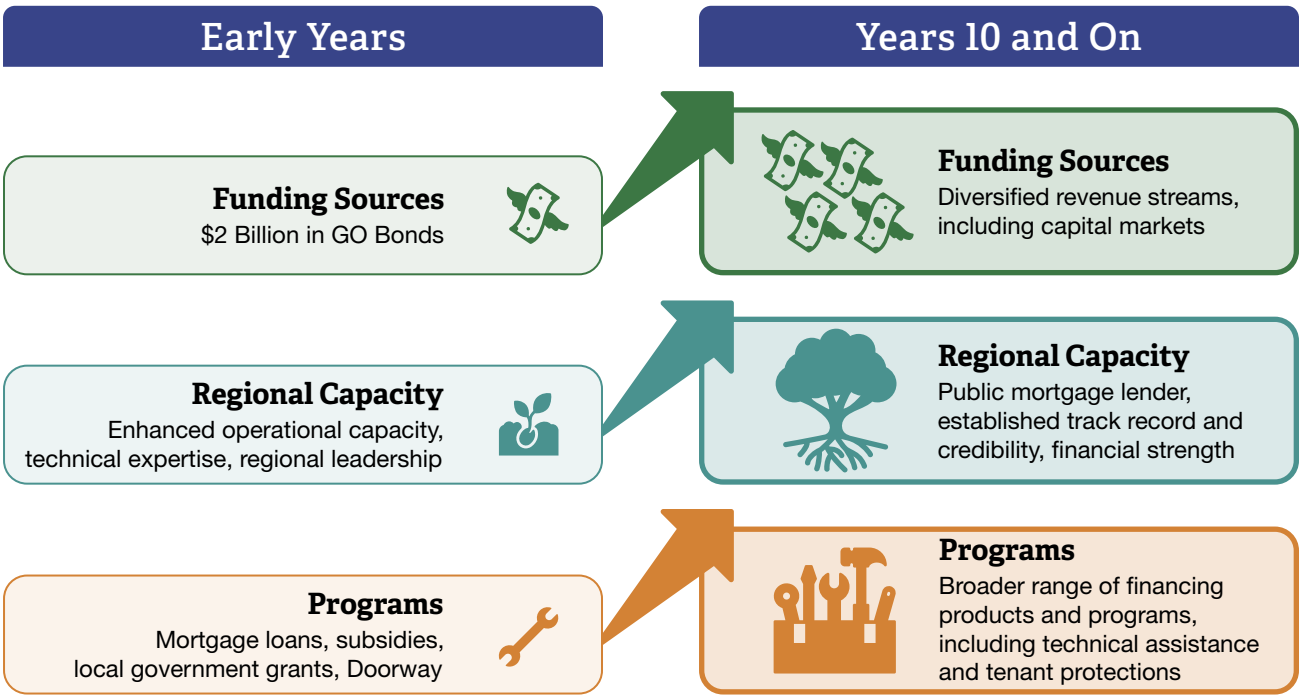
The growth of BAHFA's income, reserves and financial strength over time will allow it to access different types of capital (such as through the capital markets) and launch different types of products and programs, all while maintaining its self-sufficiency through careful planning by staff and stakeholders. This diversification of products and capital sources will create new opportunities for BAHFA to earn revenue and become a stronger organization financially. This beneficial, iterative process will complement other non-revenue generating activities such as tenant protections programming and technical assistance to jurisdictions. The breadth of experience, programs and types of capital that BAHFA is able to support can cement it as a leader in the Bay Area's housing finance ecosystem and a reputable advocate with state and federal policy makers, able to use its role to advance better rules and regulations regarding tax credits, tax-exempt bonds, and programs from the United States Department of Housing and Urban Development (HUD) and Federal Housing Administration (FHA) to enhance access to housing resources for the entire Bay Area.

High-rise apartment, Oakland
Photo: Karl Nielsen

BAHFA's organizational and operating approach benefits from the demonstrated success of the sustainable model used by several successful housing finance agencies around the country. Functioning on the surface like commercial banks or other lenders, these agencies generate revenue from interest and fees on loans for affordable housing projects. But unlike commercial banks, where net income is taken as profit and distributed to executives and shareholders, these agencies reinvest the revenues they receive back into affordable housing as subsidy loans. The New York City Housing Development Corporation, among others, offers proof of concept of this successful affordable housing financing strategy.

This is a "public lender" model that also will be used by BAHFA, where reinvested income can increase the number of new homes produced and create additional community benefits. The streamlining and simplification created when affordable housing developers can receive both subsidies and debt products from one source helps reduce projects costs, which further increases the resources available for more housing.

Figure 1. BAHFA's Growth



Public Lender Model: The New York Housing Development Corporation

Applying Lessons from New York to Achieve Scale and Self-Sustainability

BAHFA is modeled on the successful New York City Housing Development Corporation (HDC), which was established by the State of New York in 1971. Similar to BAHFA, HDC lends money to build and preserve affordable housing. **HDC is self-funding—meaning it neither requires nor receives any ongoing public financial support—and has grown to become one of the top-ranked financiers of affordable housing in the nation.** HDC's overall assets have dramatically increased over time, rising from $4.7 billion in 2003, to $13 billion in 2014, to $20.6 billion in 2021. HDC has a rental apartment portfolio of approximately 200,000 units.

HDC's scale, financial expertise and active management of its lending income are the fundamental reasons for its profitability. HDC earns revenue from three main sources:

- **"Spread" –** by actively and separately managing its income-earning project loans (assets) and the money it borrows from investors (liabilities), HDC is able to borrow at a lower rate than the interest rate at which it lends; the difference is known as the interest rate "spread" and enables the agency (rather than private banks) to capture the upside of bond financing.
- **Fees –** like other lenders, HDC charges fees for many of its financial products; though fees are modest on a per-project basis, they provide significant income given the volume of loans HDC makes.
- **Interest –** HDC invests its cash income, ensuring that every dollar "works" rather than "sitting" idly.

HDC's growth and profitability have been accelerated by its creative use of housing revenue bonds to raise funds from the private market. In New York, this is structured through the "Multi-Family Housing Revenue Bond Resolution" (also referred to as an "open resolution"). Since 1993, the open resolution permits HDC to raise private capital to fund new loans for housing projects. Each issuance of these project revenue bonds can be structured to handle a large volume of loans, enabling the capture of significant interest rate spread and serving as an engine for ongoing income. Revenue first covers the cost of HDC's operations, then surplus revenue is reinvested into more affordable housing as project subsidies. Since 2003, HDC has reinvested more than $3.4 billion of available revenue (in addition to providing over $27 billion in bond financing and other debt) to build and preserve affordable homes – at no cost to taxpayers.

New York HDC By the Numbers: 2017-2022

- **Bonds Issued:** $1.5 - $2.7 billion annually
- **Revenue Reinvested as Subsidy:** $102 - $325 million annually
- **Units Financed:** 9,600 - 15,000 annually

HDC acts as the equivalent of a specialized public mortgage lender, generating enough revenue to support its own operations as well as to provide a new source of housing subsidies. The self-financing capacities of HDC have evolved over decades; it will take time for BAHFA to reach the same level of impact and sophistication. However, BAHFA has a tool that was not available to HDC: the authority to issue general obligation bonds that can jumpstart BAHFA's lending with $2 - $4 billion of initial capital (20% of a $10 - $20 billion bond).

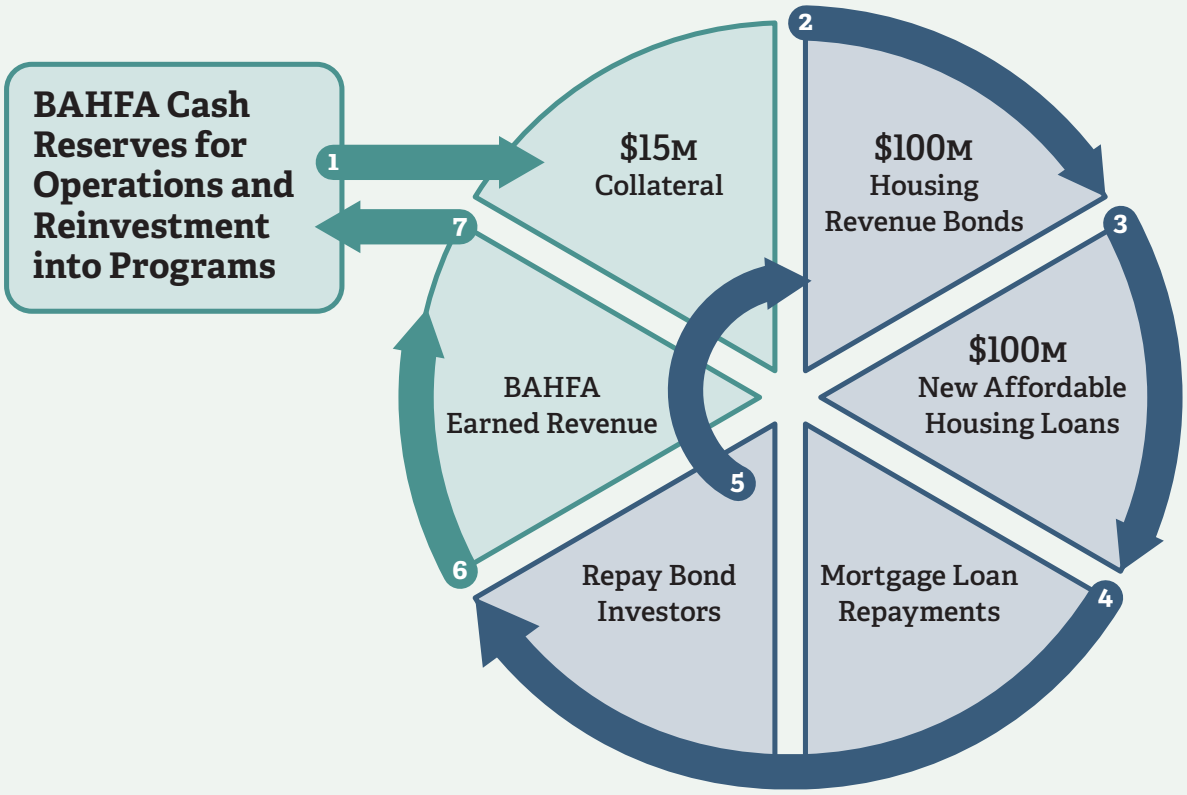
A general obligation bond is a unique opportunity to accelerate BAHFA's pursuit of the HDC public lending model that can, over a 10-15 year period:

- Support a diverse set of projects/programs;
- Generate sufficient revenue to support BAHFA's operations;
- Generate a new source of recurring funding for other programming;
- Support a business model without needing to continually raise funding through voter approved measures.

The New York Model in Action:

Sample Future BAHFA Housing Revenue Bond

Over time, BAHFA will generate earnings from its initial loan programs that use funds from the general obligation bond. This will enable BAHFA to create a cash reserve that can serve as collateral for future housing revenue bond issuances. **The diagram shows an example of how BAHFA could leverage $15 million in cash reserves to make $100 million in new affordable housing loans *and* produce an ongoing revenue stream to support the agency's future operations.**



1. BAHFA sets aside $15 million in cash reserves as collateral
2. BAHFA uses collateral to raise $100 million from investors through sale of housing revenue bonds
3. BAHFA makes $100 million in "must pay" loans to affordable housing construction and preservation projects
4. Borrowers make regular loan payments to BAHFA
5. BAHFA uses revenue to repay investors for the bonds
6. BAHFA retains revenue that exceeds the cost of debt servicing, generated from interest rate "spread" and fees
7. Revenue is used to support BAHFA's long-term organizational sustainability and further reinvest into future affordable housing programs.

4.1 Revenue Sources

BAHFA will have access to various revenue sources that can pay for administrative and operating expenses. Remaining funds generated from these sources after payment of expenses can be used by BAHFA to fund projects and programs in pursuit of its mission to address the Bay Area's housing needs, including by providing additional subsidies. Remaining funds can also be applied to strengthening BAHFA's financial position in conformance with best fiduciary practices and to enable efficient access to the capital markets in support of future lending activities.

The Business Plan anticipates that BAHFA's principal revenue sources will shift over time. In its early years, BAHFA will rely heavily on its administrative cost allowance from GO bond proceeds. Over time, BAHFA will become self-sustaining by funding its costs from revenue earned from its lending and financing activities.

BAHFA's anticipated revenue sources include:

PRINCIPAL REVENUE SOURCES

- **Allowable Administrative Costs.** The Act allows up to 5% of GO bond proceeds to be used for administrative costs necessary to implement the bond. Assuming a $10 billion GO bond, BAHFA would receive $2 billion, of which up to 5% – $100 million – would be available to cover BAHFA's administrative costs. Local jurisdictions would receive $8 billion, of which $400 million can be used for their administrative expenses. It is projected that the GO bonds would be drawn, and the corresponding administrative fund would be received, in installments over an estimated 10- to 15-year period. BAHFA and the counties and direct allocation cities do not have to draw on bonds in lockstep; the cadence and amount of each bond issuance may vary based on each jurisdiction's needs and how quickly each can deploy funds to support the 3Ps.
- **Lending Revenue from Funding Programs.** How BAHFA structures its Funding Programs will set the stage for its future success. Production and preservation loans will generate fees and interest that will support BAHFA, even after the bond proceeds are depleted. These revenues can be used flexibly for costs and investments incurred by BAHFA. Distinct from payments of fees and interest, repayments of principal on all GO bond-funded loans must be redeployed into new loans and subsidies that conform with statutory requirements for bond funding.

OTHER REVENUE SOURCES

- **Fees from Moderate Income Acquisitions.** BAHFA may issue project revenue bonds to acquire housing for moderate income households with incomes up to 120% of AMI. On these transactions, BAHFA may earn revenue from program management, bond issuance, and ongoing monitoring fees.
- **Fees from Conduit Bond Issuance.** In addition to bonds BAHFA may issue for the acquisition of moderate-income housing, BAHFA also may issue conduit bonds for other types of projects and earn issuance and ongoing monitoring fees.
- **Interim Reinvestment Income:** Excess revenue, or "cash on hand" that is not immediately redeployed into additional loans may be reinvested, on an interim basis, in permitted financial instruments. Permitted investments will be outlined in an approved investment policy. While safety and liquidity of funds will be the primary consideration, these investments will generate a rate of return. Example investment types may include U.S. Treasuries, bank certificates of deposit, commercial paper, and other instruments commonly included in the investment portfolio of California's public agencies.
- **Grants and Fundraising:** BAHFA must remain opportunistic and engage with federal, state, corporate and philanthropic funders regularly to seek additional funding opportunities when available, whether for programming or administrative costs. As noted earlier, BAHFA was launched from a $20 million appropriation from the state budget, which is expected to fund four years of business planning and staffing to launch pilot projects. BAHFA also successfully secured $18 million and $28 million of REAP 2.0 funding for Preservation and Production, respectively, as a passthrough of a portion of a formula grant that MTC received from HCD in 2023.

Affordable housing construction site, San Francisco
Photo: Joey Kotfica

4.2 Organization

BAHFA's organizational model is driven by implementation needs for the Funding Programs. This model anticipates that BAHFA will continue to leverage the existing staffing capacity at MTC (whose staff jointly support BAHFA and ABAG) while additional long-term staff focused on BAHFA work will be hired as needed and as ongoing resources become available. BAHFA likely will retain specialized consultants and third-party service providers to augment in-house staff.

A flexible organizational approach will be necessary. The assumptions used in BAHFA's business planning are based on staff and stakeholders' current understanding and research of project costs and market dynamics throughout the Bay Area. These assumptions are oriented around a specific point in time and are certain to change. Significant unknowns include:

- **The size and pace of GO bond issuances.** The business planning process tested a modestly-paced GO bond issuance scenario where BAHFA deploys its proceeds into Funding Programs from five equally-sized bond issuances totaling $2 billion over a 15-year period. It also considered an accelerated scenario with three equal issuances over 10 years. In either scenario, BAHFA's capacity increases rapidly to accommodate organizational needs; the magnitude of this increase would be even greater if additional GO bonds were issued or were issued more rapidly.
- **Market conditions.** The Funding Programs reflect current regional housing needs and are eligible uses of funds under BAHFA's legislative framework. The types of loan products and their associated terms will need to be monitored over time and periodically revisited, based on factors including construction costs, household income increases, interest rate environments and changes in other market factors. These factors affect: 1) the mix of loans and subsidies that affordable housing needs to be successful across the region; 2) the interest rates and fees BAHFA can charge on its loans while remaining competitive with other lenders; and 3) numerous other aspects of the Funding Programs and the agency's operating model.
- **The availability of leveraged funding sources for Production investments.** A substantial increase in the supply of these sources, such as low-income housing tax credits and tax-exempt private activity bonds, could create expanded opportunities for BAHFA to rely on these sources in its Funding Programs, and correspondingly impact BAHFA's approach to operating and delivering those programs.
- **The evolving nature of MTC/ABAG's and BAHFA's shared staffing model.** As contemplated by the Act, BAHFA currently uses MTC staffing, with a few staff members dedicated solely to BAHFA's work, and the rest of BAHFA's needs addressed by MTC in other departments. The operational framework presented in this Business Plan continues this model, with some increased staffing capacity supported by the bond issuance. As BAHFA's lending programs evolve in pursuit of BAHFA's long-term vision, it may require more dedicated staffing to most effectively and efficiently administer its new programs.
- **Loan portfolio performance.** Loans BAHFA makes to specific affordable housing projects may or may not perform as expected. The performance of loans within BAHFA's portfolio will affect BAHFA's revenues as well as the asset management and other organizational capacities it will need.

The ability to periodically assess and respond to these factors will help to ensure that BAHFA meets its goals of being financially self-sufficient while still providing needed products and services across the region.

4.2.1 Staffing Categories

The individuals supporting BAHFA early in its existence will be critical to create a strong organizational framework to deploy and administer the Funding Program, as well as to grow the expertise and organizational capacity that will enable these programs and the agency's regional leadership to expand over time.

Generally, staffing by MTC for BAHFA will fall within three categories:

- **BAHFA Leadership:** BAHFA's leadership will report directly to BAHFA/ABAG executive leadership and work very closely with members of the BAHFA and Executive Boards.
- **BAHFA Programmatic Staff:** BAHFA will need to hire new and retain existing staff to administer its real estate lending, asset management, Doorway, and tenant-protection business functions. As the agency matures, these hires will develop and implement administrative systems and procedures internal to BAHFA.
- **MTC Department Support:** Certain functional areas for BAHFA staffing and capacity are likely to remain dispersed across MTC sections, while others may migrate to BAHFA as dedicated programmatic staff over time. It is expected that BAHFA will continue to rely on MTC for human resources, technology services, legislation and public affairs, and contracting. Core business function areas such as legal, finance and treasury may migrate from MTC to BAHFA-dedicated staff over time as BAHFA builds upon these departments with expertise related to BAHFA's housing-related activities – though as noted above, additional study would be required to evaluate whether and when this should occur.

The balance between hiring additional staff to increase capacity and managing costs in consideration of available revenue will need to be actively managed. To maintain the optimal balance, BAHFA may outsource to third-party service providers and consultants short-term, one-time, or "surge" capacity needs, as could occur if the schedule of GO bond issuances creates uneven agency funding availability from year to year.

4.2.2 Roles and Responsibilities

The following **Table 1** describes the capacities and business functions that BAHFA will require, either through staff or contracting with third-party service providers and consultants.

Table 1. Potential BAHFA Staff Categories and Responsibilities

Functions	Description	Location and Strategy for Phasing
Leadership and Management	• Focus on organizational mission, alignment with policy objectives, and financial sustainability • Strategic business planning and pursuit of new opportunities and programs at the federal/state/local levels • Represents BAHFA's interests to related and partner organizations (e.g., MTC/ABAG) • Annual review of BAHFA and county expenditure plans in conjunction with BAHFA/ABAG finance staff and governing boards	• Capacities provided in-house, reporting to MTC Executive Team • Supporting leadership (e.g., deputy) may be added over time
Real Estate Lending: Production and Preservation	• Originations: develop Notices of Funding Availability, score projects, develop/issue term sheets to selected projects, collaboration with local jurisdiction housing staff • Underwriting: perform financial/credit analysis on potential projects, produce credit memos, utilize internal term sheets as guidelines • Closings: loan closings and coordination with internal parties and external lenders/investors • Construction monitoring • Project close-outs • Provision of underwriting assistance to jurisdictions that request it, including creation of template budgets, checklists, and loan documents	• Capacities provided in-house; during peak periods, contracted 3rd party underwriters may be needed • Staff includes lending leadership, supported by lending staff, loan servicers, and construction engineer(s)
Asset and Risk Management	• Fiscal management of loan repayments and asset investments (e.g., processing construction draws, coordination with accounting and finance staff) • Regulatory and asset compliance monitoring and reporting (e.g., monitoring the ongoing physical condition of projects, monitoring the fiscal performance of the projects and their respective borrowers, collect required reporting related to the Equity Framework)	• Some capacities including asset management leadership provided in-house; supported by 3rd party asset management service providers

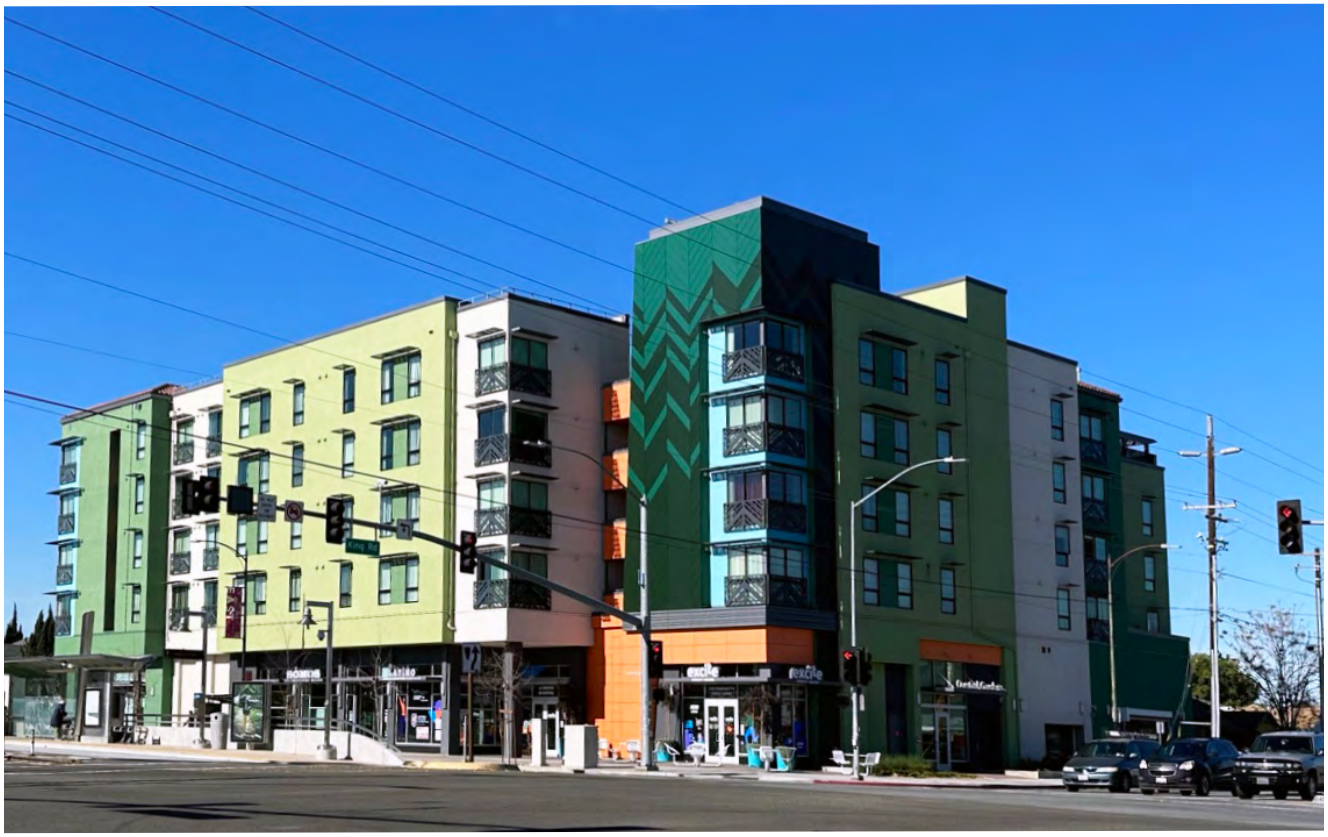
Functions	Description	Location and Strategy for Phasing
Finance and Treasury	• Implement key financial systems during start-up • Management of GO bond issuances, cash flow, and debt repayments • Assist management staff to track organizational financial sustainability • Management of BAHFA's operating budget • Oversee authority financials, cash management and reserve investments	• At the outset, finance leadership will be leveraged from MTC, supported by loan servicers and accounting staff
Accounting, Loan Servicing, and Budgeting	• Disburse loan funds (construction draws, subsidy loans, or permanent loans) in coordination with asset management and real estate lending staff • Project accounting and progress reporting for loan portfolio • Ongoing income and expense management • Coordinate with fund auditors on annual audits	• Capacities housed within MTC or provided through dedicated staff
General Counsel	• Oversee BAHFA's legal affairs: real estate lending, bond issuances, interpretation of authorizing legislation, regulatory compliance and other corporate affairs • Coordinate with outside counsel as needed	• Capacity housed within MTC's Office of General Counsel, but dedicated to housing-related legal matters
Outside Counsel	• Drafting template loan agreements at start-up • Transaction documentation (using loan templates) for Production/Preservation loans • Represent BAHFA on bond issuances	• Third-party counsel to be engaged as needed to support specific projects or on bond issuances
Protections	• Tenant protections program management	• Capacities provided in-house
Doorway	• Develop and manage regional housing application online platform	• Capacities provided in-house; contracted 3rd parties, such as software engineers, may be used for technical development and maintenance
Supporting MTC/ABAG Departments	• Administration and Human Development • Technology Services, employee IT support • Facilities and Contract Services • Legislation and Public Affairs • Regional Planning Program	• Capacities leveraged from MTC/ABAG as needed

4.3 BAHFA's Projected Net Income

Modeling of BAHFA's income and expenses was conducted for both "modestly-paced" and "fast-paced" GO bond issuance scenarios, with varying mixes of Production and Preservation project typologies consistent with the Funding Programs. The modeling produced the following estimates:

- BAHFA may accrue **$150 million to $165 million of cumulative net income** over the first 10-15 years, which can be used to support operations, programs and longer-term capital markets endeavors.
- After fully expending GO bond funds in Years 10-15, the agency may generate **annual net income of approximately $10 million to $17 million**.

These scenarios depend on assumptions related to the projects funded within each of the Funding Programs, the revenue BAHFA can generate as a result and the associated expenses for the programs. Each scenario was tested for its ability to withstand periods of stress and poor market performance. ***Under a wide range of scenarios, BAHFA can achieve financial self-sufficiency while still growing as an agency to help support its ability to secure new capital resources and provide new investments and subsidies.***



Affordable housing apartment building, Santa Clara County
Photo: Courtesy of Resources for Community Development

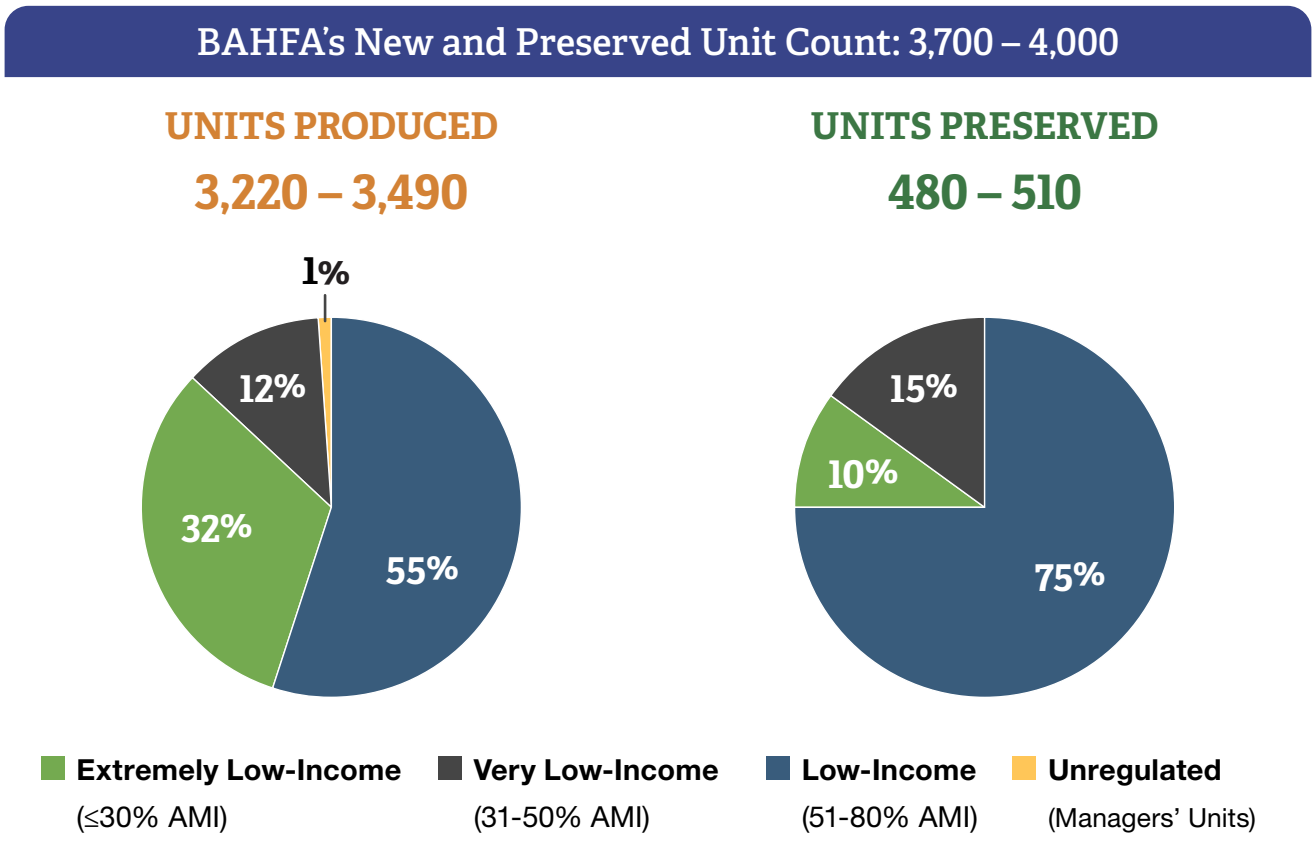
4.4 Units Produced and Preserved

A primary goal of BAHFA's financial modeling is to estimate a range for the number of units BAHFA's funding can help to produce or preserve. As with other planning estimates, these estimates are highly variable and depend on factors such as market conditions. Importantly, the pace at which BAHFA receives GO bond proceeds and the pace at which it disburses those funds, as well as the project costs and need for additional funding, will affect how many units can be built and preserved. Units financed by BAHFA may also be funded in part, or not at all, from funding counties and cities would receive directly from BAHFA's anticipated GO bond measure.

Assuming a $10 billion GO bond, BAHFA's 20% share of the funds is expected to produce and preserve 3,700 to 4,000 housing units. This assumes that approximately 45% of BAHFA's funding for new construction projects supports extremely low-income ELI and very low-income (VLI) households, matching the Regional Housing Needs Allocation target of 45% for ELI and VLI housing as a share of housing at or below market rates.

When combined with the 80% of GO bond funds that will be administered by counties and direct allocation cities, the estimated total unit count expands to 35,000 to 40,000. If the regional GO bond were sized at $20 billion, these numbers would double. Additional detail related to the allocation of units produced and preserved with BAHFA's 20% share of bond funds is provided below.

Figure 2. BAHFA's Projected New and Preserved Homes



4.5 Policies, Procedures, and Reporting

BAHFA's ability to disburse its capital to support projects across the Bay Area, as well as to maintain an efficient and effective operating structure, relies on strong internal policies and procedures for administering the Funding Programs and other activities. Streamlined internal guidelines and processes will also help to minimize costs over time. BAHFA will need to clearly define its role, its offerings and its criteria with respect to its programs, and will need to have internal standards and mechanisms to identify, prioritize and interact with transaction counterparties and other stakeholders.

4.5.1 Pipeline Development and Applicant Solicitation Strategy

BAHFA's ability to build a strong pipeline of projects to finance will depend on its relationships with stakeholders, developers and lenders across the region. Clear and flexible criteria for how funding applications are evaluated will also be important. BAHFA will need to clearly communicate its funding approach so potential borrowers, lending partners and counterparties know how and why they should do business with BAHFA.

For each Funding Program as well as any other future programs that BAHFA may launch, prospective borrowers and service providers (as in the case of BAHFA's Protections and Homelessness Prevention programming) will be solicited via Notices of Funding Availability ("NOFAs") or Requests for Proposals or Qualifications ("RFPs" or "RFQs") or similar mechanisms.

These solicitation documents will be specifically tailored to each program and will request that applicants submit proposals or responses that describe how their projects or organizations meet underwriting guidelines or criteria described in the NOFA, RFP, or RFQ, and how the project or organization will help BAHFA meet its programmatic goals and equity objectives. The solicitation will describe the type of funding BAHFA is making available, requirements associated with the funding, and other criteria or priorities. The solicitation also will list any supporting documentation that a developer or organization should provide alongside their application or proposal. Broad outreach and strong partnerships will be essential to the success of BAHFA's NOFA and RFP/RFQ issuances. The types of local partners, and their ability to contribute to BAHFA's pipeline development process, are further described in **Table 2**.

Table 2. Anticipated Pipeline Development Partners

	Local Housing Agencies and Departments	Affordable Housing Developers and Service Providers	Financial Institutions and Intermediaries
Description	Staff at local housing agencies and departments (cities and counties) with knowledge of their own financing programs, as well as BAHFA's.	Affordable housing (production and preservation) developers with a pipeline of projects in need of funding that aligns with the Funding Programs. Service providers are those that support tenant protection measures and homelessness prevention.	Banks, community development financial institutions (CDFIs), and other lenders providing loan products to support housing developers and service providers.
Pipeline Development Strategy	Local housing, homelessness prevention staff, and housing authorities are best positioned to know and respond to their constituents' needs. For projects or programs where local agencies can provide resources such as rental subsidies, BAHFA may partner and provide loans directly or through a solicitation process. Local agencies may also direct their resources towards some projects, while referring other projects that meet scoring criteria to BAHFA.	Developers and services providers are likely to be the principal applicants for most BAHFA funding opportunities. These organizations will be the entities assembling financing to move their projects forward, and rely on various sources of upfront, construction and permanent financing to make their projects financially feasible.	Banks and CDFIs commonly provide short-term or interim financing that requires subsequent take-out by construction or permanent-phase loans and subsidies. By maintaining close relationships with other funders, BAHFA can coordinate on fully meeting projects' capital funding needs.

4.5.2 Underwriting Guidelines and Project Term Sheets

Underwriting guidelines outline the general terms and conditions expected to apply to all loans under a specific program. They provide parameters for borrowers to structure production or preservation projects in a manner that meets both BAHFA's financial and equity requirements, and are foundational for BAHFA's staff, consultants, and governing boards to be able to underwrite and manage lending risk.

The parameters set forth in BAHFA's underwriting guidelines should be clear and prudent, but also provide for potential exceptions to specific criteria for especially high-impact, policy-aligned projects. All guidelines should be revisited periodically and updated based on program performance and market needs. It is recommended that BAHFA establish underwriting guidelines that address the areas described below in **Table 3**.

Table 3. Underwriting Guideline Components

Financing Terms	Loan terms for all BAHFA lending products such as term, maximum loan amounts, interest rates, fees, security, repayment provisions
Project Eligibility	Parameters for projects eligible to apply for BAHFA funding such as household income levels, Funding Program category, achievement of Equity Objectives
Sponsor Eligibility	Parameters for project sponsors/developers eligible to apply for BAHFA funding
Borrower Underwriting Assumptions	Requirements for borrowers' underwriting proformas such as vacancy allowance, debt coverage ratios, operating/replacement/other reserve requirements, developer fees, and surplus cash flow sharing
Ongoing Project Requirements	Ongoing project reporting or certification requirements related to unit affordability, leasing, financial reporting, equity metrics, or other requirements

Once a project is selected to receive a loan, a non-binding commitment is issued to the project borrower. A lender's commitment to a borrower typically is provided in the form of a "term sheet" that outlines the basic terms and conditions of the loan for a specific project, prior to entering into binding loan agreements.

4.5.3 Underwriting

Using BAHFA's established underwriting guidelines, once a project is offered a preliminary loan commitment, BAHFA staff or its contracted consultants will perform quantitative and qualitative analysis on potential projects, addressing risks and mitigants, as summarized in an underwriting memo with the following components.

Table 4. Underwriting Memo Components

Financial	• Assessment of the borrower's ability to complete construction or rehabilitation of the proposed project, including review of budgeted costs, contingencies, and developer and contractor capacity • Assessment of the borrower's ability to repay any project loans, including analysis of the sufficiency of project income and expense cash flows, debt service coverage ratios, interest reserves, and borrower financials • Downside risk analysis relating to identified areas of risk, and potential mitigants
Legal and Reputational	• Legal due diligence and risk assessment of borrower, projects, and service providers • "Know your customer" analysis; identification of potential reputational risks • Jurisdictional support from city or county
Technical	• Engineering assessment of construction or rehabilitation feasibility, reasonableness of cost estimates, construction risks and overall project management risks • Contractor due diligence, and service provider diligence as applicable
Equity Impact	• Evaluation of how the project achieves BAHFA's programmatic goals and Equity Objectives

4.5.4 Loan Approvals

BAHFA is likely to follow MTC/ABAG's existing framework for securing approval of loans, subsidies and grants it makes, as follows:

FULL APPROVALS PROCESS

- Staff develop project selection criteria, such as funding guidelines, NOFAs, RFP/RFQs, Requests for Letters of Interest, etc.
  - Staff requests a recommendation of approval from the relevant Committees (e.g., the BAHFA Advisory and Oversight Committees).
  - The Board acts on the Committees' recommendations and adopts the policy (subject to any adjustments made by the Board).
- Staff issues the relevant solicitation document approved by the Board, evaluates proposals, and selects those that meet the published project criteria and rank highest according to published criteria.
- Staff returns for approval of the selected developers/awardees to the relevant Committee and Board.

DELEGATED APPROVAL PROCESS

- After approval of the project selection criteria documentation, the Board may also delegate final approval authority to the MTC Executive Director (or their designee) for the purpose of expediting the approvals process.

Fairmont Navigation Center, San Leandro
Photo: Mark Jones

4.5.5 Ongoing Risk and Asset Management

Once a project receives BAHFA funding and through the term of the funding, BAHFA will require regular borrower reporting as part of its ongoing asset and risk management functions. At minimum, reporting should include:

- Monthly construction or rehabilitation status reports
- Annual borrower and project financial statements
- Equity metric reports

BAHFA staff will monitor and report on all loans, individually and portfolio-wide, to keep BAHFA leadership apprised of loan performance and any areas of concern. In cases where a loan or a program shows significant credit weakness, deterioration or defaults, staff will develop, recommend and conduct work-out strategies to protect BAHFA's financial, programmatic and equity interests in the transaction.

Affordable housing apartments, Contra Costa County
Photo: Courtesy of Resources for Community Development

4.5.6 Coordination with Local Jurisdictions

For BAHFA's programs to drive the regional change stakeholders have set out to accomplish, the importance of strong coordination and support between BAHFA and local jurisdictions cannot be overstated. Cities and counties have their own existing, internal funding resources and will receive 80% of any funds raised pursuant to a BAHFA GO bond.

Local governments also have the best sense of the affordable housing needs and priorities within their local markets. Cities and counties are well-positioned to strategically combine BAHFA as a technical assistance provider with their own resources in a way that expands their local pipeline of affordable housing projects.

Capacity at local housing departments and housing agencies is not equal across the Bay Area. Certain cities and counties have access to more resources and have higher levels of staffing expertise than others. This results in a disparate approach to tackling housing affordability and instability across the region, with greater activity concentrated in the jurisdictions that have greatest access to resources and expertise. Lower-capacity agencies and departments may not be able to push as many high-impact projects forward, and may also slow the adoption of best practices and methodologies across the region.

If a BAHFA GO bond measure is successful, the ability for these dollars to flow into transformative projects across the region will rely on both BAHFA and local housing department and agency staff having the capacity and expertise to deploy these funds. With an unequal distribution of funding and capacity across the region, BAHFA has the ability and opportunity to act as a regional clearinghouse and provider of technical assistance. BAHFA already has begun regular convenings of local housing department staff to share best practices and keep other housing departments aware of new housing projects in the pipeline in their jurisdictions. BAHFA intends to continue holding regular convenings, particularly if the voters approve an influx of funding from a GO bond. These convenings also give BAHFA the opportunity to share updates about BAHFA's funding and pilot programs with representatives of local jurisdictions.

Stakeholders indicate another major hurdle in completing Bay Area housing projects is the disparity between funding documents and requirements across jurisdictions, the state, and federal sources—and the time and expense it takes to develop these internally. BAHFA will make templates for its loan agreements and supporting documentation (e.g., regulatory agreements, subordination agreements, pro formas) available, so jurisdictions that may not have the resources or time to develop these on their own can refer to samples provided by BAHFA.

Over time, BAHFA intends to build its own internal capacity for supporting jurisdictions in their underwriting of new projects and asset management of existing portfolio projects. This may mean staffing up internally so that BAHFA is able to support jurisdictions that do not have their own dedicated underwriting or asset management staff, or identifying a pool of consultants and third-party support that jurisdictions could use.

4.5.7 Communications and Reporting

BAHFA will regularly provide financial and programmatic reporting to its governing boards. To maximize transparency, these reports will be made available to the public.

Pursuant to the requirements of the Act, BAHFA also will:

- Provide annual audits and financial reports;
- Hold at least one public meeting regarding relevant plans or proposals that BAHFA is considering implementing;
- Submit an annual Regional Expenditure Plan to its governing boards outlining BAHFA's use and priorities for spending GO bond proceeds; for subsequent expenditure plans submitted to the boards, BAHFA will report on the allocations and expenditures to date of projects and programs funded by BAHFA, as well as its progress in meeting 3P funding requirements; and
- Submit an annual report to the State Legislature as required by state law outlining BAHFA's use and allocations of its funds and of funds controlled by counties and cities receiving allocations of GO bond proceeds, including description of projects that have received funding, their status, and associated household income levels.

The Equity Framework outlines additional reporting recommendations to convey to the public and stakeholders BAHFA's progress in meeting its Equity Objectives. BAHFA may choose to consolidate this reporting into its annual expenditure report, which is reviewed and approved by its advisory and governing committees and boards, or may produce a separate, standalone report that specifically addresses progress in relation to the Equity Framework. Strategies BAHFA will use for equity reporting, as well as the suggestions for ways in which BAHFA can collect, analyze, and report on data, are further discussed in the "Accountability and Implementation Strategies" section of Appendix 1: Equity Framework.

New housing, Oakland
Photo: Karl Nielsen

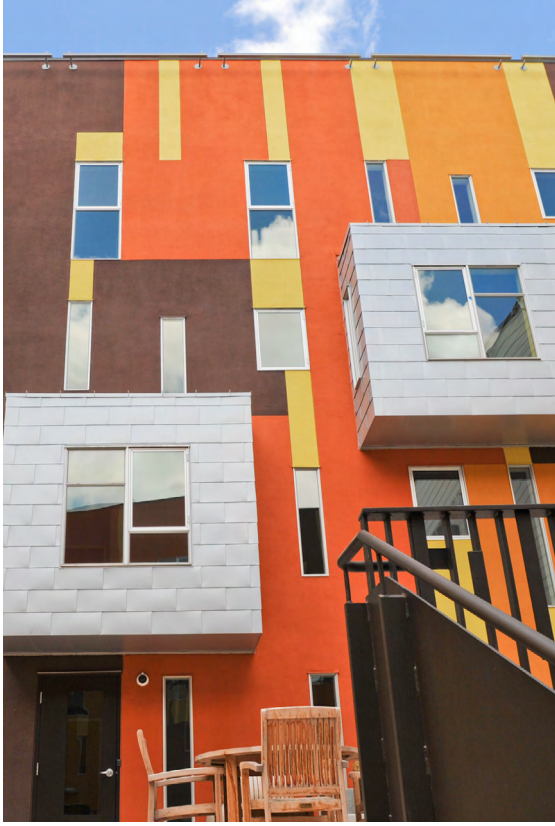
Chapter 5:

Conclusion

Since 2018, BAHFA has moved from an ambitious idea posed by housing stakeholders to an established regional organization actively advancing the 3Ps. Now, after several years of hard work and determination to create a better system, BAHFA is poised to take its next step – seeking unprecedented affordable housing resources for the nine-county Bay Area. With voter approval of a regional GO bond, BAHFA will help produce more housing, protect vulnerable residents, heal systemic inequities, and respond to climate change.

BAHFA will be precedent setting. As California's first regional housing finance authority, it will bring together new tools and resources that have never before been available for collaborative deployment across multiple jurisdictions. By using its unique combination of powers and revenue to coordinate policy, create innovative financing programs, and provide technical assistance within an Equity Framework, BAHFA can remake how the Bay Area meets its interconnected challenges and help to secure its continued vibrancy.

This Plan has been shaped by the communities, individuals, and organizations that have shared their vision for what BAHFA can become and the more equitable and affordable Bay Area it can make possible. These voices will continue to be essential to BAHFA, ensuring that the foundation set in this Plan can continually be strengthened to meet the needs of the region for generations to come.



Bay Area Housing Finance Authority Business Plan

Appendix 1: Equity Framework

Updated February 2024

Bay Area Housing Finance Authority

Contents

Introduction 1

Purpose of the Equity Framework 2

Affirmatively Furthering Fair Housing 3

The Equity Framework Development Process 4

Structure of the Equity Framework 6

Equity Objectives and Metrics 8

Production 9

Production Objectives. 9

Production Metrics 10

Production Opportunities and Challenges 12

Preservation 14

Preservation Objectives 14

Preservation Metrics 15

Preservation Opportunities and Challenges 16

Protection. 18

Protection Objectives 18

Protection Metrics. 19

Protection Opportunities and Challenges. 20

Cross-Cutting. 22

Cross-Cutting Objectives 22

Cross-Cutting Metrics. 23

Cross-Cutting Opportunities and Challenges. 24

Regional Leadership and Technical Assistance 25

Equity Framework Accountability and Implementation Strategies 27

Social Equity Goals 30

Conclusion. 34

Appendix 1 Endnotes 35

Cover images, from left: Station Center in Union City, photo by Bruce Damonte, courtesy of Midpen Housing; Rene Cazenave Apartments in San Francisco, photo by Tim Griffith, courtesy of Bridge Housing; Armstrong Place Senior Housing in San Francisco, photo by Julio Cesar Martinez, courtesy of BRIDGE Housing

Half Moon Village in Half Moon Bay
Photo by Bruce Damonte, Courtesy of MidPen Housing

Introduction

ACROSS THE BAY AREA, countless residents are experiencing the pain of insurmountable housing costs that have been escalating for years. Living one paycheck away from eviction, in overcrowded or unsafe conditions, out of a car or tent, and other harsh realities are the lived experience of the crisis. People are moving to the edges of the region, the climate crisis is worsened by "mega commutes," employers have difficulty hiring workers, and community networks are disrupted as people are displaced.

The harmful impacts of the Bay Area's chronic affordability challenges are far from equally distributed. Low-income communities as well as Black, Indigenous and other People of Color (BIPOC), immigrants, people with disabilities, and other members of protected classes are underhoused or unhoused at persistently higher demographic proportions. BIPOC residents own their homes at a rate of 49%, compared to 63% of white residents.[1] 25% of BIPOC renters experience extreme rent burden compared to 20% of white renters,[2] with Black renters experiencing the most burden. Despite making up less than 7% of the region's population, Black residents comprise nearly 30% of people experiencing homelessness.[3]

BAHFA recognizes that an equitable regional housing system and equitable housing conditions cannot be achieved by a single agency alone, but that the new regional agency has a critical role to play.

In the context of race, these disparities are the direct result of explicitly discriminatory policies and practices, such as redlining and racial covenants, as well as ostensibly race-neutral, but implicitly discriminatory, mechanisms such as exclusionary zoning.[4] Research has documented how, throughout the Bay Area's history, local public and private sector institutions used housing policies and practices to exclude people of color, and in several cases, established models for exclusion that were replicated throughout the rest of the U.S.[5] This legacy, alongside other ongoing forms of structural racism,[6] continues to shape patterns of segregation and disparities in life outcomes across the region today.[7]

The Bay Area Housing Finance Authority (BAHFA) is committed to advancing racial and social equity by confronting the structural drivers of disparities in access to housing. BAHFA defines equity as "inclusion into a Bay Area where everyone can participate, prosper, and reach their full potential."[8] Because housing is a cornerstone of health, opportunity, and belonging, equity can only be achieved if every person has a stable, affordable, and safe home.

The challenges of untangling the centuries-long threads of structural racism, ableism, classism and other forms of marginalization – all while building a new institution and responding to the urgency of the region's affordability challenges – are immense. BAHFA is committed to an equity-focused approach that values diversity as a strength from which everyone benefits, and which involves taking proactive steps to include communities that are most impacted by structural racism and housing insecurity. This means:

- Pursuing targeted strategies that actively reduce housing disparities faced by impacted communities, and furthermore, seeking to transform housing systems in ways that better enable the Bay Area to strive towards a future where housing is treated as a human right;
- A commitment to ongoing equity analyses, evaluation, iteration, and accountability as BAHFA develops its own institutional practices and infrastructure for equity; and
- Aligning with other public, nonprofit and private institutions in the broader effort to end structural racism and inequitable systems that perpetuate housing insecurity.

Drs. Julian & Raye Richardson Apartments in San Francisco
Photo by Bruce Damonte, Courtesy of HomeRise

A comprehensive set of strategies that account for the particular capacities and barriers of every community will allow BAHFA to move the region toward a future where every Bay Area resident can thrive with a safe and affordable home. A future where residents from all walks of life – teachers, first responders, and service workers, families, veterans, and people with disabilities – are free to pursue their dreams, feel connected to their neighborhoods, and access the amenities that make the Bay Area such a great place to live. A future where the Bay Area's racial and ethnic diversity is preserved and recognized as one of its core strengths, where everyone – Black and white, Latinx and Asian, and Indigenous – can comfortably call the Bay Area home.

Purpose of the Equity Framework

The Equity Framework serves as the foundation of the BAHFA Business Plan. It articulates BAHFA's commitments to advancing social equity and sets objectives for BAHFA's impact on equity through its regional Funding Programs.

The Funding Programs, which are funded by the 20 percent of regional housing revenue that BAHFA directly oversees, serve as the implementation plan for the Equity Framework within BAHFA's statutory mandate. For the remaining 80 percent of "return to source" revenue, BAHFA plans to work with counties and other direct allocation jurisdictions to determine how the Equity Framework can be applied within their local expenditure plans and reporting systems. As a new institution, BAHFA has a rare opportunity to integrate equity at its foundation and at every stage of its organizational development. This will involve building practices and an organizational culture where equity is a central and driving consideration, not simply an isolated analysis late in the process of program design or decision-making.

The Equity Framework of the Business Plan is both a reflection of this dynamic and a blueprint for how BAHFA can deliver on this commitment in the years and decades to come.

Affirmatively Furthering Fair Housing

Affirmatively Furthering Fair Housing (AFFH) is a thread woven throughout the Equity Framework. AFFH is rooted in the Fair Housing Act (1968), which requires the U.S. Department of Housing and Urban Development (HUD) and its grantees to take proactive steps to further fair housing and end segregation. In 2015, HUD established a rule on the obligation to affirmatively further fair housing, though this rule was suspended and ultimately repealed by the Trump Administration only to be partially reinstated by the Biden Administration in 2021. During these shifts at the federal level, the State of California adopted Assembly Bill 686 (Santiago, 2018) to codify and expand the 2015 federal AFFH rule as a matter of state law. Under California law, all state and local public agencies must affirmatively further fair housing through all programs and activities related to housing and community development.

> **Affirmatively Furthering Fair Housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.** - *California Gov. Code Section 8899.50(a)(1); 24 C.F.R. Section 5.151*

A regional AFFH framework does not mean that the same policies or programmatic interventions must be applied across all of the region's cities, neighborhoods, or populations.

All of the Bay Area's 109 local jurisdictions have a responsibility to AFFH through their own actions and policies. Local change is essential, but because racialized and other disparities in access to housing and opportunity are shaped by regional dynamics of the housing market, BAHFA recognizes that local jurisdictions' efforts must be complemented by a regionwide fair housing framework.

A regional AFFH framework does not mean that the same policies or programmatic interventions must be applied across all of the region's cities, neighborhoods, or populations. The region's housing crisis is multidimensional; therefore, addressing its many layered causes and impacts will require multiple strategies that add up to a targeted universalist approach.[9] While they should all point to the same overarching goal of equitable and fair housing, different strategies are needed to target the distinct forms of inequity experienced by individual communities, especially those most deeply impacted by housing insecurity. The strategies must each respond to how different groups are situated within structures, across geographies, and as a result of historic and structural harms that shape their access to housing.

While a comprehensive approach is essential, housing strategies are often framed as "either/or" choices: social mobility or community reinvestment, developing housing at greater scale or providing deeper affordability, immediate responses to urgent needs or long-term transformative solutions, individual wealth building or collective wealth building. These different strategies can indeed be in tension with each other and require difficult tradeoffs, especially in the context of limited resources.

The Equity Framework Objectives reflect the need to hold, and eventually overcome, these tensions by taking a "both/and" instead of an "either/or" approach. For example, this means:

- Investing in expanding access to existing high-resource areas for low-income and other marginalized households, while also investing in existing lower-resource areas to stop displacement, maintain cultural vibrancy, and improve overall quality of life for existing residents;
- Investing in tried-and-true programs that can match the scale of the region's housing shortage that disproportionately impacts people of color, while also investing intentionally in emerging and/or community-led organizations even if they are currently operating at a smaller scale

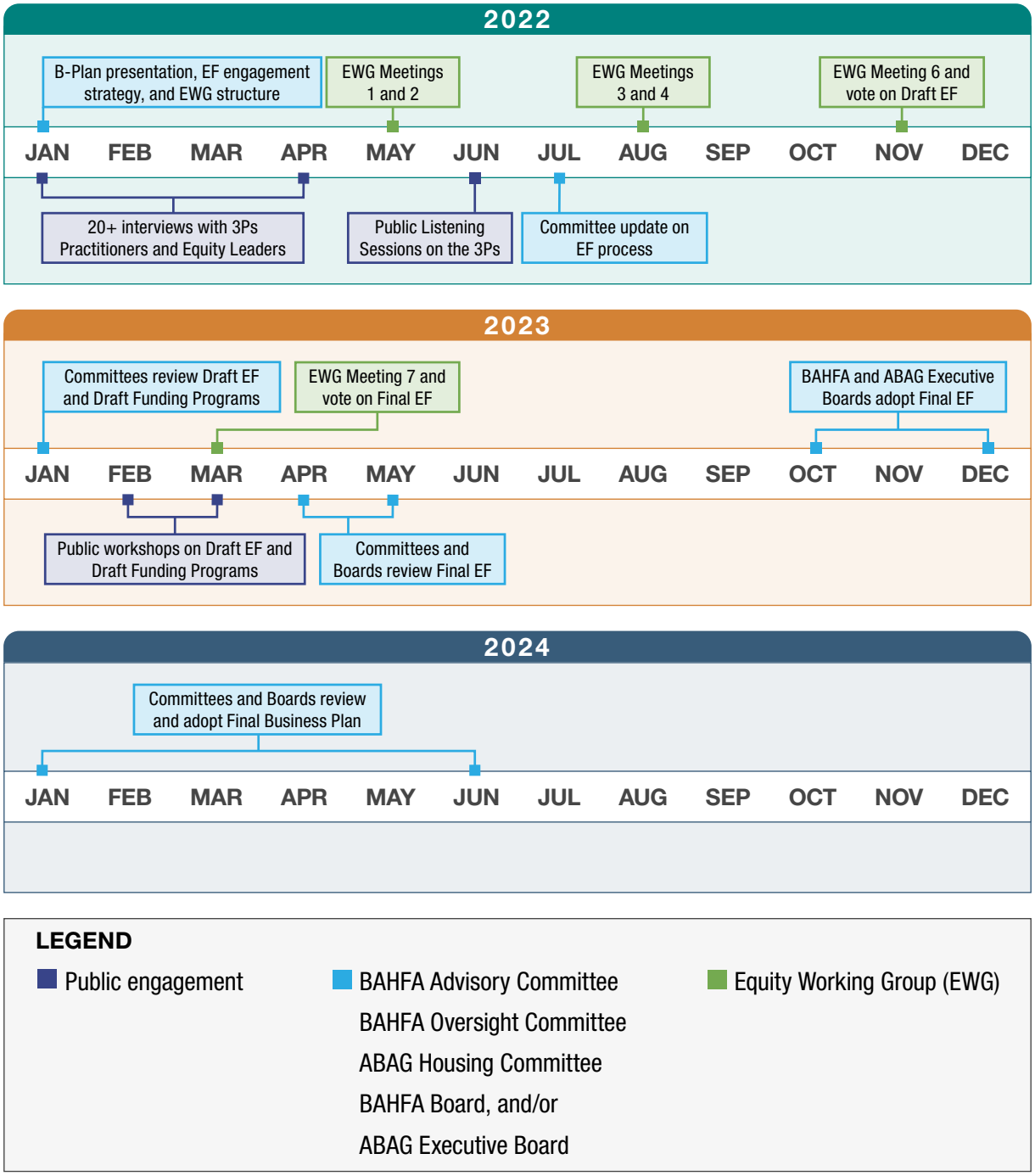
The Equity Framework does not conclusively resolve these tensions. Rather, it calls for ongoing analysis and engagement to define a comprehensive "both/and" strategy that effectively prioritizes and balances all of the region's needs. Through regular reporting on the metrics defined in the Equity Framework, along with other accountability and implementation strategies named in this report, BAHFA will continually evaluate, and when needed, recalibrate, its "both/and" approach.

The Equity Framework Development Process

To create the Equity Framework, a team led by the Othering and Belonging Institute at UC Berkeley (OBI) facilitated a planning process designed to achieve broad public access and be deeply informed by the communities who have been most impacted by housing insecurity. This planning process included:

- **Interviews:** over 20 interviews with housing and equity leaders involved in housing production, preservation, and protection.
- **Public Listening Sessions:** three virtual public listening sessions held in June 2022, during which 138 residents discussed and provided recommendations on draft goals, objectives, and metrics. Invitations for the sessions were distributed to over 300 stakeholders and 175 local government staff working across all 3Ps.
- **Equity Working Group Sessions:** several meetings with a group of 11 leaders from across the region between May 2022 and March 2023. The Equity Working Group used a consensus-based decision-making process to co-create the Equity Framework, drawing from their extensive experience related to housing preservation, production, protection, and social equity as well as relationships to the communities and places most impacted by the housing crisis. For a list of Equity Working Group members and criteria used in their selection, see Appendix 2B.
- **Public Workshops:** two virtual public workshops in February and March 2023, during which BAHFA staff presented the Draft Equity Framework and Draft Funding Programs to over 160 stakeholders from across the region. Participants provided feedback on both drafts, including recommendations for how to strengthen the connection between the Equity Framework and Funding Programs. Invitations for the sessions were distributed to over 550 stakeholders.
- **BAHFA and ABAG Feedback:** regional policymakers on the BAHFA Advisory Committee, BAHFA Oversight Committee, and ABAG Housing Committee received several reports throughout 2022 about the Equity Framework and Business Plan process. Committee members provided comments on a Draft Equity Framework in January 2023, and considered the final version in April-May 2023. The ABAG Executive Board and the BAHFA Board also considered the final Equity Framework in May 2023. The Equity Framework was reconsidered and formally adopted by the ABAG Executive Board and BAHFA Board in October-November 2023.

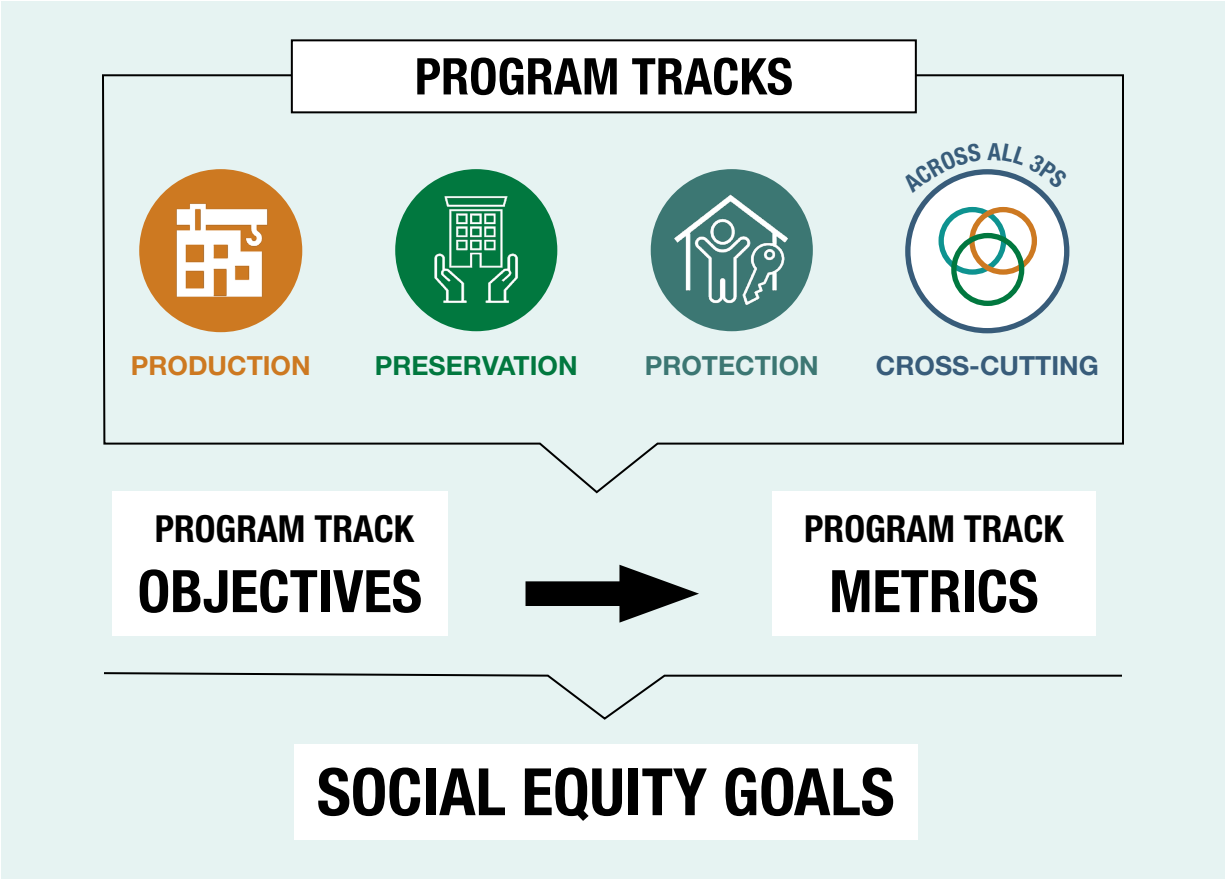
Figure 1. Equity Framework Engagement Timeline



Drafting the Equity Framework was an iterative process of co-creation and numerous feedback loops through which BAHFA staff, Equity Working Group members, BAHFA's Business Plan consultant team, and members of the public provided specific language and ideas that were incorporated into working drafts, discussed at Equity Working Group meetings, and revised over a period lasting more than a year.

The goal of the Equity Working Group engagement process was to reach consensus on the content of a complete Equity Framework to be reviewed, and ultimately adopted, by the BAFHA Board and ABAG Executive Board. The final Equity Framework presented here has been unanimously endorsed by the Equity Working Group.

Figure 2. Equity Framework Conceptual Structure



Structure of the Equity Framework

BAHFA recognizes that an equitable regional housing system and equitable housing conditions cannot be achieved by a single agency alone, but that the new regional agency has a critical role to play. The Equity Framework is designed to clarify specific outcomes BAHFA will aim to achieve (the "Objectives"); the ways that BAHFA will measure its impact (the "Metrics"); and the regional vision for an equitable future of housing that informs the Objectives (the "Goals").

- **Objectives:** Specific outcomes that BAHFA's actions should reach in order to move the region closer to the overarching equity goals. The objectives are the "destination" BAHFA plans to reach in terms of its impact.
- **Metrics:** Specific measurements of social equity by which BAHFA will design and evaluate program strategies. The metrics are the "yardsticks" to measure progress toward achieving the objectives. Note: Different Metrics for BAHFA and the Cities/ Counties ("Jurisdictions") are noted where relevant due to different governing requirements in AB 1487[10] for how revenue may be used.
- **Goals:** High level, overarching societal conditions that BAHFA's work should be oriented toward but cannot be achieved by BAHFA actions alone. The goals are the "north star" for transformation of the region's housing system.

In its mandate, BAHFA has three major program strategies: Production, Preservation, and Protection. For each of these, the Equity Framework establishes specific objectives and metrics designed to guide and evaluate programs. An additional "cross-cutting" track captures strategies that advance all 3Ps or do not otherwise fit easily within one of the Ps. Figure 2 shows how the program tracks relate to the objectives, metrics, and goals.

Within each program track, the Equity Framework also presents a summary of "Opportunities and Challenges" uplifted by stakeholders for BAHFA to consider as it implements the Business Plan and designs programs to further the Equity Objectives. These include opportunities that BAHFA should take advantage of, such as a promising program concept that could be scaled up to serve the whole region; and challenges that BAHFA may need to account for and address, such as a gap in the capacity of existing housing organizations to meet a specific community need. A more expansive discussion of Opportunities and Challenges raised during the stakeholder engagement process is included in the Stakeholder Engagement Report (Appendix 2C).

This Equity Framework report has accompanying materials, attached as Appendices 2A-2E:

- **Appendix 2A (Definitions)** covers definitions of key terms referenced throughout the Equity Framework, including various developer types (community-based developers, BIPOC-led developers, etc.) and geographic typologies (Equity Priority Communities, etc.).
- **Appendix 2B (Equity Working Group Roster)** provides a list of the 11 members of the Equity Working Group who participated in co-creating the Equity Framework, in addition to a list of criteria used for selecting Equity Working Group members.
- **Appendix 2C (Stakeholder Engagement Report)** is a more comprehensive summary of feedback and recommendations received through the Equity Framework stakeholder engagement process, expanding upon the brief discussions of "Opportunities and Challenges" within the Equity Framework.
- **Appendix 2D (Guiding Questions for Program Development and Design)** is a set of "rubrics" that have been developed as planning tools to help generate ideas and evaluate program strategies that further the Objectives in the Equity Framework. BAHFA will use these questions to apply the Equity Framework as it further develops and implements its Business Plan and Funding Programs, as well as other future programs.
- **Appendix 2E (Data Sources)** provides a table of all Metrics included in the Equity Framework and identifies data sources for each. It also includes a discussion of opportunities and challenges related to data collection.

Station Center in Union City
Photo by Bruce Damonte, Courtesy of MidPen Housing

Equity Objectives and Metrics

OBJECTIVES are the desired outcomes that BAHFA's programs will be designed to achieve. The Objectives can be thought of as the destinations that BAHFA should reach to move the region closer to the longer-term Social Equity Goals. While the Objectives set the destination for all of BAHFA's programs, they do not specify the path that BAHFA will take to reach that destination.

METRICS are how BAHFA will measure its success in achieving the Objectives. They can be thought of as the yardsticks that BAHFA will use to measure changes in progress toward achieving the Objectives. The metrics also serve as a prospective guide for program development; they will inform program design choices by illuminating how different options may potentially advance equity along these measures.

PRODUCTION

PRESERVATION

PROTECTION

CROSS-CUTTING

Production

Under AB 1487, "Production" for BAHFA-administered funds means creating new rental housing that is restricted by recorded document to be affordable to lower income households (up to 80% AMI) for at least 55 years.

Production Objectives

1. **Produce more affordable housing, especially for extremely low-income (ELI) households.** Increase production of housing with long-term affordability restrictions across the region and provide special focus on the production of housing types that meet the needs of ELI households and populations most disproportionately impacted by housing inequity.
   a. BAHFA: limited to rental housing up to 80% AMI with at least a 55-year term
   b. Jurisdictions: provide different tenure types
2. **Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that create stability for residents while transforming historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.
3. **Create affordable housing opportunities for lower-income households in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated, diverse and balanced living patterns in areas of concentrated affluence.
4. **Create programs that address homelessness.** Increase housing types, in coordination with counties, that directly serve the needs of unhoused residents (including permanent supportive housing), while developing strategies to ensure that operating and services subsidies are available and utilized to the greatest extent possible. This Objective recognizes that more housing of appropriate types is a key solution to homelessness.
5. **Achieve regional climate and environmental justice goals.** Prioritize affordable housing placement near high-quality transit and invest in housing that achieves high performance scores in recognized sustainable building systems.

Production Metrics

Note: Metrics apply to both BAHFA- and Jurisdiction-sponsored developments unless noted.

1. **Total funding value of production funds provided (including those generated/ raised via non-ballot activities) and as a percentage of total BAHFA funds**

2. **Number of homes entitled, permitted, and with certificates of occupancy**

3. **Number and percentage of all homes created located in:**
   a. Racially and ethnically concentrated areas of poverty (R/ECAPs) and racially concentrated areas of affluence (RCAAs)
   b. Equity Priority Communities
   c. Estimated Displacement Risk Area
   d. Transit Priority Areas
   e. Priority Development Areas
   f. High-Opportunity Areas

4. **Average affordability at project levels**
   a. Number and percentage of extremely low-income (ELI), very low-income (VLI), and low-income (LI) units

5. **Number and percentage of total homes created as permanent supportive housing (PSH)**
   a. Number of 100% PSH buildings and, for all, source(s) of operating and services subsidies

6. **Number and percentage of total homes to accommodate people with disabilities**
   a. Number and percentage of total homes designed to meet California Building Code Chapter 11B requirements for 'Residential Dwelling Units with Mobility Features' and 'Residential Dwelling Units with Communication Features'
   b. Number and percentage of total homes that exceed state and local accessibility requirements for people with disabilities through integration of design features and operational strategies for accessibility and inclusion[11]
   c. Number and percentage of total homes reserved for people with disabilities
   d. Of homes with mobility and sensory accessibility features, percentage occupied by people with disabilities
   e. Of buildings with these homes, average percentage of total units designated for people with disabilities

Production Metrics continued

7. **Number and percentage of homes in developments identified by BIPOC and impacted communities as priorities**

8. **Number and percentage of homes produced that are community-owned**

9. **For jurisdictions only, tenure of housing created**
   a. Number and percentage of homeownership units (note housing type, e.g., inclusionary; single-family; condominium; limited equity cooperative; other community-ownership models)
   b. Number and percentage of rentals

10. **Number and percentage of total homes created that achieve high or highest performance ratings for sustainable building systems (e.g., gold or platinum LEED ratings, gold or emerald for National Green Building Standard, etc.)**

11. **Number and percentage of all homes produced in areas with high environmental pollution burden, as measured by tracts in the top quintile of Pollution Burden using the CalEnviroScreen scoring system**

12. **Resident characteristics (race, age, family size, income, disability status, etc.) at move-in, only.**[12]

13. **By property, length of tenancy, disaggregated by:**[13]
   a. Less than 3 years
   b. 3-5 years
   c. Over 5 years

Production Opportunities and Challenges

Extremely Low-Income and Permanent Supportive Housing

Creating stable housing opportunities for extremely low-income households, including permanent supportive housing, is a top priority of many stakeholders. Production of ELI housing presents two main challenges: the tradeoff of providing fewer units in order to create deeper affordability, and especially in the case of permanent supportive housing, the need to secure ongoing funding for operating subsidies and supportive services. The need for supportive services arises from the focus on serving the most vulnerable members of our communities, including formerly homeless individuals and families, who face multifaceted and compounding effects of poverty and marginalization. Supporting these residents to remain housed for the long term often requires the right package of services as well as trauma-informed property management practices – all of which increases the cost of providing these specialized housing types. Adding to this challenge is the fact that currently bond proceeds cannot be used to support ongoing services, and thus BAHFA's most likely source of near-term revenue would need to be paired with other sources to make these projects feasible – and there is a severe shortage of funding for operating subsidies and supportive services.

Fell Street Apartments in San Francisco
Photo by Clark Mishler, Courtesy of Bridge Housing

The need for supportive services arises from the focus on serving the most vulnerable members of our communities, including formerly homeless individuals and families, who face multifaceted and compounding effects of poverty and marginalization.

One potential opportunity for BAHFA to explore is the use of mixed-income housing models, with higher-income units that can cross-subsidize ELI units. Facilitating the creation of integrated, mixed-income housing for people with disabilities (rather than segregating ELI and accessible housing in separate buildings) can also be a potential strategy for advancing equal access to choice and opportunity. Another opportunity is to explore partnerships with local housing authorities, which control the most reliable sources of funding for operating subsidies, to coordinate investments. Moreover, BAHFA has the opportunity to serve as a regional leader by promoting evidence-based best practices for supportive services and trauma-informed property management. This can help ensure that residents of BAHFA-funded properties stay successfully housed and avoid retraumatization that comes with evictions or additional periods of homelessness—which can have a particularly detrimental impact on families with children and people with disabilities.

Production Opportunities and Challenges continued

Balancing Social Mobility and Community Reinvestment Strategies
BAHFA's goal to address systemic racism in housing seeks to advance a "both/and" approach that increases affordable housing opportunities in historically disinvested communities facing displacement as well as historically exclusionary communities. To deliver new affordable housing at the necessary scale in all of these place types, BAHFA must leverage its funds with existing housing production programs, the largest of which by far is the Low Income Housing Tax Credit (LIHTC) program. However, LIHTC funds and other state and federal programs often come with their own explicit geographic targeting criteria (e.g., the California Tax Credit Allocation Committee "Opportunity Maps") or implicitly favor certain geographies over others (e.g., by privileging low-cost areas). The priorities set by these state or federal programs may not always coincide with BAHFA's "both/and" approach yet will influence BAHFA's expenditures to the extent that BAHFA seeks to take advantage of the leverage they offer. Furthermore, regular changes to these other funding programs create a level of uncertainty that presents a challenge for BAHFA to design its own programs in a way that complements or enhances the sources of leverage. To respond to the constantly evolving landscape of affordable housing finance, BAHFA will need to regularly evaluate its own program outcomes and adjust as needed to more effectively advance the Equity Framework objectives – especially ensuring an appropriate mix of investments that can overcome the lingering impacts of systemic racism as those manifest in different place types.

As it designs its programs, BAHFA will also need to carefully evaluate the potential impacts of various geographic targeting methodologies according to each program's specific goals, with a focus on ensuring that impacted communities whom the programs are intended to reach are not unintentionally disadvantaged by the selected methodologies.

Preservation

Under AB 1487, "Preservation" funding must be used to preserve housing that is restricted by recorded document to be affordable to low- or moderate-income households (up to 120% AMI) for 55 years. Preservation funding may be used to acquire, rehabilitate, and preserve existing housing units restricted for affordability, as well as unregulated housing from the private market in order to prevent the loss of affordability.

AB 1487 also specifies that no existing residents of buildings acquired for the purpose of affordable housing preservation shall be permanently displaced as a result. Furthermore, if housing units are occupied at the date of acquisition, preservation projects that involve rehabilitation work must result in no net loss of units controlling for unit size and affordability level, and provide a right of return for existing residents. AB 1487 permits BAHFA's preservation activities to result in rental or ownership units.

Preservation Objectives

1. **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.
2. **Preserve existing unsubsidized housing and convert to permanently affordable housing**. Convert existing unsubsidized housing to permanently 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.
3. **Target preservation investments for most impacted residents.** Tailor financing products to enable occupancy by ELI households and households at risk of homelessness.
4. **Create opportunities for community-owned housing.** Invest in developments that enable community control and/or equity growth, especially in Equity Priority Communities and for households facing discriminatory and/or structural barriers to homeownership.

Preservation Metrics

1. **Total funding value of Preservation funds provided (including those generated/ raised via non-ballot activities) and as a percentage of total BAHFA funds**
2. **Number of existing subsidized homes preserved by affordability level and level of risk-of-loss**[14]
3. **Number of unsubsidized homes converted to affordable housing, by affordability level**
4. **Number and percentage of homes preserved or converted in:**
   a. RCAAs and R/ECAPs
   b. Equity Priority Communities
   c. Estimated Displacement Risk Areas
   d. Transit Priority Areas
   e. Priority Development Areas
   f. High-Opportunity Areas
5. **Per building, target average AMI cap to achieve over time**
6. **Number and percentage of homes identified by BIPOC and impacted communities as priorities**
7. **Number and percentage of existing units with Disabled Access**
   a. Number and percentage of units with mobility accessibility features
   b. Number and percentage of units with sensory accessibility features
8. **Number and percentage of units made newly accessible and/or with enhanced accessibility features**
9. **Average affordability levels**
   a. Number and percentage of units for each income band (ELI, VLI, LI, M)
   b. Number and percentage of units serving households that were formerly homeless or at-risk of homelessness (e.g., buildings assisted with Homekey)
10. **Median change in rents paid by tenants after preservation, if any, by affordability level**
11. **Number and percentage of homes preserved or converted by tenure:**
    a. Rental
    b. Individual household ownership
    c. Community ownership and similar models
12. **Resident characteristics (race, age, family size, income, disability status, etc.), at permanent finance closing, only**
13. **By property, length of tenancy since permanent finance closing, disaggregated by:**[15]
    a. Less than 3 years
    b. 3-5 years
    c. Over 5 years

Preservation Opportunities and Challenges

Embracing Innovation and Risk

Very few funding sources exist for the preservation of unsubsidized housing, especially for the conversion of unsubsidized units to community-controlled or shared equity models that are deed-restricted for long term affordability. While these models have not been supported at scale, they are an effective means of preventing displacement, maintaining the existing affordable housing stock, and advancing community self-determination, especially for marginalized groups who have been historically excluded from homeownership opportunities. Because these types of development are less familiar to financing institutions and also have a variety of financing challenges distinct from new affordable housing construction, regional leadership is needed to expand funding programs designed for them. BAHFA can lead the sector in designing innovative preservation programs, including those specifically for community-controlled housing.

Zygmunt Arendt House, San Francisco
Photo by Bruce Damonte, Courtesy of HomeRise

Innovation requires accepting and planning for risk. Too often, investment in emerging developers embedded in impacted communities is deemed too great of a risk because they have not yet established enough of a track record for traditional development. Stakeholders reported that this dynamic fails to recognize the value of community-controlled development organizations and reinforces the structural barriers that limit the self-determination of BIPOC and impacted communities. BAHFA could accept a small level of risk, for example, by creating a loan loss reserve to underwrite promising nascent organizations, which builds in a plan for a small percentage of potential loss. Additionally, BAHFA can incentivize partnerships between established and emerging or community-based developers to grow the capacity and track record of the latter.

BAHFA can lead the sector in designing innovative preservation programs, including those specifically for community-controlled housing.

AB 1487 requires a minimum of 15% of BAHFA's revenue to be used for preservation programs, which may be appropriate in the near term as the preservation ecosystem matures and develops the capacity to absorb more significant funding. However, in the medium to long term, a greater share may be required to create a transformative impact. BAHFA should actively monitor the demand for and capacity to utilize preservation resources, seek innovative opportunities to support the growth of the preservation ecosystem's capacity, and when appropriate, seek to create a greater balance in funding allocated to each of the 3Ps.

Preservation Opportunities and Challenges continued

Defining Community Priorities

BAHFA is committed to advancing equity-focused, community self-determination by investing in housing production and preservation developments that are identified by EPCs and other impacted communities as priorities. It is important to note that defining "community priorities" and assessing what projects have meaningful community support is a challenge. EPCs and other impacted communities are not monoliths, and groups within them may hold different, even conflicting, priorities. As BAHFA seeks to prioritize the needs of communities most impacted by housing unaffordability, BAHFA will need to develop a rigorous methodology for making equitabledeterminations about which projects most represent the widest held or highest impact, equity-focused community priorities and meaningfully advance community self-determination. One opportunity is to set community engagement standards for proposed projects and create scoring criteria that awards points based on community involvement or sponsorship by a community institution.

BAHFA has the opportunity to create structures and pathways through which communities can more formally determine and articulate their priorities.

Furthermore, BAHFA has the opportunity to create structures and pathways through which communities can more formally determine and articulate their priorities. Equity Working Group members recommended that BAHFA invest in community planning initiatives, which could be supported or run by community engagement experts; an opportunity here is for BAHFA to collaborate with MTC and ABAG on their programs related to community planning and engagement.

BAHFA will also need to develop its own practice of community engagement and equitable decision-making that allows members of EPCs and other impacted communities to meaningfully inform BAHFA's programs and investments. BAHFA should experiment, assess, and iterate on its approach to identifying and uplifting community priorities as it seeks to advance community self-determination in line with equity principles.

Protection

Under AB 1487, "Protection" funding may be used for the following forms of tenant protection programs: preeviction and eviction legal services, counseling, advice and consultation, training, renter education and representation, and services to improve habitability that protect against displacement of tenants beyond what is legally required of landlords according to local or state law; emergency rental assistance for lower-income households; relocation assistance for lower-income households; and collection and tracking of information related to displacement and displacement risk, rents and evictions in the region.

Protection Objectives

1. **Increase access to anti-displacement and homelessness prevention services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, improving tenant quality of life and increasing housing stability – such as legal assistance, counseling and advice, financial assistance and enhanced relocation assistance. Support residents across the full spectrum of anti-displacement and homelessness prevention needs, including tenants with formal leases as well as those with more precarious living situations.
2. **Support tenant education and advocacy.** Invest in training, education, advocacy and outreach that raises awareness of tenant rights and facilitates greater access to community resources available to support housing stability. Support tenant associations and similar organizations that reduce power disparities between renters and property owners.
3. **Prioritize protections and investments in households and communities facing the greatest housing precarity.** Target BAHFA programs so that tenants at greatest risk of displacement and homelessness – disproportionately ELI, residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures – are prioritized.
4. **Ensure adequate funding for tenant protections.** For BAHFA revenue sources that prohibit expenditures on Protections (e.g., general obligation bonds), design BAHFA funding programs so that they generate new revenue streams that can be reinvested in Protections regionwide. Proactively seek other revenue such as state and federal grants to enhance BAHFA tenant protection funding.
5. **Elevate the urgency of tenant protections through regional leadership.** Invest in research, data collection and coordination to inform policy change and region wide adoption of best practices.

Protection Metrics

1. **Total funding value of tenant protections provided (including those generated/raised via non-ballot activities) and as a percentage of total BAHFA funds**

2. **Amount and percentage devoted to:**
   a. Legal services, counseling, and advice and consultation
   b. Training, education and outreach
   c. Emergency rental assistance
      i. Value devoted to severely rent-burdened ELI seniors
   d. Relocation assistance to supplement landlord-required assistance
   e. Research, data collection and tracking, and regional coordination
   f. Other/innovative forms of tenant services (not included in AB 1487)

3. **For legal assistance, counseling, or advice:**
   a. Number of households served
   b. Tenant characteristics (race, age, family size, income, disability status, etc.)
   c. Case outcomes (tenancy preserved, “soft landing” secured, habitability improvements secured, etc.)

4. **For emergency rental assistance:**
   a. Number of households served
   b. Tenant characteristics (race, age, family size, income, disability status, etc.)
   c. Average amount of rental assistance provided
   d. Household outcomes (drawing upon existing reporting systems of service providers)

5. **For relocation assistance:**
   a. Number of households served
   b. Average amount of relocation assistance provided
   c. Tenant characteristics (race, age, family size, income, disability status, etc.)

6. **Number and percentage of tenants served in:**
   a. RCAAs and R/ECAPs
   b. Equity Priority Communities
   c. Estimated Displacement Risk Areas
   d. Transit Priority Areas
   e. Priority Development Areas
   f. High-Opportunity Areas

Protection Opportunities and Challenges

Limited Funding to Match the Need and Urgency for Protections
Growing unaffordability, compounded by the lasting impacts of the Covid-19 pandemic, has elevated the region's already critical need for protection programs. AB 1487 revenue requirements specify that protection funding must account for, at minimum, 5% of BAHFA's revenue spending. With protection comprising the smallest percentage of BAHFA's funds, securing enough funding to match the need is a challenge. This challenge is further complicated by regulations that prohibit the use of certain forms of revenue, including those generated by a general obligation bond, for most types of tenant protections. BAHFA must therefore prioritize strategies and financing products that generate revenue that can be reinvested in its protection programs, while also pursuing funding opportunities for which tenant protections are an eligible expense (e.g., philanthropic donations, state or federal grants, etc.). Additionally, BAHFA should, within the scope of its authority, pursue and support actions that eliminate or mitigate existing constitutional prohibitions on the use of general obligation bonds for tenant protections and related services.

Fair Oaks Plaza in Sunnyvale
Photo by Frank Domin, Courtesy of MidPen Housing

Stakeholders stressed the importance of protection programs that reduce people's vulnerability to displacement before reaching a crisis point of becoming unhoused.

Stakeholders stressed the importance of protection programs that reduce people's vulnerability to displacement before reaching a crisis point of becoming unhoused. Recommendations for upstream interventions include permanent housing subsidies, expanded outreach and education programs that raise awareness of tenants' rights as well as available financial and legal resources, and overall strengthening of the region's institutional infrastructure (across public, nonprofit and legal services agencies) to deliver these and other essential forms of support. Some of these interventions – such as long-term or permanent housing subsidies for ELI households who are not seniors – are not permitted uses of bond funds (as noted above) and also are limited by AB 1487 itself. As noted above, BAHFA should leverage its financing programs to generate unrestricted revenue that can be used to fund the full spectrum of tenant protection and homelessness prevention activities, complementing the activities that are enumerated in AB 1487. Additionally, BAHFA should consider pursuing amendments to AB 1487 that would expand eligibility of general obligation bond revenue to take full advantage of a potential constitutional change on that topic, as well as to enable a comprehensive suite of upstream as well as emergency interventions to protect against displacement and homelessness.

Protection Opportunities and Challenges continued

Regional Leadership on Protection Policies
In addition to programs that deliver protection services and assistance, many stakeholders emphasize the importance of local protection policies – specifically rent stabilization, just cause for eviction and anti-harassment policies. While BAHFA does not have the authority to compel local governments to adopt these policies, it can lead the region by elevating the urgency of these specific policies as it coordinates with other regional agencies (e.g., MTC and ABAG) as well as local jurisdictions to, where possible, incentivize and support their adoption. BAHFA can promote best practices and emerging trends in tenant protections policies, such as pairing rent stabilization and just cause policies together, limiting no-fault evictions of families with school-age children during the academic year and encouraging multijurisdictional collaboration on program administration to achieve greater economies of scale. One opportunity to explore is strengthening existing tenant protection policies by providing funding and technical assistance for enforcement to jurisdictions that have adopted these policies.

Another potential opportunity for BAHFA to explore is requiring or incentivizing tenant protections in BAHFA-funded developments. BAHFA should also explore collaborating with MTC on implementation of the Transit Oriented Communities Policy, which leverages transportation funding to incentivize housing policy adoption including tenant protections.

More broadly, BAHFA can play a role in developing a shared regional understanding of the displacement dynamics affecting lower-income neighborhoods. In part, this could include a recognition that some public investments (e.g., in infrastructure, transportation, housing, etc.) that result in neighborhood improvements may have the unintended consequence of spurring displacement through increased land values. As a regional public agency with a core anti-displacement mandate, BAHFA is well positioned to collaborate with other public entities to elevate “investment without displacement” frameworks that encourage devoting resources to historically disinvested areas while ensuring that existing residents can remain to enjoy the benefits.

Cross-Cutting

ACROSS ALL 3PS

The following Objectives and Metrics guide BAHFA's overall work to advance the Equity Framework Goals and address systemic racism and exclusion in housing. They apply broadly – both across, as well as beyond, all 3Ps.

Cross-Cutting Objectives

1. **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.
2. **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.
3. **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 upon of this Equity Framework.
4. **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.
5. **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 funding sources (e.g., general obligation bond).
6. **Target most flexible BAHFA funding to accelerate AFFH.** Develop programs within BAHFA's optional 10% Local Government Grant Program that address any gaps in a comprehensive AFFH approach given the Act's parameters. Target any non-housing investments (e.g., 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.

Cross-Cutting Metrics

1. **Within each of the Ps, amount and percentage of total funding disbursed to community-based organizations (CBOs) and community-based developers:**
   a. Community-based developers
      - BIPOC-led
      - Emerging
      - Community-owned
   b. BIPOC-led developers
   c. To CBOs (for activities not related to development, e.g., tenant services CBOs)
      i. BIPOC-led CBOs

2. **For BAHFA's 10% Local Government Incentive Program (if it exists and as allowed by funding sources):**
   a. Amount and percentage of funding dedicated to:
      i. 3Ps activities (measure separately for Production, Preservation, Protection)
      ii. Technical assistance
      iii. Infrastructure needs (transportation, schools, parks, etc.)
      iv. One-time uses that address homelessness
      v. Homeownership programs
      vi. Other/innovative activities
   b. For each of the categories above, amount and percentage of funds spent in:
      i. R/ECAPs and RCAAs
      ii. Equity Priority Communities
      iii. Estimated Displacement Risk Areas
      iv. Transit Priority Areas
      v. Priority Development Areas
      vi. High-Opportunity Areas

3. **Number of units and dollar value of investment in the following housing types that enable wealth building through some sort of ownership structure, including:**
   a. Deed-restricted traditional homeownership
   b. Shared equity models (community land trusts, limited equity cooperatives and similar models)

4. **Engagement/participation of people from historically marginalized populations (including, but not limited to, BIPOC, people with disabilities, tenants, people with lived experience of homelessness) in:**
   a. BAHFA's formal decision making bodies
   b. Public engagement initiatives
   c. BAHFA-funded community planning initiatives, and funds allocated for such initiatives

5. **Number of counties and direct allocation jurisdictions that report to BAHFA and/or the public on the Equity Metrics contained herein for their own programs (regarding the "return to source" provisions of a regional ballot measure)**

6. **Value and percentage of BAHFA's total funds secured from sources other than a ballot measure (e.g., state or federal grants, BAHFA's own revenue-generating activities, etc.)**

Cross-Cutting Opportunities and Challenges

Capacity Building for Underrepresented Developers

Stakeholders expressed consensus around the need to expand, diversify and strengthen the capacity of the region's housing ecosystem in order for BAHFA to address systemic racism and support projects prioritized by EPCs and other marginalized communities. One key recommendation for how to achieve this is the creation of programs that are designed to address the unique funding gaps faced by BIPOC, Emerging, Community-Based and Community-Owned Developers, especially for community-controlled or -stewarded housing models. Specific needs named by such developers include funding for organizational capacity building and pre-development capital. Investment in capacity building is necessary for the region as a whole; without growing the field, the region cannot deliver the wider range, in addition to a greater volume, of housing choices that communities need.

While the need for capacity building is large, AB 1487 and regulations governing the use of general obligation bond revenue limit BAHFA's ability to fund organizational capacity building or enterprise level funding for developers. Moreover, BAHFA alone cannot meet the full range of community-based developers' funding needs, but it can play a leadership role in seeking new funding and advancing strategic coordination among the many other institutions throughout the region who are dedicating resources and support toward advancing projects led by Emerging, Community-Based and Community-Owned Developers. Additionally, once BAHFA becomes a reliable and long-term source of funding, it can help to sustain organizational capacity by supporting a sufficient variety and volume of new projects (and associated developer fees) that can make underrepresented developers' business models more viable.

Wealth Building

Requirements set by AB 1487 also present a challenge to the objective of supporting wealth building for historically marginalized people. The legislation requires that regional housing revenue directly administered by BAHFA for production is utilized for rental housing only, not individual or collective homeownership opportunities. The Equity Working Group recommends that BAHFA pursue amending AB 1487 in the future to enable programs targeted toward homeownership and expand BAHFA's ability to fund capacity building for developers. Importantly, revenue raised by a regional ballot measure that is returned to the county of origin is eligible for homeownership; BAHFA could play a role in encouraging counties and other direct allocation jurisdictions to develop production funding portfolios with an appropriate mix of rental and wealth building programs.

St. Joseph's Senior Center in Oakland
Photo by Clark Mishler, courtesy of BRIDGE Housing

Regional Leadership and Technical Assistance

ACHIEVING BAHFA'S EQUITY OBJECTIVES will only be possible if the housing sector as a whole can increase its capacity and take bold, coordinated action to solve the housing crisis. This notion was strongly reinforced by stakeholders through the Equity Framework engagement process.

Part of BAHFA's role is to provide regional leadership and technical assistance that serves to expand, diversify and strengthen the capacity of the region's housing ecosystem and marshal the collective resources in service of equitable outcomes. BAHFA's contribution in this regard is at least three-fold. First, BAHFA can use its regional stature and financing powers to **spur transformation of the financing and funding landscape to be more streamlined, strategic and targeted to achieve the Equity Objectives.** This will involve collaborating with local jurisdictions, state and federal agencies, as well as private financial institutions such as CDFIs and private banks. This is a long-term, systems change effort that is critical to delivering on the transformational vision in BAHFA's social equity goals. In the near term, BAHFA must take concrete, incremental steps towards making the housing finance system more efficient and equity-focused.

Second, BAHFA can demonstrate regional leadership by **supporting local jurisdictions in developing and implementing their own housing programs and practices.** For many of BAHFA's most powerful revenue mechanisms, 80% of the funds are administered directly by counties and larger cities. Additionally, local jurisdictions retain land use authority and bear ultimate responsibility to protect the health and wellbeing of residents within their boundaries. Therefore, it is critical that BAHFA work with local jurisdictions to understand their varied levels of capacity and expertise, and then to assist, complement, and fortify their efforts to deliver projects and programs that will collectively move the needle on BAHFA's equity goals at a regional scale.

Third, BAHFA can support **enhancing the capacity of nonprofit developers, service providers, and other community-based organizations that operate on the front lines of housing precarity and within impacted communities.** The particular needs of these organizations vary across organization type, geography and the phase of an organization's development (e.g., emerging vs established organizations). Additionally, the capacity of the nonprofit and community-based housing ecosystem is not evenly spread across the region; some locations may require intentional and sustained efforts to build new or expand the scope of existing organizations to respond to their communities' housing needs. BAHFA – in partnership with community-serving organizations, impacted community members and local government partners – can play a role in strategically evaluating the highest priority capacity building needs across the region while working toward enhancing the capacity of the overall ecosystem throughout the Bay Area.

Taken together, these three components of BAHFA's mandate to provide regional leadership and increase the capacity of the Bay Area's housing practitioners function as necessary ingredients to enable effective coordination across sectors and institutions, driving collective impact and equitable outcomes.

All of these activities require financial resources of some kind, and ultimately BAHFA will need to devote significant resources to fully leverage the opportunity for regional leadership and to respond to the full range of technical assistance needs. However, requirements set forth by AB 1487 and limitations on the eligible uses of bond funding present challenges for funding this work. BAHFA will therefore need to secure unrestricted funding and leverage opportunities to partner with other regional agencies that fund or directly provide technical assistance, including MTC, ABAG and philanthropic institutions, as it develops its own technical assistance offerings.

There are some lower-cost steps that BAHFA can take in the near term to fulfill this mandate, while simultaneously pursuing strategies to raise funding for technical assistance and related activities. As the state's first regional housing finance agency, BAHFA has a powerful opportunity to lead by example as it develops its own programs in alignment with the Equity Framework, while also coordinating and providing resources that support local implementation. For example, BAHFA can establish models and best practices for various housing programs that advance equity, address shared needs across jurisdictions for data or other resources, and convene peer learning and strategy spaces.

BAHFA is committed to further engagement with local stakeholders to understand how the agency can effectively support their efforts through regional leadership and technical assistance. As the agency implements its technical assistance program, BAHFA will include a report on program activities and outcomes in its regular report on metrics for each of the Equity Framework Objectives.

Armstrong Place Senior Housing and Armstrong Townhomes in San Francisco
Photo by Steve Proehl, courtesy of BRIDGE Housing

Equity Framework Accountability and Implementation Strategies

TO STAY ON TRACK IN ITS COMMITMENT to the Equity Objectives, BAHFA will need to implement practices for continually applying the Equity Framework and maintaining accountability to stakeholders and impacted communities. This section of the Equity Framework describes how BAHFA will apply and iterate upon the Equity Framework throughout future cycles of evaluation, program design, and engagement with local jurisdictions and impacted communities.

Data collection and reporting on program outcomes

AB 1487 imposes annual statutory reporting obligations on BAHFA regarding its performance (e.g., funds raised, expenditures, satisfaction of 3Ps minimum allocations and the characteristics of households served). In addition, BAHFA will report annually on the metrics associated with each Equity Objective and accept public comments on the annual report. This will require rigorous, consistent data collection and tracking of the agency's program activities and outcomes, with a goal of analyzing equity in outcomes by race, gender, income, and disability status (and their intersections) through disaggregated data on people served by BAHFA investments. BAHFA will seek to inform its equity reporting with the regional indicators associated with the Framework's Social Equity Goals as a means of analyzing broader trends and housing needs (see Appendix 2E). Where quantitative data is insufficient for assessing impact, BAHFA may also engage in qualitative evaluation methods, such as interviews and listening sessions. Reporting on broader regional indicators outside of BAHFA's control and qualitative evaluations are not anticipated every year, especially during the BAHFA's early years as it builds towards significant revenue and scaled programmatic and organizational infrastructure.

BAHFA will need to have dedicated staff and funding for data collection, analysis and reporting – though this will need to be scaled appropriately in accordance with BAHFA's operating budget and program revenues. To support counties and direct-allocation jurisdictions in their reporting, BAHFA will provide guidance on data collection practices and reporting forms to coordinate and standardize efforts across the region.

To strengthen efforts to gather information from the people whom BAHFA's programs are intended to serve, BAHFA could allocate funding toward partnerships with community-based organizations who have trusting relationships with "hard to reach" populations for community-led data collection efforts. Further out in the future, BAHFA could also consider conducting a survey of residents in BAHFA-supported affordable housing developments. Such forms of primary data collection could complement data collected through affordable housing providers, local jurisdictions and other secondary data sources.

Equity analysis as part of future program design

The Equity Framework includes a set of rubrics that BAHFA will utilize to help identify, evaluate, and prioritize program strategies that most effectively further the Framework's Equity Objectives (Appendix 2C). BAHFA will contemplate these guiding questions as it develops and designs all future funding programs, with an eye toward forecasting program impacts (e.g., who will benefit or be burdened by different program design choices), examining the potential unintended consequences and developing strategies to mitigate unintended negative consequences. To inform this analysis, the rubrics build in a process of reviewing available data and reports on precedents for potential programs. BAHFA will also gather input from stakeholders involved in the program area (Production, Preservation or Protection) on the rubric questions. The resulting equity analysis will be included in relevant staff reports to the BAHFA Advisory Committee and Oversight Committee.

Commitment to engaging with the BAHFA Advisory Committee, stakeholders, and equity leaders

As specified in AB 1487, BAHFA will work with a nine-member Advisory Committee that will assist in the development of funding guidelines and the overall implementation of programs. The composition of the BAHFA Advisory Committee reflects both racial diversity and gender equality, as well as elevates the voices of equity-focused housing practitioners working with communities across the diverse geographies of the region.

BAHFA will also continue its engagement with and outreach to stakeholders equally distributed across the 3Ps, with an intentional focus on equity-oriented organizations who are accountable to and part of communities most impacted by housing unaffordability. As part of its engagement with stakeholders, BAHFA will query organizations that are categorically eligible for funding, and/or have placed themselves on a notification list, but which did not apply for funding, as to why they did not apply.

BAHFA will also strive to create equitable structures that will inform its operations, in collaboration with MTC's newly formed Access(ibility), Culture, and Racial Equity Office and other equity leaders. One opportunity is to develop long-term relationships with existing equity-focused coalitions and resident-led spaces where BAHFA staff can periodically present updates and receive feedback, making an attempt to "meet people where they are at," rather than expecting impacted residents to attend formal meetings of the various advisory and governing bodies mentioned above in order to participate in BAHFA's work. This approach can support ongoing equity analysis and provide a direct connection to impacted communities as BAHFA implements the Equity Framework and Business Plan.

Periodic reevaluation of the Equity Framework

The Equity Framework should be considered a living document that will be periodically reevaluated and, if needed, amended to remain relevant and responsive to the region's changing context and housing needs. Reevaluation will provide the opportunity to consider, for example, shifts in BAHFA's legislative mandate and other relevant state or federal policies, evolving equity priorities of stakeholders and outcomes of BAHFA programs in prior periods. BAHFA will conduct this reevaluation every five years though could make adjustments more frequently as circumstances warrant. In accordance with the reevaluation and potential amendment of the Equity Framework in five years, BAHFA may seek to adjust the minimum percentages designated for each of the 3Ps under AB 1487.[16]

Coordination and collaboration with local jurisdictions on program evaluation and Equity Framework implementation

Advancement of the Equity Framework will require a coordinated regional strategy that is designed to most effectively leverage the region's resources to advance equity goals. Toward this end, BAHFA will work with counties and other jurisdictions receiving a direct allocation of regional housing revenue to facilitate and support their alignment with the Equity Framework. This may involve, for example, collaboration on reporting and evaluation of program outcomes, modeling and incentivizing best practices, and providing technical assistance to local jurisdictions on implementing equity strategies.

The above implementation strategies are important ways of facilitating BAHFA's accountability to the Equity Framework, stakeholders and Bay Area residents and communities as a whole.

Armstrong Place Senior Housing in San Francisco
Photo by Julio Cesar Martinez, courtesy of BRIDGE Housing

Social Equity Goals

THE SOCIAL EQUITY GOALS DETAIL BAHFA'S LONG-TERM, ASPIRATIONAL VISION for an equitable future of housing in the Bay Area. They represent the "north star" for transformation of the region's housing system that serves to orient BAHFA's work.

Each Goal is associated with Metrics that serve to measure the region's progress towards the goal over the long term. It is important to note that progress on these metrics cannot be achieved by BAHFA's actions alone. While BAHFA can serve as a key leader, progress will ultimately require action and transformation across all institutions that comprise the region's housing ecosystem, in addition to change in other sectors and levels of government. Rather than direct measures of BAHFA's impact, these Metrics thus serve to illuminate regional trends in housing that BAHFA should track and respond to, particularly with regard to how inequity in housing manifests and who it disproportionately impacts. These metrics can be applied longitudinally as new data become available as a way to guide strategic decisions and course correction of BAHFA programming based on changing conditions. Existing and potential data sources for all Equity Framework metrics are contained in Appendix 2E.

Core Metrics

In addition to the metrics associated with each goal, the following is a set of core metrics that apply across all of the Goals:

- Number and percentage of households experiencing housing cost burden by tenure, race/ethnicity, income level, and disability status
- Number and percentage of overall population and K-12 student population experiencing homelessness by race/ethnicity
- Percentage of homeowner households by race/ethnicity
- Median wealth by race/ethnicity
- Regional affordable housing shortfall by affordability level

Individual-Level Outcomes

GOALS	METRICS
Choice and Opportunity. All people, regardless of race or income, have autonomy in deciding where and how they live – whether that means staying in their existing home or community or moving to a different one – and accessing opportunities and resources within their community. These include quality schools and jobs, well-maintained transit and other public infrastructure systems, neighborhoods free from violence, and home- and community-based services and amenities that support health and wellbeing.	• For low-resourced neighborhoods, change in HCD/TCAC opportunity index compared to change in number/ share of population by race/ethnicity.[17] • Percentage of extreme commuters by race/ethnicity, poverty level, mode of transportation and housing tenure
Stable, affordable housing for all. Every resident enjoys a safe, stable, accessible, affordable, habitable home.	• Percentage of homes meeting the American Housing Survey (AHS) definition of physical adequacy[18] • Percentage of households living in overcrowded homes[19] • Percentage of regional housing supply accessible to people with disabilities
Security, safety and belonging. Every resident has a sense of security in and belonging to their local community and the region, which is manifested through social systems and trusting relationships that ensure that they are fully integrated into the community and that their full range of human needs are met and cared for.	• Security, safety and belonging are difficult concepts to measure, but nonetheless crucial to an equitable future of housing. Evaluating progress towards this goal may be best accomplished using qualitative methods (e.g., surveys or focus groups of residents in Equity Priority Communities or BAHFA-supported housing developments).

Community-Level Outcomes

GOALS	METRICS
Neighborhood stabilization and cultural placekeeping. Families and individuals have the ability to stay in their homes, maintain community connections, and preserve the cultural fabrics of their neighborhoods without being displaced by unaffordable housing costs, policy decisions or other forces.	• Percent of low-income households by race/ethnicity across areas with Estimated Displacement Risk (EDR) • Metro comparison of displacement risk (Bay Area compared to other metros) • Change in number and share of BIPOC populations within Equity Priority Community (EPCs)
Community self-determination and participation. People most impacted by the housing affordability crisis have the power to collectively shape the future of their communities.	• Percent of elected officials by race/ethnicity compared to percent of regional population by race/ethnicity • Number of housing units stewarded by community-owned housing organizations • Voter turnout in local elections, including affordable housing ballot measures, by race/ethnicity

Systems-Level Outcomes

GOALS	METRICS
Repair. Public institutions and social systems are transformed in order to acknowledge and, when possible, repair the harms and indignities of historic and contemporary housing policies, practices and systems that have perpetuated racial and social inequities. This includes the advancement of opportunities for historically marginalized communities to build economic and social wealth, at both individual and community levels.	• Percentage of census tracts designated as Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs) • Percentage of census tracts designated as Racially Concentrated Areas of Affluence (RCAAs)
Environmental Health and Justice. Homes have healthy living conditions and neighborhood environments such that no community is disproportionately exposed to air pollution, climate change effects or other hazards. Persons and communities have viable opportunities to make choices that reduce climate impacts; and the design, location and construction of homes reduces climate impacts.	• Percentage of population by race/ethnicity and pollution burden quintile[20] • Percentage of sensitive populations by environmental exposure and adaptive capacity[21] • Percentage of population by race/ethnicity and Healthy Places Index (HPI) quintile[22]
Prevention. The Bay Area's housing ecosystem has built in structural safeguards that respond to moments of crisis to prevent people from experiencing housing precarity, thereby ending homelessness throughout the region.	• Number and percentage of households receiving Housing Choice Vouchers or other permanent housing subsidies • Percentage of households protected by rent stabilization, just cause eviction, right to legal counsel and/or anti-harassment policies • Number of people who are unhoused by race/ethnicity

The Asher in Fremont
Photo by Noah Berger

Conclusion

ACHIEVING THE LONG-TERM VISION for equitable housing in the Bay Area would bring to their fullest potential the cherished diversity and dynamic cultures of the region. Beginning from where the region is today means starting with the varied interests and particular challenges that span the 101 cities and nine counties around the Bay. The launch of BAHFA as the state's first regional housing finance authority provides a platform for collective efforts to chart a pathway toward an equitable housing system.

This Equity Framework articulates the specific objectives that BAHFA will use to design and evaluate its programs, such that the homes built, preserved, and protected will make measurable progress in equitable ways for neighborhoods across the region. The metrics provide a tool for the public and all stakeholders to observe what BAHFA's impact is and where improvement must be made.

BAHFA cannot achieve the vision in this Framework without partnerships with local jurisdictions, developers, tenants, lenders and policymakers. Much of what BAHFA can accomplish will depend on the revenue that is made available, which in turn will rely on voter approval and thus reflects a need for BAHFA to demonstrate its value proposition to Bay Area residents as a whole.

The Bay Area faces a shortfall of over 220,000 homes affordable to its poorest residents. According to the State's Regional Housing Needs Determination, this translates to a collective responsibility to build at least 30,000 homes for moderate-, low- and extremely low-income residents each year over the next eight years. This is more than five times the number built each year in recent years. Even if production approaches this pace, protections for low-income tenants and preservation of affordable housing must expand substantially to stem the tide of displacement in the meanwhile. To accelerate the region's housing system and achieve this progress requires a transformation of what is normal.

What is at stake is the opportunity to live in a region where everyone thrives, where current residents can enjoy improvements in their neighborhoods without the threat of displacement, and where future generations of Bay Area residents can comfortably live and prosper.

Appendix 1 Endnotes

1 Homeownership. (2019). Bay Area Equity Atlas. https://bayareaequityatlas.org/indicators/homeownership#/

2 Housing burden. (2019). Bay Area Equity Atlas. https://bayareaequityatlas.org/indicators/housing-burden

3 Bellisario, J., Covert, A., Sciaruto, A., & Lopez, E. (2021, June). Bay Area Homelessness - New Urgency, New Solutions. Bay Area Council Economic Institute. http://www.bayareaeconomy.org/files/pdf/HomelessnessReportJune2021.pdf

4 Rothstein, R. (2017). The Color of Law: A Forgotten History of How Our Government Segregated America. Liveright Publishing.

5 Moore, E., Montojo, N., & Mauri, N. (2019). Roots, Race and Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area. Othering and Belonging Institute, University of California, Berkeley. https://belonging.berkeley.edu/rootsraceplace

6 Structural racism refers to the totality of ways in which societies foster racial discrimination through mutually reinforcing systems of housing, education, employment, earnings, benefits, credit, media, health care, and criminal justice. These patterns and practices in turn reinforce discriminatory beliefs, values, and distribution of resources. See Bailey, Z. D., Krieger, N., Agénor, M., Graves, J., Linos, N., & Bassett, M. T. (2017). Structural racism and health inequities in the USA: evidence and interventions. Lancet (London, England), 389 (10077), 1453–1463. https://doi.org/10.1016/S0140-6736(17)30569-X

7 Menendian, S., Gambhir, S., & Gailes, A. (2019). Racial Segregation in the San Francisco Bay Area. Othering and Belonging Institute, University of California, Berkeley. https://belonging.berkeley.edu/segregationinthebay

8 Equity Platform. (2022). Metropolitan Transportation Commission. https://mtc.ca.gov/about-mtc/what-mtc/equity-platform

9 powell, j., Menendian, S., & Ake, W. (2019). Targeted Universalism - Policy & Practice. Othering and Belonging Institute, University of California, Berkeley. https://belonging.berkeley.edu/targeted-universalism

10 The Bay Area Housing Finance Authority is governed by Government Code Section 64500, et seq. (hereinafter "the Act"), which was first adopted into law by AB 1487 (Chiu, 2019). The Act was later amended by AB 1319 (Wicks, 2023). This Appendix retains references to AB 1487, which contained the operative statutory provisions during the Equity Framework's drafting process.

11 Examples of design features and operational strategies for accessibility and inclusion include: design charrettes with people with disabilities, 100% visitability, wayfinding and cognitively clear signage, accessible community spaces that enables connection with nature and neighbors, flexible shower arrangements, usable kitchens, wide corridors, and disability-friendly parking. For more information, see The Kelsey, Housing Design Standards for Accessibility and Inclusion (2022), page 14 at https://thekelsey.org/wp-content/uploads/2022/08/TKHousingDesignStandards_070522.pdf.

Endnotes Continued

12 Any demographic information collected for these metrics would be requested, but not required, of residents via questionnaire.

13 BAHFA anticipates collecting this information from housing providers on a periodic basis, likely initially on five-year intervals to coincide with the update to the Equity Framework.

14 The California Housing Partnership (CHPC) analyzes conversion patterns among the state's stock of subsidized affordable rental housing to identify which homes are most at risk of converting to market rate. "At-risk homes" are defined as affordable homes with very high, high and moderate risk of losing affordability in the next 10 years. For more information on risk levels see CHPC's 2022 report Affordable Homes at Risk at https://chpc.wpenginepowered.com/wp-content/uploads/2022/02/Affordable-Homes-At-Risk-Report-2022.pdf.

15 BAHFA anticipates collecting this information from housing providers on a periodic basis, likely initially on five-year intervals to coincide with the update to the Equity Framework.

16 Government Code Section 64650(b)(3) authorizes the BAHFA Board and the ABAG Executive Board to reconsider the minimum expenditures across the 3Ps no earlier than five years after approval of a regional ballot measure.

17 This two-part metric is intended to help understand whether low-resourced neighborhoods are transforming into areas of opportunity while controlling for racialized displacement of residents. Neighborhoods which are categorized as either Low Resource or High Segregation and Poverty in the base year should be measured longitudinally in terms of the composite opportunity index and racial/ethnic characteristics. Measuring the same neighborhoods in the target year, an increased index score coupled with relatively stable racial/ethnic characteristics could signify that place-based resource access is improving without racialized displacement of residents. The HCD/TCAC Opportunity Map is designed with specific policy goals in mind, including the goal of increasing access to opportunity for low-income families. It should not be used for understanding the general opportunity landscape. BAHFA should evaluate other existing and future opportunity models in the context of its programs. For more details in the HCD/TCAC Opportunity Maps, see the detailed methodology document at https://www.treasurer.ca.gov/ctcac/opportunity/2022/2022-hcd-methodology.pdf.

18 Housing adequacy is measured at the metro level in the biennial AHS. For more details on how adequacy is defined, see this HUD report on the AHS at https://www.census.gov/content/dam/Census/programs-surveys/ahs/publications/HousingAdequacy.pdf.

19 The U.S. Census defines an overcrowded home as one that is occupied by more than 1 person per room, excluding bathrooms and kitchens. Homes with more than 1.5 persons per room are considered severely overcrowded.

20 Using CalEnviroScreen 4.0 pollution scores, CalEPA has found clear disparities between the racial composition of neighborhoods and highest pollution burden, especially for Black and Latino populations. For more details, see this report from the Office of Environmental Health Hazard Assessment at CalEPA at https://oehha.ca.gov/media/downloads/calenviroscreen/document/calenviroscreen40raceanalysisf2021.pdf.

Endnotes Continued

21 Climate Change & Health Vulnerability Indicators for California (CCHVIs) are produced by the California Department of Public Health (CDPH). Sensitive communities include, but are not limited to, children, the elderly, and those with physical or mental disabilities. For more details, see CDPH's data visualization platform for CCHVIs at https://skylab.cdph.ca.gov/CCHVIz/.

22 HPI is a health equity project of the Public Health Alliance of Southern California. HPI can be used to compare the health and well-being of communities, identify health inequities and quantify the factors that shape health. For more details, see the HPI homepage at https://www.healthyplacesindex.org/.

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Bay Area Housing Finance Authority

Bay Area Housing Finance Authority Business Plan

Appendix 2: Equity Framework Accompanying Materials

Bay Area Housing Finance Authority

Cover image
Armstrong Place Senior Housing in San Francisco
Photo by Julio Cesar Martinez, courtesy of BRIDGE Housing

Contents

2A. Definitions 1

2B. Equity Working Group 3

2C. Stakeholder Engagement Report 4

2D. Guiding Questions for Program Development and Design 18

2E. Data Sources for Metrics 22

2A. Definitions

Housing Affordability Levels

Most federal and state housing assistance programs set maximum incomes for eligibility to live in subsidized housing, and maximum rents and housing costs that may be charged to eligible residents, usually based on "Area Median Income" (AMI). AMI refers to the median family income, adjusted for family size, of a geographic area of the state, as annually estimated by the United States Department of Housing and Urban Development. Affordability levels for subsidized housing are based on four AMI bands:

- Extremely low-income (ELI): 0-30% of AMI
- Very low-income (VLI): 30% to 50% of AMI
- Low- or lower-income (LI): 50% to 80% of AMI (the term may also be used to mean 0% to 80% of AMI)
- Moderate-income: 80% to 120% of AMI

Community-Based Developers

California Department of Housing Community Development's (HCD) Multifamily Housing Program (MHP) sets experience guidelines for entities applying as Community-Based Developers, which include demonstration of community knowledge, commitment to long-term community investment and population-specific cultural competency, all through a combination of the following: receipt of grant funds for services within the relevant neighborhood or community, cultural and linguistic competency on staff, a record of hiring from the community and membership in or recruitment from a local Urban League (or substantially equivalent) organization. More detailed information is available in the 2021 Multifamily Housing Program Final Guidelines.

BIPOC-led Developers

"BIPOC" means Black, Indigenous, and Other People of Color. HCD's Multifamily Housing Program (MHP) also sets experience guidelines for entities applying as Emerging BIPOC Developers. To be considered a qualifying BIPOC nonprofit organization, the entity must have a BIPOC Executive Director/Chief Executive Officer and 51% of the organization's board must be BIPOC. For purposes of this paragraph, People of Color means "a person who checked the Black or African American, American Indian and Alaska Native, Asian, or Native Hawaiian and Other Pacific Islander race category or who answered yes to the Hispanic Origin question on the 2020 United States Census or, if that data is not yet publicly available, the 2010 United States Census." More detailed information is available in the 2021 Multifamily Housing Program Final Guidelines.

Emerging Developers

HCD's MHP also sets experience guidelines for entities applying as Emerging Developers. Entities, including Tribal Entities, applying as Emerging Developers must have developed, owned, or operated at least one (1) but not more than three (3) Affordable Housing Developments that are equivalent to the proposed Affordable Housing Development in size, scale, amenity, and target population. More detailed information is available in the 2021 Multifamily Housing Program Final Guidelines.

Community Ownership and Community-Owned Developers

Community Ownership is a category of tenure – separate from traditional, single-household rental and ownership tenures – that combines the legal and financial characteristics of both owning and renting. Community ownership encompasses multiple tenure types, including community land trusts, limited equity cooperatives, resident self-managed rental housing and non-equity cooperatives. These housing models, also referred to as "community-controlled housing" and included within a broader category of social housing, strive for permanent affordability, democratic resident control and social inclusivity.[1] The Equity Framework refers to organizations that produce or preserve housing through community ownership models as "community-owned developers."

Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs)

R/ECAPs are defined by the U.S. Department of Housing and Urban Development as census tracts with populations that are 50% or more persons of color and 40% or more of individuals living at or below the poverty line. For more details on the use of R/ECAPs, see HCD's Affirmatively Furthering Fair Housing: Guidance for All Public Entities and for Housing Elements.

Racially Concentrated Areas of Affluence (RCAAs)

HCD developed a regionally-normalized version of RCAAs which reflect predominantly white areas with high income relative to regions. HCD encourages local jurisdictions to use both R/ECAPs and RCAAs in their housing element analyses. For more details on the use of RCAAs, see HCD's Affirmatively Furthering Fair Housing: Guidance for All Public Entities and for Housing Elements.

Transit Priority Areas (TPAs)

A TPA is defined in California Public Resource Code, Section 21099 as an area within one-half mile of a major transit stop that is existing or planned, if the planned stop is scheduled to be completed within the planning horizon included in a Transportation Improvement Program or applicable regional transportation plan.

Estimated Displacement Risk (EDR)

The EDR "Overall Displacement" model was developed by the Urban Displacement Project and identifies varying levels of displacement risk for low-income renter households in California while controlling for regions. UDP defines displacement risk as a census tract with characteristics which are strongly correlated with more low-income population loss than gain. For the broader purpose of the Equity Framework Metrics, all categories forecasting displacement risk for extremely-low, very-low, and low-income households should be combined into a singular category representing at-risk neighborhoods. For more details on the EDR methodology, see HCD's Affirmatively Furthering Fair Housing Data and Mapping Resources.

Equity Priority Communities (EPCs)

EPCs are identified by MTC and ABAG as census tracts with a significant concentration of historically underserved populations, including (but not limited to) people with low incomes, people of color, seniors, people with disabilities, single-parent families and severely rent-burdened households. More detailed information on Equity Priority Communities can be found in the Plan Bay Area 2050 Equity Analysis Report.

High-Opportunity Areas (HOAs)

HOAs are derived from the TCAC Opportunity Map, which identifies areas in every region of the state whose characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families—particularly long-term outcomes for children. More detailed information is available in the Opportunity Mapping Methodology. Opportunity mapping is a way to measure and visualize place-based characteristics linked to critical life outcomes, such as educational attainment, earnings from employment, and economic mobility.

Priority Development Areas (PDAs)

MTC and ABAG define two types of PDAs, both within one-half mile of quality transit:
1) Transit-Rich PDAs, which have high-quality transportation infrastructure already in place to support additional growth, and
2) Connected Community PDAs, which offer basic transit services and have committed to policies that increase mobility options and reduce automobile travel. More detailed information of PDAs is available from MTC and ABAG's PDA webpage.

2B. Equity Working Group

The Equity Working Group was comprised of 11 individuals*:

1. Aboubacar "Asn" Ndiaye, PowerSwitch Action
2. Allie Cannington, The Kelsey
3. Andy Madeira, East Bay Asian Local Development Corporation (formerly), Community Vision Capital & Consulting, and NeigborWorks Capital
4. Anthony Carrasco, UC Berkeley
5. Debra Ballinger, Monument Impact
6. Duane Bay, East Palo Alto Community Alliance & Neighborhood Development Org.
7. Katie Lamont, Tenderloin Neighborhood Development Corporation
8. Melissa Jones, Bay Area Regional Health Inequities Initiative
9. Poncho Guevara, Sacred Heart Community Service
10. Raquelle "Kelly" Myers, National Indian Justice Center
11. Steve King, Oakland Community Land Trust

** organizational affiliation listed for identification purposes only*

The Othering & Belonging Institute, with input from the consultant team and BAHFA staff, developed the following criteria for the selection of Equity Working Group members.

The Equity Working Group includes representatives from organizations who:

1. **Explicitly name racial and/or social equity as part of their mission statement and/or guiding principles;**
2. **Are embedded in and accountable to impacted communities through at least one of the following:**
   a. Formal decision-making structures that directly involve people from marginalized communities with lived experience of racial or social inequities in housing, or
   b. Leadership (board, staff) and membership bases that are made up of at least a majority people directly impacted by racial or social inequities.
3. **Approach housing from a holistic lens (in relationship to other racial equity issues, e.g., health or broader community development);**
4. **Have direct experience producing or preserving housing, or protecting people facing various forms of housing instability;**
5. **Add diversity in representation across the following dimensions:**
   a. Geography - major parts of the region (North Bay, East Bay, South Bay/Silicon Valley, San Francisco), urban/large city and suburban/small or mid-sized cities
   b. 3Ps - production, preservation, protection
   c. Marginalized populations and racial groups - including Black, Indigenous, Latinx, Asian and Pacific Islander communities, and people with disabilities
   d. Sector - including nonprofit advocacy & organizing, legal & support services, and community-based development.
6. **If representing a membership organization, must be able to respond to potential recommendations within the schedule described in Equity Working Group Scope;**
7. **On balance, the Working Group should embody all the criteria listed above and also have experience working with public institutions in government processes, especially those with formal public decision-making processes.**

2C. Stakeholder Engagement Report

Introduction

Development of the Equity Framework involved an iterative, year-long process of broad community engagement and co-creation with the BAHFA Equity Working Group. This Stakeholder Engagement Report, which serves as a companion to the Equity Framework, provides a comprehensive summary of the feedback received through the stakeholder engagement process. Any adoption or implementation of a recommendation forwarded by stakeholders by BAHFA will be done in accordance with federal and state law.

The recommendations documented here include those presented in each of the four "Opportunities and Challenges" sections of the Equity Framework, alongside additional themes and recommendations shared by stakeholders throughout the engagement process.

The Equity Framework Stakeholder Engagement Process

To create the Equity Framework, a team led by the Othering and Belonging Institute at UC Berkeley (OBI) facilitated a planning process designed to achieve broad public access and be deeply informed by the communities who have been most impacted by housing insecurity. This planning process included:

- **Interviews:** over 20 interviews with housing and equity leaders involved in housing production, preservation, and protection.
- **Public Listening Sessions:** three public listening sessions held in June 2022, during which 138 residents discussed and provided recommendations on draft goals, objectives, and metrics. Invitations for the sessions were distributed to over 300 stakeholders and 175 local government staff working across all 3Ps.
- **Equity Working Group Engagement:** several meetings with a group of 11 leaders from across the region between May 2022 and March 2023. The Equity Working Group used a consensus-based decision-making process to co-create the Equity Framework, drawing from their extensive experience related to housing preservation, production, protection and social equity as well as relationships to the communities and places most impacted by the housing crisis. For a list of Equity Working Group members and criteria used in their selection, see Appendix 2B.
- **Public Workshops:** two virtual public workshops in February and March 2023, during which BAHFA staff presented the Draft Equity Framework and Draft Funding Programs to over 160 stakeholders from across the region. Participants provided feedback on both drafts, including recommendations for how to strengthen the connection between the Equity Framework and Funding Programs. Invitations for the sessions were distributed to over 550 stakeholders.
- **BAHFA and ABAG Feedback:** regional policymakers on the BAHFA Oversight Committee and the ABAG Housing Committee received several reports throughout 2022 about the Equity Framework, and provided comments on the full Draft Equity Framework in January 2023.

Key Themes

Stakeholder recommendations presented in this report are organized into five sections:

- Defining Equity
- Cross-Cutting Opportunities and Challenges
- Production Opportunities and Challenges
- Preservation Opportunities and Challenges
- Protection Opportunities and Challenges

Defining Equity

Stakeholders emphasized the importance of setting a clear definition of equity as a foundation for BAHFA's Equity Framework and organizational practice. The following are key elements of how stakeholders defined equity and described opportunities for BAHFA to make equity actionable.

- **Directing resources to the most critical community needs and most vulnerable populations.** BAHFA can achieve this by prioritizing solutions to homelessness, displacement and housing instability through targeted, race-conscious interventions (to the extent legally permissible) that directly respond to the unique ways in which structural inequity is experienced by different groups.
- **Repairing legacies of structural racism, wealth extraction and other forms of harm perpetuated through housing policies and practices that have historically driven underinvestment and disenfranchisement of Black, Indigenous and other People of Color (BIPOC) and other marginalized communities.** BAHFA can take steps toward this by leading with a rigorous "problem definition" that the region must solve for, grounded in a structural analysis of disparities shaped by housing inequality as well as the root causes (both historic and current) of these disparities. Several stakeholders recommended that this problem definition should directly inform decisions about revenue strategies to pursue, noting the importance of revenue strategies designed to equitably redistribute public resources and curb the extraction of wealth from housing.
- **Transforming public systems and structures so that they are designed to ensure that all people's needs are cared for and met, enabling individuals to determine their own future and, as integral members of their communities, shape the future of the region.** Structural transformation needed for equity cannot be achieved by BAHFA alone, but BAHFA has the opportunity to set a bold vision for what this transformation can look like and coordinate with its partners to make inroads toward this vision.
- **Establishing pathways for resident engagement that prioritize the voices of people who have been excluded from decision-making spaces.** Numerous stakeholders envisioned a form of governance that involves direct participation of people from marginalized communities, with equal representation of stakeholders from each of the 3Ps. While operationalizing this form of participatory decision-making would need to be explored, BAHFA can begin "meeting people where they're at" by building new institutional connections and direct relationships with established community organizations and networks. Forming such partnerships should start with deep listening and creating transparency and accessibility of information.

Cross-Cutting Opportunities and Challenges

Capacity Building for Underrepresented Developers

Stakeholders reported a need for capacity building opportunities geared toward developers based in marginalized communities, especially emerging developers who face high barriers to entry into the affordable housing industry. Capacity building for underrepresented developers is seen as a fundamental part of a broader strategy to expand, diversify and strengthen the capacity of the region's housing ecosystem. Without growing the field and sustaining it over the long term, the region cannot deliver the wider range, in addition to a greater volume, of housing choices that communities need.

Several stakeholders highlighted that levels of development capacity and infrastructure differ across sub-regions. For example, fewer BIPOC-led, community-based developers are based in and operate throughout the South Bay compared to the East Bay and San Francisco. Such disparities in capacity will need to be accounted for to ensure that all Bay Area sub-regions can equitably access and benefit from BAHFA's regional programs.

While the need for capacity building is large, AB 1487[2] and regulations governing the use of general obligation bond revenue limit BAHFA's ability to fund organizational capacity building or enterprise level funding for developers. Moreover, BAHFA alone cannot meet the full range of community-based developers' funding needs, but it can play a leadership role in advancing strategic coordination among the many other institutions throughout the region who are dedicating resources and support toward advancing projects led by BIPOC, Emerging, Community-Based and Community-Owned Developers.

Stakeholder Recommendations

- Create programs that are designed to address the unique funding gaps faced by BIPOC-led, Emerging, Community-Based and Community-Owned Developers, especially for community-stewarded housing and preservation projects. One model to consider is a "catalyst fund" dedicated to helping emerging BIPOC-led developers scale up by providing resources for organizational capacity building and pre-development capital. Funding targeted toward emerging developers should have lower eligibility requirements (e.g., a lower requirement for the number of completed projects) than what funding agencies typically require. This type of investment would require "patient capital" that recognizes the importance of creating capacity to produce and/or preserve housing over the long term, even if the funded projects do not result in the delivery of units in the short term.
- Ensure BIPOC-led, Emerging, Community-Based and Community-Owned developers receive information about Notices of Funding Availability (NOFAs) and Requests for Proposals (RFPs), engagement and partnership opportunities, and available land, and provide this information in multiple languages. Make funding application processes as accessible and streamlined as possible, with clear, easy to understand guidance and explanation of requirements.
- Maintain engagement with underrepresented developers to understand structural barriers to accessing resources and sustaining long-term capacity as the funding landscape evolves. Conduct regular surveys of organizations that are categorically eligible for funding, and/or have placed themselves on a notification list, and which did not apply for funding, to understand why they did not apply.

- Facilitate partnerships between emerging and established developers, as well as between developers and local governments, that are designed to build capacity and relationships across all participants. These relationships could be the basis for mutual learning as well as joint development projects, which would support emerging developers in establishing their own development track record and operating budget. One model to consider is the Los Angeles County Community Land Trust (CLT) Pilot Program. While BAHFA should prioritize funding for projects jointly proposed by emerging and established developers, it should not require emerging developers to engage in joint development in order to be eligible for funding.
- Explore the creation of a cohort-based institute or incubator program that supports emerging developers in building capacity needed to become eligible for BAHFA funding. This type of program would be beneficial not just for the developers, but also for the local jurisdictions they are interfacing with, by ensuring that the projects that come forward are well designed, feasible, and sustained over the long term.
- Support or collaborate with existing capacity building programs designed to meet specific needs of emerging developers (e.g., California Community Land Trust Network Real Estate Institute, LISC Housing Development Training Institute).
- For capacity building needs that BAHFA cannot directly provide, explore developing a coordinated funding strategy with philanthropic institutions that may be better positioned to meet these needs through grant funding.
- Pursue and support actions that eliminate or mitigate existing constitutional prohibitions on the use of general obligation bonds for capacity building initiatives. In addition, consider pursuing related amendments to AB 1487 that would expand eligibility of general obligation bond revenue to take full advantage of a potential constitutional change.
- Explore revenue options that would not be subject to the same limitations as general obligation bonds and that target the root causes of housing inequity. One model to explore is the City of Los Angeles's United to House LA real estate transfer tax, although expanded the taxing mechanisms available to BAHFA would require amending AB 1487.

Individual and Community Wealth Building

Closing the racial wealth gap is a priority of many stakeholders. Stakeholder conversations highlighted the importance of strategies for both individual economic wealth building and collective wealth building that uplifts communities as a whole. It is also important to note that some stakeholders also raised concerns about investing in individual wealth building through homeownership, which perpetuates the use of housing for profit.

Requirements set by AB 1487 present a challenge to the objective of supporting wealth building for historically marginalized people. The legislation requires that regional housing revenue directly administered by BAHFA for production is utilized for rental housing only, not individual or collective homeownership opportunities.

Stakeholder Recommendations

- Pursue amending AB 1487 in the future to enable regional production programs targeted toward individual and collective homeownership. Stakeholders noted that such programs could serve as a pathway for upward mobility and continued stability for affordable housing tenants who would lose their housing when their incomes increase beyond the eligibility limit.

- Encourage counties and other direct allocation jurisdictions (which can use revenue for local homeownership programs) to develop production funding portfolios with an appropriate mix of rental and wealth building programs. In addition to programs that create opportunities for first-time homebuyers, stakeholders recommended program concepts aimed at sustaining homeownership, such as accessory dwelling unit (ADU) production support to provide stabilizing revenue for low-income homeowners, foreclosure prevention education and assistance and financial assistance for improvements and repairs that enable homeowners to age in place.
- Explore how BAHFA can play a role in the development of a regional social housing and community wealth building strategy that moves land into public or nonprofit community control. Strategies to consider include land banking, facilitating disposition of surplus/underutilized public land and designing financing products that enable Community or Tenant Opportunity to Purchase Act (COPA/TOPA) acquisitions. Some models to explore are LA Metro's Joint Development Program and Los Angeles County's Land Banking Pilot Program.
- Ensure that term sheets for BAHFA programs do not rule out the possibility of collectively owned housing, including conversion from rental to homeownership, cooperatives, and tenancies in common.
- Support wealth building through affordable housing industry practices and jobs. For example, BAHFA could advance workforce and economic development in marginalized communities through requirements for Disadvantaged Business Enterprise and Small Business Enterprise contractors for affordable housing contracts. BAHFA can also look to community plans such as the Golden Gate Village Resident Council Revitalization Plan for Golden Gate Village in Marin City, which includes green renovation and job training programs that will provide residents with opportunities to become skilled tradespeople.
- Explore the possibility of transferring portions of regional revenue to community-controlled funds or BIPOC-led CDFIs as a way for these institutions to build their own capital cycles.
- Advance the use of community ownership tenure models as a means for collective wealth generation. One model is the community land ownership model of the Agua Caliente Band of Cahuilla Indians, which holds legal title to 28,000 acres of land in the Coachella Valley and generates collective wealth through leasing portions of their land.

Regional Public Sector Leadership

Achieving BAHFA's Equity Objectives will only be possible if BAHFA works closely with the housing sector as a whole to increase its capacity and take bold, coordinated action to solve the housing crisis. Stakeholder feedback related to this theme is incorporated into the "Regional Leadership and Technical Assistance'' section of the Equity Framework, Appendix 1.

Stakeholder Recommendations

- Set clear expectations for how counties and direct allocation jurisdictions should spend return to source funds to meet statutory obligations and align with the BAHFA Equity Framework. This should include standards for vetting development projects and organizations that apply for funding, clear guidelines for reporting and evaluation and a plan for ensuring that officials of counties and direct allocation jurisdictions (including both elected officials and staff) are accountable to the requirements set forth by AB 1487.

- Provide capacity building and technical assistance to local jurisdictions that helps them align with a clearly defined regional vision for housing equity and affirmatively furthering fair housing. Many local officials are seeking to apply an equity lens to their work, but they require additional resources and guidance to implement equitable policies, programs and practices. Stakeholders noted the following as forms of support that would be beneficial: spaces for peer learning on race and equity for local government staff and elected officials, grants to increase staffing capacity and resources that clarify best practices for implementation of local housing programs, such as templates of fair housing standards, program rules, underwriting guidelines and term sheets that can be applied across jurisdictions. These will be critical to ensuring that funding processes are streamlined and resources are deployed as effectively and efficiently as possible.
- Pay specific attention to the varied levels of local jurisdictions' capacity, and target capacity building efforts toward jurisdictions with less capacity and resources to manage housing programs, real estate assets and reporting requirements to promote equitable access to BAHFA resources throughout the region.
- Create spaces and channels for ongoing communication and engagement with local jurisdiction staff, with the purpose of sharing key information about BAHFA's plans and progress that allows them to plan and strategize accordingly, ask questions and provide input, develop the local infrastructure needed to effectively administer return to source funds and leverage regional funding opportunities.
- Serve as a centralized resource for data collection and reporting on regional housing trends. Provide local jurisdictions with data and other research that can support officials in creating equitable housing policies, conducting equity analyses of local housing conditions and reporting on equity impacts of local programs and policies.
- Work with equity-oriented organizations to develop a toolkit for local governments on how to assess racial equity impacts of program implementation and make real-time course corrections to address inequitable program outcomes.
- Serve as a leader in advancing a regionalist approach to housing equity; facilitate region-wide, cross-sector efforts to advocate with one voice at higher levels of government to ensure that the Bay Area has the resources necessary for advancing equity.

Production Opportunities and Challenges

Extremely Low-Income and Permanent Supportive Housing

Creating stable housing opportunities for extremely low-income households, including permanent supportive housing (PSH), is a top priority of many stakeholders. Production of ELI housing presents two main challenges: the tradeoff of providing fewer units in order to create deeper affordability, and especially in the case of permanent supportive housing, the need to secure ongoing funding for operating subsidies and supportive services. The need for supportive services arises from the focus on serving the most vulnerable members of our communities, including formerly homeless individuals and families, who face multifaceted and compounding effects of poverty and marginalization. Supporting these residents to remain housed for the long term often requires the right package of services as well as trauma-informed property management practices – all of which increases the cost of providing these specialized housing types. Adding to this challenge is the fact that currently bond proceeds cannot be used to support ongoing services, and thus BAHFA's most likely source of near-term revenue would need to be paired with other sources to make these projects feasible – and there is a severe shortage of funding for operating subsidies and supportive services.

Stakeholder Recommendations

- Establish set-asides or preferences for projects that include a minimum percentage of PSH or ELI housing or other projects that meet criteria aligned with Equity Objectives. The County of Santa Clara's Measure A Program, which prioritizes funding for ELI developments, is one model for BAHFA to consider.
- Some stakeholders expressed that middle-income and mixed income housing are also priorities for their jurisdictions, especially as they strive to create enough housing for workers at all income levels. Explore the potential of mixed-income housing models that use rents generated from higher- income units to cross-subsidize ELI units. Facilitating the creation of mixed-income housing and integrated housing for people with disabilities (rather than segregating ELI units and accessible housing in separate buildings) is also an important strategy for advancing equal access to choice and opportunity.
- Explore partnerships with local housing authorities, which control the most reliable sources of funding for operating subsidies, to coordinate investments.
- Serve as a regional leader to promote evidence-based best practices for supportive services and trauma-informed property management. This can help ensure that residents of BAHFA-funded properties stay successfully housed and avoid retraumatization that comes with evictions or additional periods of homelessness – which can have a particularly detrimental impact on families with children and people with disabilities.
- Consider tracking and reporting on acutely low-income housing production and outcomes of acutely low-income affordable housing residents.

Balancing Social Mobility and Community Reinvestment Strategies

BAHFA seeks to address systemic racism in housing by advancing a "both/and" approach that increases affordable housing opportunities in historically disinvested communities facing displacement as well as in historically exclusionary communities. To deliver new affordable housing at the necessary scale in all of these place types, BAHFA must leverage its funds with existing housing production programs, the largest of which by far is the Low Income Housing Tax Credit (LIHTC) program. However, LIHTC funds and other state and federal programs often come with their own explicit geographic targeting criteria (e.g., TCAC's "Opportunity Map") or implicitly favor certain geographies over others (e.g., by privileging low cost areas).

The priorities set by these state or federal programs may not always coincide with BAHFA's "both/and" approach yet will influence BAHFA's expenditures to the extent that BAHFA seeks to take advantage of the leverage they offer. Furthermore, regular changes to these other funding programs create a level of uncertainty that presents a challenge for BAHFA to design its own programs in a way that complements or enhances the sources of leverage.

Stakeholder Recommendations

- To respond to the constantly evolving landscape of affordable housing finance, BAHFA will need to regularly evaluate its own program outcomes and adjust as needed to more effectively advance the Equity Framework objectives – especially ensuring an appropriate mix of investments that can redress the lingering impacts of systemic racism as those manifest in different place types.
- Join with affordable housing partners throughout the region to advocate for changes to state affordable housing funding programs that would advance equity through a "both/and" approach.

- In designing programs, carefully evaluate the potential impacts of various geographic targeting methodologies according to each program's specific goals, with a focus on ensuring that impacted communities whom the programs are intended to reach are not unintentionally disadvantaged by the selected methodologies. Engage stakeholders in this process.
- Seek a balance between creating affordable housing opportunities in exclusionary jurisdictions that are resistant to new housing development and responding to the needs of communities who are more receptive to new housing and/or waiting for resources for shovel-ready projects.
- Explore opportunities to support projects that leverage statewide streamlining policies like SB 35 to advance development in high opportunity areas.
- See also recommendations regarding "Defining and Advancing Community Priorities" under "Preservation Opportunities and Challenges" below.

Holistically Designed Housing

Numerous stakeholders articulated their vision for affordable housing that is designed according to far different standards than the status quo. Instead of buildings and units designed to be competitive for LIHTC funding, many envision homes that are designed first and foremost to meet the holistic needs of residents. This requires listening to and engaging community members in the design process, rather than assuming what residents want and need.

Stakeholder Recommendations

- To expand possibilities for affordable housing design, include funding programs that do not rely on leveraging LIHTC funds within BAHFA's portfolio. Design funding sources to enable elements of holistically designed housing, such as incorporation of community serving amenities (meeting and gathering places, ground floor spaces for community-based anchor and cultural institutions), integration with broader community development (walkability and proximity to essential services, transit and employment opportunities) and alignment with equitable design standards (Housing Design Standards for Accessibility and Inclusion, Crime Prevention Through Environmental Design, LEED and National Green Building Standards).
- Prioritize the uniqueness of developers that are co-designing concepts with communities who are most impacted by housing unaffordability. For example, design NOFAs and RFPs to award points for projects that were designed through participatory or community-led processes that center the voices of marginalized residents. One model is a NOFA released by the City of Oakland in 2020 for the Bond Measure KK Acquisition & Conversion to Affordable Housing Program, which awards points for projects with tenant involvement.
- Play a leadership role in advancing universal design in new developments to ensure that people with disabilities have full access to affordable housing opportunities. Encourage BAHFA-supported projects to not only meet, but exceed, state and local accessibility requirements. One model to consider here is a NOFA released by the City of San Jose, which awards bonus points for "projects that are committed to increasing accessibility beyond the minimum ADA requirements and are open to feedback and input from people with disabilities." Consider setting project requirements that ensure units designated for people with disabilities are integrated throughout developments, rather than segregated in separate developments. In addition to tracking the number and percentage of units meeting and exceeding accessibility requirements, monitor whether accessible units are being provided to the populations they are intended to serve, with accessibility features matched to the residents' accommodation needs.

Equity in Resident Selection and Property Management in Affordable Housing Developments

Equity in BAHFA's Production Programs ultimately hinges upon who is able to move in and stay in newly built affordable housing units. It will be important for BAHFA to track resident characteristics (race, age, family size, income, disability status, etc.) at move-in to identify and address potential disparities in access.

Stakeholder Recommendations

- Where disparities in accessing new affordable housing opportunities exist, examine barriers that are causing people in need to "fall through the cracks."
- Ensure that information about new affordable housing opportunities as they come online are shared widely and made accessible. Partner with community-based organizations to conduct intentional outreach to marginalized populations, including people of color, immigrants and refugees, unhoused families with children, and domestic violence survivors as new affordable housing opportunities arise. Because applying for affordable housing can be an unfamiliar process that requires the disclosure of highly sensitive personal information, this form of outreach and application support is best conducted through trusted community-based institutions. Encourage affordable housing developers and managers to partner with schools, community anchor institutions, and legal aid organizations serving marginalized populations to facilitate outreach and greater understanding of community needs throughout the housing application process.
- Create standards for data collection practices that affordable housing applicants and residents can trust, and provide these as resources to property management organizations to help support and streamline data collection and reporting. Make disclosure of sensitive information voluntary, and implement rigorous privacy and data security protections for any personal information collected by BAHFA and housing providers as part of housing application and program evaluation processes. Provide resources for property managers to work with trusted community anchor and legal aid organizations to develop data security practices and gather resident data that supports program evaluation required by the Equity Framework.
- Encourage the formation of democratic, resident-led property management structures and equitable resident engagement processes in affordable housing developments.
- As part of funding application review processes, ensure that potential developers and property managers of BAHFA-supported developments have a demonstrated track record of equitable and ethical property management.
- Establish requirements for equitable tenant selection and protection policies, such as a standard fair chance housing policy, in BAHFA-supported developments.

Preservation Opportunities and Challenges

Embracing Innovation and Risk

Very few funding sources exist for the preservation of unsubsidized housing, especially for the conversion of unsubsidized units to community-controlled or shared equity models that are deed-restricted for long-term affordability. While these models have not been deployed at scale, they are an effective means of preventing displacement, maintaining the existing affordable housing stock, and advancing community self-determination, especially for marginalized groups who have been historically excluded from homeownership opportunities. Because these types of development are less familiar to financing institutions and also have a variety of financing challenges distinct from new affordable housing construction, regional leadership is needed to expand funding programs designed for them. BAHFA can lead the sector in designing innovative preservation programs, including those specifically for community-controlled housing.

Innovation requires accepting and planning for risk. Too often, investment in emerging developers embedded in BIPOC communities is deemed too great of a risk because they have not yet established enough of a track record for development. Stakeholders reported that this dynamic fails to recognize the value of community-controlled development organizations, and reinforces the structural barriers that limit the self-determination of BIPOC and other impacted communities.

Stakeholder Recommendations

- Actively monitor the demand for and capacity to utilize preservation resources, seek innovative opportunities to support the growth of the preservation ecosystem's capacity, and when appropriate, seek to create a greater balance in funding allocated to each of the 3Ps. Create a preservation funding program and financial products that are specifically designed to work with community ownership models and/or small sites, separate from programs that are designed for a broader range of tenure and building types. For financial products designed for broader purposes, include terms that are accessible for community ownership models.
- Design funding programs to allow for greater flexibility around risk. For example, build in a loan loss reserve to underwrite promising nascent organizations and plan ahead a small percentage of potential loss, or explore partnering with CDFIs or other institutions to increase the availability of loan guarantees.
- Consider opportunities to catalyze investment by private capital and push the market in new directions, such as taking a first loss position.
- See also recommendations regarding "Capacity Building for Underrepresented Developers," under "Cross-Cutting Opportunities and Challenges" above.

Defining and Advancing Community Priorities

Stakeholders emphasized the importance of advancing equity-focused, community self-determination by investing in housing production and preservation developments that are identified by BIPOC and impacted communities as priorities. It is important to note that defining "community priorities" and assessing what projects have meaningful community support is a challenge. BIPOC and impacted communities are not monoliths, and groups within them may hold different, even conflicting, priorities. As BAHFA seeks to prioritize the needs of communities most impacted by housing unaffordability, BAHFA will need to develop a rigorous methodology for making equitable determinations about which projects most represent the widest held or highest impact, equity-focused community priorities and meaningfully advance community self-determination.

Stakeholder Recommendations

- Explore setting community engagement standards for proposed projects and scoring criteria that award points based on community involvement or sponsorship by a community institution. As previously noted, one model is the City of Oakland's 2020 NOFA for the Bond Measure KK Acquisition & Conversion to Affordable Housing Program, which awards points for projects with tenant involvement.
- Create structures and pathways through which communities can formally determine and articulate their priorities. Allocate funding to community planning and needs assessment initiatives led by organizations embedded in and accountable to BIPOC and other marginalized communities, which provide a foundation for future housing production and preservation project proposals. Invest in support for equitable community engagement experts, who can provide technical assistance to developers on community engagement or directly run community engagement processes themselves. An opportunity here is for BAHFA to collaborate with MTC and ABAG on their programs related to community planning and engagement.
- Support Community/Tenant Opportunity to Purchase policies (COPA/TOPA) and coordinate a regional COPA/TOPA strategy. Incentivize adoption of local COPA/TOPA policies through preservation funding programs.
- Experiment, assess, and iterate on BAHFA's approach to identifying and uplifting community priorities through equitable community engagement practices and decision-making structures. Directly reach out to marginalized communities to identify community priorities, and create opportunities for community leaders to participate in evaluating and selecting project proposals for funding.

Additional Recommendations

The following are additional stakeholder recommendations related to Preservation:

- Integrate environmental sustainability objectives into preservation projects by incentivizing electric upgrades or other decarbonization strategies, and pairing funding for preservation projects with funding for transit and walkability improvement.
- Provide funding for rehabilitation of the region's aging housing stock (separate from funding for acquisition), including upgrades for accessibility, environmental sustainability and safety. Funding for rehab is critically needed for both existing deed-restricted units as well as unsubsidized homes.
- Examine and address barriers to accessing preservation funding for projects in specific marginalized geographies with unique conditions, such as the Bayview in San Francisco, which consists of predominantly single-family homes.

Protection Opportunities and Challenges

Limited Funding to Match the Need and Urgency for Protections

Growing unaffordability, compounded by the lasting impacts of the COVID-19 pandemic, has elevated the region's already critical need for protection programs. AB 1487 revenue requirements specify that protection funding must account for, at minimum, 5% of BAHFA's revenue spending. With protection comprising the smallest percentage of BAHFA's funds, securing enough funding to match the need is a challenge.

This challenge is further complicated by regulations that prohibit the use of certain forms of revenue, including those generated by a general obligation bond, for most types of tenant protections. BAHFA must therefore prioritize strategies and financing products that generate revenue that can be reinvested in its protection programs, while also pursuing funding opportunities for which tenant protections are an eligible expense (e.g., philanthropic donations, federal/state grants, etc.).

Stakeholder Recommendations

- While focusing limited resources for maximum impact, also create protection programs that span a range of anti-displacement and homelessness prevention needs. In addition to emergency assistance and eviction protection for tenants at risk of displacement, the region needs protections for individuals living without permanent housing (people who are unhoused as well as people who are precariously housed and living in hotels, garages, or transitional housing) as well as "upstream" interventions to keep tenants stably housed. Upstream interventions include permanent housing subsidies, shallow subsidies, expanded outreach and education programs that raise awareness of tenants' rights as well as available financial and legal resources, and overall strengthening of the region's institutional infrastructure (across public, nonprofit, and legal services agencies) to deliver these and other essential forms of support. It is important to note that in addition to limitations on the use of general obligation bond revenues for protection programs, some upstream interventions – such as long-term or permanent housing subsidies for ELI households who are not seniors – are limited by AB 1487 itself.
- Pursue and support actions that eliminate or mitigate existing constitutional prohibitions on the use of general obligation bonds for tenant protections and related services. In addition, consider pursuing related amendments to AB 1487 that would expand eligibility of general obligation bond revenue to take full advantage of a potential constitutional change, as well as to enable a comprehensive suite of upstream as well as emergency interventions to protect against displacement and homelessness. When appropriate, seek to create a greater balance in funding allocated to Protections.
- Explore opportunities for impact through pilot initiatives that leverage existing resources and expertise throughout the region without requiring significant new funding. For example, create a platform for disseminating existing training and educational materials, especially multilingual resources, developed by legal aid organizations that can be shared with local jurisdictions across the region. Stakeholders reported a need for additional education for landlords and property managers on their responsibilities to their tenants, such as complying with fair housing and tenant protection laws, providing accommodations for and respecting the dignity of tenants with disabilities, and protecting tenants who are domestic violence survivors.
- Support local jurisdictions by providing guidance and convening peer learning spaces on how to most effectively deploy existing local funds for homelessness intervention and prevention programs.

Regional Leadership on Protection Policies

Many stakeholders emphasized the importance of pairing regional protection programs with local protection policies – specifically rent stabilization, just cause for eviction, and anti-harassment policies. While BAHFA does not have the authority to compel local governments to adopt these policies, it can lead the region by elevating the urgency of these specific policies as it coordinates with other regional agencies (e.g., MTC and ABAG) as well as local jurisdictions to, where possible, incentivize and support their adoption.

Stakeholder Recommendations

- Promote best practices and emerging trends in tenant protections policies, such as pairing rent stabilization and just cause policies together, and limiting no-fault evictions of families with school-age children during the academic year.
- Support multijurisdictional and multisectoral collaboration on protection program administration to achieve greater economies of scale and strengthen the region's tenant protection infrastructure.
- Provide funding and technical assistance to local jurisdictions and community-serving institutions to support their efforts to strengthen enforcement of existing tenant protection policies. The Alameda County Housing Secure Program, through which Centro Legal de la Raza provides legal services to residents in addition to technical assistance to Alameda County, is one model to explore.
- Explore collaborating with MTC on implementation of the Transit Oriented Communities Policy, which leverages transportation funding to incentivize housing policy adoption including tenant protections. Because construction of transportation infrastructure, particularly freeways, has produced racial exclusion and displacement, stakeholders expressed that it is appropriate for transportation funding to be leveraged to address inequities and benefit BIPOC communities.
- Play a leadership role in developing a shared regional understanding of the displacement dynamics affecting lower-income neighborhoods. In part, this could include a recognition that some public investments (e.g., in infrastructure, transportation, housing, etc.) that result in neighborhood improvements may have the unintended consequence of spurring displacement through increased land values. As a regional public agency with a core anti-displacement mandate, BAHFA is well positioned to collaborate with other public entities to elevate "investment without displacement" frameworks that encourage devoting resources to historically disinvested areas while ensuring that existing residents can remain to enjoy the benefits.

Data Collection and Analysis

To effectively target interventions, BAHFA will need to ground its program design process in evidence-based analysis of the underlying causes of homelessness and housing insecurity that different populations face.

Stakeholder Recommendations

- Examine the unique, intersectional barriers to affordable housing faced by marginalized groups, such as transition-aged foster youth, transgender people, undocumented immigrants and domestic violence survivors. Furthermore, engage with community-based organizations who are effectively reaching and serving such groups to learn from and expand their outreach efforts.
- Conduct a survey of affordable housing residents that tenants can participate in anonymously and comment on their experiences and concerns as residents.

- Establish a regional rent registry for both subsidized and unsubsidized rental units that tracks rents, evictions, lengths of tenancy, and ownership (e.g., units owned by LLCs or other corporate entities, number of units owned per landlord). Make registry data publicly available (with personal tenant information de-identified) to allow stakeholders and policymakers to conduct their own analysis of the data.

Additional Recommendations

The following are additional stakeholder recommendations related to Protection:

- Require or incentivize tenant protections in BAHFA-supported developments, and track tenant evictions and complaints in affordable housing developments to ensure that residents are treated equitably.
- Explore options for immediate or near-term action to support tenants at-risk of displacement following the lifting of COVID-19 eviction moratoria.
- In addition to emergency rental assistance, provide financial assistance for security deposits and relocation assistance for people who are displaced due to code enforcement and habitability issues.
- For a holistic approach to homelessness prevention, pair financial assistance programs with legal assistance and additional supportive services (such as mental and behavioral health services).
- Provide support to tenant associations, organizing efforts, and outreach initiatives that are working to make information on tenant right more accessible (e.g., easy to understand and available in different languages).

Conclusion

Many of the above recommendations and ideas have directly shaped the Objectives, Metrics, Goals, and commitments articulated in the final Equity Framework. As a whole, the stakeholder feedback documented in this report will continue to inform BAHFA's work as it seeks to develop and implement its Funding Programs in alignment with the Equity Framework.

This report is a starting point for further conversation with stakeholders on what it will take to advance equitable housing in the Bay Area. As described in the Equity Framework, BAHFA is committed to ongoing engagement with and outreach to stakeholders from across the 3Ps, with an intentional focus on equity-oriented organizations who are accountable to and part of communities most impacted by housing unaffordability. This engagement and outreach will continue in various forms as BAHFA works to maintain accountability to the Equity Framework moving forward.

2D. Guiding Questions for Program Development and Design

This set of guiding questions is a planning tool to help generate ideas and evaluate housing program strategies that further the Equity Objectives in the BAHFA Equity Framework. The guide provides open-ended questions designed to provoke analysis of how the potential program could best meet Equity Objectives. The guide is not a scoring system or checklist. It is intended to help BAHFA answer questions such as, "Which Equity Objectives can X program best achieve, and how?"

The guide has three parts: Part 1 sets the context for the program design by asking a couple of questions to identify any key limits or requirements related to the potential program, based on the likely funding source, BAHFA authority, or other factors. Part 2 asks questions about how the program is expected to perform on the relevant metrics and how it could be designed to meet the Equity Objectives. Part 3 asks about which metrics are most relevant to the program, and whether there is data or precedents showing how similar programs have performed according to these metrics.

Part 1. Limits and Requirements

- What is currently known about which funding source(s) are likely to be used?
- What requirements and limits would there be related to the likely funding sources? For example, what types of developers or organizations can we expect would be able to access these funds? What types of projects would be eligible and competitive for any assumed source of leverage
- What limits or requirements are important to note that relate to BAHFA's legal authority and mandate?

Part 2. Alignment with Equity Objectives

2a. Global Questions about Expected Program Outcomes

Which Equity Objective(s) is this program intended/designed to meet? To the extent that the program is designed to meet multiple Equity Objectives, is one or more Objectives prioritized over the others?

- How is the program expected to perform on each of the relevant metrics?
- How many people/families can we expect the program to serve?
- How many housing units will the program provide? At what affordability level? Over what time frame?
- For innovative programs (e.g., Innovation Fund), is there a multiplier effect if the innovation is more broadly adopted in the sector?

How might this program affect or support BAHFA's efforts to meet other equity objectives that it is not designed for? For example:

- Does this program complement other BAHFA programs' ability to deliver on the Equity Objectives? For example, does it advance specific Equity Objectives that the other programs do not?
- Does this program help to mitigate any unintended consequences or undesirable benefits/burdens from the other programs?
- What potential undesirable benefits/burdens might this program create, and how will these be mitigated by the program's design or by other programs?
- For Production/Preservation programs, does this program generate revenue that can be used to support other Equity Objectives?
- For Protection programs, could this program be paired with or designed to complement BAHFA's Preservation or Production Funding Programs to strengthen anti-displacement goals?

2b. 3Ps Objectives

Part 2b provides questions related to the objectives under each of the 3Ps (Production, Preservation and Protection). Refer only to the questions under the program track(s) that are relevant to the program being considered.

1. Production

1.1 Produce more affordable housing, especially for extremely low-income (ELI) households

- What communities (geographic, demographic, household type) will be specifically targeted to benefit from this program?
- How will the program be designed to generate the targeted benefits (e.g., incentives, threshold requirements, or other mechanisms such as points or set-asides)?

1.2 Invest in historically disinvested areas

- What program elements will function to prioritize projects with demonstrated support from impacted communities?
- How will the program support investment in lower-resource communities and other areas subject to historic disinvestment?

1.3 Create affordable housing opportunities for lower-income households in historically exclusionary areas

- How will the program support new affordable housing opportunities in existing areas of opportunity?

1.4 Create programs that address homelessness

- How will the program be designed to ensure that people without housing benefit from the homes this program produces?
- How will the costs unique to permanent supportive housing be covered?

1.5 Achieve regional climate and environmental justice goals

- How will the program be designed to support projects with climate/environmental justice criteria (e.g., TPA or PDA location, LEED design)?

2. Preservation

2.1 Preserve expiring use affordable housing to prevent displacement

2.2 Preserve existing unsubsidized housing and convert to permanently affordable housing

For Objectives 1 and 2 (answer separately for each type of program, if relevant):

- What types of projects would be eligible and competitive for these funds? Considerations: How might this be shaped by requirements of other funding sources that would need to be leveraged?
- What types of developers can we expect would be able to access these funds? Considerations: How are these types of developers distributed across the region?

2.3 What communities (geographic, demographic, household type) will be specifically targeted to benefit from this program?

2.4 Target preservation investments for most impacted residents

- How can/will the program be designed to ensure that ELI households and people at risk of homelessness benefit from the homes this program preserves (e.g., by creating deeper affordability compared to market rate rents)?

2.5 Create opportunities for community-owned housing

- How can/will the program be designed to support projects that enable community control and/or equity growth, especially in EPCs and for households facing discriminatory and/or structural barriers to homeownership?
- What program elements will function to prioritize projects with demonstrated support from impacted communities?

3. Protection

3.1 Increase access to anti-displacement and homelessness prevention services

- How can/will the program increase access to tenant services that prevent displacement and homelessness?

3.2 Support tenant education and advocacy

- How can/will the program empower tenants through enhanced training, education, outreach and/or community resources?

3.3 Prioritize protections and investments in households and communities facing the greatest housing precarity

- How can/will the program reach and meet the particular needs of ELI households, residents of Equity Priority Communities, and other communities facing the greatest housing precarity?

3.4 Ensure adequate funding for tenant protections

- To what degree would the program meet the regional needs for protection services?
- How can the program leverage new revenue streams?

3.5 Elevate the urgency of tenant protections through regional leadership

- What research, coordination, or communications will occur through the program that elevate the urgency of tenant protections and adoption of best practices in the region?

2c. Cross-Cutting Objectives

4.1 Support community-based and community-owned organizations and developers

- How will inclusion be achieved for Community-Based and Community-Owned Organizations and Developers (e.g., complementary capacity building, set-asides, DBE/SBE requirements, accessible baseline requirements for developers, accessible program terms)? Could the program be designed to be more inclusive?

4.2 Support individual and community wealth building

- How will the program support historically marginalized people and residents historically excluded from homeownership to build wealth and access home ownership?

4.3 Serve as a regional leader on local equitable programs and practices

- How do jurisdictions need to be aligned with BAHFA's objectives for this program to be successful? What types of jurisdictions need to be aligned?
- What incentives, requirements or other mechanisms could be included in the program to encourage participation of local jurisdictions in achieving the equity objectives?
- Is the program designed to incentivize counties and other direct allocation jurisdictions to advance the Equity Objectives? If so:
  i. Which objectives?
  ii. What incentives, requirements or other mechanisms will be used to encourage participation of these local jurisdictions in achieving the program's equity objectives?
- What form(s) of technical assistance and/or model practices can be offered to support local jurisdictions' alignment with the Equity Objectives?

4.4 Commit to ongoing, meaningful, and equitable engagement

- What processes could be devised for historically marginalized community members to be involved in program design and/or evaluation?
- To what extent does the program respond to priorities, opportunities and challenges communicated by stakeholders through the Equity Framework public engagement process? Could the program be designed to be more responsive?

4.5 Secure more flexible and unrestricted funding

- Can/should the program generate new revenue that can be used for unmet Equity Objectives? If so, what features of program design would be necessary and what are the trade-offs?
- Will this program be able to access any flexible or unrestricted funding generated through other programs or funding sources? How can other programs or sources be designed to secure additional resources for this program?

4.6 Target most flexible BAHFA funding to accelerate AFFH

- Can/should the program be woven together with the 10% Local Government Incentive Program to address Affirmatively Furthering Fair Housing? If so, what features of program design would be necessary?

Part 3. Knowledge Base on Relevant Metrics

Refer to the metrics associated with the relevant Program Track(s). What lessons can be learned from existing data, precedents, or other evidence about how programs similar to the proposed program have performed on any of the Equity Framework metrics that are relevant to this program?

2E. Data Sources for Metrics

Equity Goal	Metric	Data Source
Core Metrics	% cost-burdened renter households by race/ethnicity, income level, disability status	California Housing Partnership, American Housing Survey
	# and % of overall population experiencing homelessness by race/ethnicity, # and % of overall population and K-12 student population experiencing homelessness by race/ethnicity	CA Homeless Data Integration System, CA Department of Education
	% homeowners by race/ethnicity	American Community Survey
	Affordable housing shortfall	California Housing Partnership
	Wealth by race/ethnicity	TBD
1. Choice and Opportunity	For low-resourced neighborhoods, change in HCD/TCAC opportunity index compared to change in number/share of population by race/ethnicity	American Community Survey, CA Tax Credit Allocation Committee
	% extreme commuters by race/ethnicity, poverty level, mode of transportation, and housing tenure	American Community Survey, Bay Area Equity Atlas
2. Stable, Affordable Housing for All	% of homes meeting the American Housing Survey (AHS) Definition of physical adequacy	American Housing Survey, Comprehensive Housing Affordability Strategy data
	% of households living in overcrowded homes (more than one occupant per room)	American Community Survey
	% of regional housing supply accessible to people with disabilities	American Housing Survey
3. Security, Safety and Belonging	TBD	TBD. Evaluating progress towards this goal is likely best accomplished using qualitative methods.

Equity Goal	Metric	Data Source
4. Neighborhood Stabilization and Cultural Placekeeping	% of low-income households by race/ethnicity across areas with Estimated Displacement Risk (EDR)	American Community Survey, Metropolitan Transportation Commission, CA Dept. of Housing and Community Development
	Metro comparison of displacement risk (Bay Area compared to other metros)	Metropolitan Transportation Commission
	Change in number and share of BIPOC populations within Equity Priority Community (EPCs)	Metropolitan Transportation Commission
5. Community Self-Determination and Participation	% of elected officials by race/ethnicity	Bay Area Equity Atlas
	# of units stewarded by community-owned housing organizations	California CLT Network
	Voter turnout by race/ethnicity	Bay Area Equity Atlas
	Voter turnout for affordable housing ballot measures	Statewide Database
6. Repair	% of tracts designated as Racially/ Ethnically Concentrated Areas of Poverty (R/ECAPs)	American Community Survey, CalEnviroScreen
	% of tracts designated as Racially Concentrated Areas of Affluence (RCAAs)	CA Dept. of Housing and Community Development

Equity Goal	Metric	Data Source
7. Environmental Health and Justice	% of population by race/ethnicity and pollution burden quintile	American Community Survey, CalEnviroScreen
	% sensitive populations (elderly, children, people with disabilities, etc) by environmental exposure (air quality, sea level rise, wildfires, etc.) and adaptive capacity	Climate Change & Health Vulnerability Indicators for California
	% of population by race/ethnicity and Healthy Places Index quintile	American Community Survey, Public Health Alliance of Southern California
8. Prevention	% of population protected by rent stabilization and just cause for eviction policies	American Housing Survey
	# of households receiving Housing Choice Vouchers or other permanent housing subsidies	American Housing Survey

Data Challenges and Limitations

While the Equity Framework metrics – related to both the Objectives as well as the broader Social Equity Goals – will be vital to the design and evaluation of BAHFA's program strategies, there are inherent challenges and opportunities related to data and metrics that are important to note.

Data unavailability, geographic inconsistencies of available data, and infrequency in new data made available by existing sources all represent challenges to BAHFA leveraging the Equity Framework metrics to advance equity. Additionally, indicators of progress, especially towards the longer-term goals, will be influenced by external factors that are beyond BAHFA's direct control.

Other challenges are related to notions which are central to the Equity Framework, such as "community self-determination," "cultural placekeeping," and "belonging." These multidimensional concepts were identified as critical to an equitable housing future in the Bay Area during the Equity Framework's development and stakeholder engagement process, but nevertheless can be difficult to define and thus also difficult to measure quantitatively.

Despite these challenges, BAHFA has the opportunity to be an innovator in data collection and equity measurement for the region. Components of the Equity Framework that may be difficult to measure quantitatively may be better evaluated through qualitative methods such as interviews and listening sessions with residents and equity leaders. For some quantitative measures where data is lacking, such as wealth by race/ethnicity, BAHFA may consider partnering with other entities, such as the Federal Reserve Bank of San Francisco, to produce this data at the scale necessary to track the reduction of racial disparities in wealth across the region, similar to the methodology used in the Federal Reserve Bank of San Francisco 2016 report, "The Color of Wealth in Los Angeles."[3]

Endnotes

1 Ham, K., Strominger, M., & Gordon, L. (2022). Advancing Community-Controlled Housing Preservation through the New Bay Area Housing Finance Authority. https://www.urbanhabitat.org/resources

2 The Bay Area Housing Finance Authority is governed by Government Code Section 64500, et seq. (hereinafter "the Act"), which was first adopted into law by AB 1487 (Chiu, 2019). The Act was later amended by AB 1319 (Wicks, 2023). This Appendix retains references to AB 1487, which contained the operative statutory provisions during the Equity Framework's drafting process.

3 Data revealing persistent racial disparities in wealth (difference between gross assets and debt) at the national level are available through the Federal Reserve's 2019 Survey of Consumer Finances. However, data are not currently available at the metro level. One opportunity to consider is partnering with the Federal Reserve Bank of San Francisco to produce similar data that facilitates the tracking of racial disparities in wealth across the Bay Area.

Bay Area Housing Finance Authority Business Plan

Appendix 3: Funding Programs

Bay Area Housing Finance Authority

Cover image
Station Center in Union City, photo by Bruce Damonte, courtesy of Midpen Housing

Contents

3A. Multifamily Rental Production Program **3**

3B. Innovation Program **13**

3C. Preservation Program **21**

3D. Tenant Protections Program **32**

3A. Multifamily Rental Production Program

Appendix 3A.1: Multifamily Rental Production Program Description

Equity Objectives

The Multifamily Rental Production Program (the "Program") will invest in projects that support achievement of the Equity Framework's Production (P) and Cross-Cutting (CC) Objectives. The Program, in combination with other funding programs and initiatives implemented by BAHFA, will seek to:

P1. **Produce more affordable housing, especially for extremely low-income (ELI) households.** Increase production of housing with long-term affordability restrictions across the region, and provide special focus on the production of housing types that meet the needs of ELI households and populations most disproportionately impacted by housing inequity.

P2. **Invest in historically disinvested areas.** Address systemic racism by investing in developments identified by impacted communities as priorities and that create stability for residents while transforming historically disinvested neighborhoods (such as Equity Priority Communities) into areas of opportunity.

P3. **Create affordable housing opportunities for lower income households in historically exclusionary areas.** Address systemic racism by investing in developments that replace segregated living patterns with integrated, diverse and balanced living patterns in areas of concentrated affluence.

P4. **Create programs that address homelessness.** Increase housing types, in coordination with counties, that directly serve the needs of unhoused residents (including permanent supportive housing) while developing strategies to ensure that operating and services subsidies are available and utilized to the greatest extent possible. This Objective recognizes that more housing of appropriate types is a key solution to homelessness.

P5. **Achieve regional climate and environmental justice goals.** Prioritize housing placement near high-quality transit and invest in housing that achieves high performance scores in recognized sustainable building systems.

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[1] 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 Production Goals.** The majority of Regional Housing Revenue[2] (RHR) raised by BAHFA (minimum 52%) is required to be distributed, in the form of a grant, loan or other financing tool, for the production of rental housing that is restricted by recorded document to be affordable to lower income households up to 80% Area Median Income (AMI) for at least 55 years (Production). The Program would provide financing for housing meeting the Production criteria.
- **Achieve Transformative Scale.** To make it possible for BAHFA to assist a greater number of units, it will need to leverage outside funding that can cover a large share of total development costs. Currently, the principal major source of subsidy for affordable housing is the federal Low Income Housing Tax Credit (LIHTC or "tax credit") program. Funding provided by the Program is intended to be compatible with LIHTCs, as well as state and local subsidy sources. Noting that LIHTCs and their companion funding source, tax-exempt private activity bonds (PABs), are currently highly competitive and often not directed to projects that BAHFA would otherwise seek to prioritize, BAHFA will seek to leverage alternate, new funding sources as they become available. It will also work collaboratively with state and local partners to ensure that LIHTCs and PABs, both necessary for projects' financial feasibility, are distributed more equitably across a variety of communities.
- **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.** Affordable multifamily rental projects are typically financed using a "layer cake" of hard debt and subsidy from multiple sources. By being a coordinated source of both hard debt and significant subsidy, and providing pathways for local jurisdictions and other funding sources to efficiently contribute additional financing to the same projects, BAHFA will help streamline project financing.

Funding Products

The initial funding products BAHFA will provide pursuant to the Program are intended to support achievement of the Equity Objectives and the Additional Objectives set forth above, and to be responsive to the regional financing needs and opportunities identified for Production properties.

As the region's affordable housing production needs evolve, and as BAHFA identifies additional sources of funding and develops additional capacities, the funding products are expected to change. All Program terms will be periodically reviewed and are subject to revision at any time. Exceptions to general Program terms may be available on a project-by-project basis.

1. The Bay Area Housing Finance Authority is governed by Government Code Section 64500, et seq. (hereinafter "the Act"), which was first adopted into law by AB 1487 (Chiu, 2019). The Act was later amended by AB 1319 (Wicks, 2023). This Appendix retains references to AB 1487, which contained the operative statutory provisions during the Equity Framework's drafting process.
2. 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.

Initial Program funding products include:[3]

Permanent Financing

- **Subsidy Loans,** which may be structured as **residual receipts loans** and/or **subordinated, must-pay loans**. Subsidy loans are available to projects that are 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 serviceable from surplus project cash flow with any 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**
  - BAHFA role: Lender, Participant, and/or Issuer
  - Anticipated terms: 17-40 year loan term; up to 40-year amortization schedule
  - 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 participated in by BAHFA 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; 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.

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

Construction 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 construction) and remain as a permanent loan.
- **Construction Loans**[4]
  - BAHFA role: Lender, Participant, and/or Issuer
  - Anticipated terms: May fund eligible project costs from predevelopment through completion of construction. If needed, a portion may convert to a permanent subsidy loan and/or a first mortgage loan after construction completion and project stabilization.
  - Collateral/security: First-position liens on the property and project under construction
  - Anticipated interest rate: Same as above, under "Permanent – First Mortgage Loans."
  - Funding amount: Generally, maximum 85% loan-to-cost; higher maximum loan-to-cost 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 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.

4. In the near term, due to the size of construction loans needed per project, and the readily available capital from commercial banks for multifamily rental projects receiving tax credits, it is expected that BAHFA will play a smaller role in construction lending for the Program than in other funding programs (see, e g ,: Innovation Program, Preservation Program) Over time, BAHFA may generate additional resources that may make it possible to expand its construction lending activity in furtherance of the Program.

Appendix 3A.2: Multifamily Rental Production Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Multifamily Rental Production Program is intended to be responsive.

Included in ***Appendix 3A.2:***

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

Current Financing Overview

Currently, new affordable rental housing production relies on the following principal financing sources:

- **Low Income Housing Tax Credits** are the single largest source of subsidy for affordable rental housing. When awarded to a project, tax credit equity received from the sale of tax credits to investors typically funds from around 40% (in the case of the 4% tax credit) to 60% (for the 9% tax credit) of project development costs. Although tax credit equity can pay for a significant share of project costs, remaining project costs still need to be paid for from a combination of hard, "must-pay" debt and additional (non-LIHTC) subsidy.

- **Construction Loan.** During the construction period, projects have a short-term construction financing need. Projects funded with 4% LIHTCs require that the majority of the project's aggregate basis be financed with tax-exempt PABs (further described below), while projects funded with 9% LIHTCs have more flexibility to use a wider range of construction sources. Upon completion and lease-up of the rental units, a construction loan may convert to a permanent loan and/or be repaid from permanent financing proceeds.

- **Permanent Senior Loan.** The amount of a permanent senior loan (or first mortgage loan) a project can support is a function of (i) project net operating income (rental revenue minus operating costs); and (ii) debt terms (interest rate, amortization schedule and term, minimum required debt service coverage ratio). Senior loans are also considered "hard debt" because the loan must be repaid on a fixed schedule. In general, the higher the rents, and the lower the operating costs, the larger first mortgage loan a project can support. The percentage of total development costs that can be paid for with this debt depends not only on the amount of debt that can be supported, but also the total development cost of the project, which varies across the region and from project to project. We estimate that on average, approximately 10-20% of a typical low-income affordable rental project's capital stack can be supported by a first mortgage loan. For projects with insufficient rental revenue (or operating subsidy) to cover operating costs, little to no debt can be supported. Examples of lower-revenue projects include permanent supportive housing, senior housing, and housing that prioritizes extremely low- and very low-income households (i.e., average affordability is 50% AMI or less).

- **Subsidy Loans.** Low-cost subsidy loans comprise a substantial portion of a project's capital stack, often 40% of a project's sources in a 4% LIHTC project. These have historically been sourced competitively through multiple agencies at the federal, state and local levels. 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-pay" loan.

See **Table 1** below for a sample capital stack of Bay Area projects receiving tax credits in 2021. The split between tax equity, debt and subsidy is an approximation, and not based on each specific project.

The typical process by which most multifamily affordable developments are financed and built includes the developer applying to the California Tax Credit Allocation Committee ("CTCAC") for an award of 9% tax credits; or to the California Debt Limit Allocation Committee ("CDLAC") for an allocation of tax-exempt private activity bonds, which come with 4% tax credits as-of-right.

Private activity bonds awarded by CTCAC are a form of "project revenue bond" – bonds whose repayment is secured by the revenue from a specific project or pool of projects. For projects receiving PABs, a public agency (e.g., a city, county, housing authority or other entity with the authority to issue project revenue bonds) issues the bonds on behalf of the project, typically on a conduit basis. In the Bay Area, affordable housing projects are often directed to use the city or county in which they are located, or a specific local agency, as their bond issuer; alternatively, other state financing agencies can issue bonds on behalf of a project. Typically, in what is known as a "private placement," conduit bonds are purchased directly from the issuer by a bank, which lends the bond proceeds to the developer; less commonly, bonds can also be sold pursuant to a public offering.

Table 1. Financing Overview: Sample Capital Stack

Sample Capital Stack: Year 2021	Total Project Costs	Tax Equity at $0.90	Perm Debt at 15%	Subsidy Need
New Construction 9%	$390,032,417	$229,981,315	$58,504,863	$101,546,240
Rehabilitation 9%	$161,032,626	$76,052,889	$24,154,894	$60,824,843
Subtotal (9%)	**$551,065,043**	**$306,034,204**	**$82,659,756**	**$162,371,083**
Per Unit (937 Units)	**$588,116**	**$326,611**	**$88,217**	**$173,288**
% of Capital Stack	100%	56%	15%	29%
New Construction 4%	$2,306,269,093	$1,017,218,119	$345,940,364	$943,110,610
Rehabilitation 4%	$219,737,228	$83,169,810	$32,960,584	$103,606,834
Subtotal (4%)	**$2,526,006,321**	**$1,100,387,929**	**$378,900,948**	**$1,046,717,444**
Per Unit (4,229 Units)	**$597,306**	**$260,201**	**$89,596**	**$247,509**
% of Capital Stack	100%	44%	15%	41%
Total	**$3,077,071,364**	**$1,406,422,132**	**$461,560,705**	**$1,209,088,527**
Per Unit* (5,166 units)	**$595,639**	**$272,246**	**$89,346**	**$234,047**
% of Capital Stack	100%	46%	15%	39%

*Cost/Unit is average, not weighted

Landscape Analysis

The number of affordable multifamily rental projects that can be built is driven by factors including project costs and the availability of LIHTCs, PABs, and subsidy loans to fill funding gaps. While critical constraints exist regarding access to tax credits (see below), as tax equity raised from the sale of tax credits typically funds over 40% of a project's total development costs, the 4% and 9% tax credit programs remain, currently, the principal vehicles by which the Bay Area can meaningfully fund needed housing at the scale required.

- **Scale of the Affordable Housing Need.** In 2019, the California Housing Partnership Corporation set the shortage of affordable homes for Bay Area low-income households at 207,820. In 2022, the Bay Area's Regional Housing Needs Assessment set the number of needed homes for households earning 80% of area median income and below at 253,046.
- **Market Size.** Both 9% tax credits and PABs (which generate the 4% tax credit) are constrained resources in California. Federal law sets annual limits for each state on the availability of 9% tax credits and PABs. In California, demand for 9% tax credits has consistently exceeded their availability; but until 2019, PABs were in abundant supply. In 2020, PABs became oversubscribed by more than five times the available amount and CTCAC and CDLAC established a competitive allocation process for projects financed with 4% tax credits and PABs, respectively. Due to this oversubscription, in the fall of 2021 the CA Department of Housing and Community Development launched the Housing Accelerator program to provide funding for projects that were shovel ready and unable to move forward due to gaps that resulted from their inability to access tax credit and bond allocations.
- Projects financed with LIHTCs (either 4% or 9%) created or preserved 5,116 units in the Bay Area in 2021 (43 new construction projects and 9 rehabilitation projects), with over $3 billion in total development costs.[5] Assuming tax credits could be sold, on average, for $0.90 to investors, tax credit equity funded an estimated 46% of these project costs.
  - **4% Tax Credit Projects.** In 2021, across the Bay Area, 37 projects totaling 4,229 units with $2,526,006,320 in total development costs were awarded PABs with 4% tax credits. Federal tax credits awarded to these projects totaled $1,104,488,250 (10-year total) and $118,165,013 in total state credits. Assuming those tax credits could be sold, on average, at $0.90 to investors, total tax credit equity raised for these projects works out to an estimated $1,100,387,924 – 44% of project costs.
  - **9% Tax Credit Projects.** Also in 2021, 15 projects totaling 937 units with $551,065,043 in total development costs were awarded 9% tax credits in the Bay Area. Federal tax credits awarded to these projects totaled $332,181,310 (10-year total) and additional state credits totaled $7,856,694. Assuming an average price per credit of $0.90, tax credit equity raised for these projects is estimated at $306,034,204 – 56% of project costs. See Table 2 below for an overview of projects awarded LIHTCs in the nine-county Bay Area in 2021.
- **CTCAC/CDLAC Alignment with Equity Objectives.** Both CTCAC and CDLAC have "set asides," or pools for awarding tax credits and PABs to projects based on categories. For example, of the $2.23 billion of PABs allocated to 4% tax credit multifamily projects in 2022, CDLAC required 88% of the PABs be for new construction projects, with specific pools focused on homeless, ELI and VLI households. Further, 3% of funds were available to developers with at least 51% BIPOC ownership or leadership. The 9% tax credit projects that do not use PABs have different set asides with goals set by CTCAC. Many of the current set asides and scoring criteria align well with BAHFA's Equity Objectives including prioritization of lower income and special needs households and proximity to transit. However, some have created negative consequences for many Bay Area communities, including prioritizing investments in "high opportunity" census tracts, which disadvantage lower-income communities and communities of color. In addition, CTCAC and CDLAC assigned a "tie-breaker" advantage to projects with low development costs in the

5. In 2020, 62 new construction and 14 rehabilitation projects totaling 8,160 units with over $4.67 billion in development costs received tax credit awards.

interest of creating more units overall. For high-cost Bay Area communities, this has resulted in a resource allocation drought. To achieve its equity goals, BAHFA must work collaboratively with state and local partners to create a more equitable funding system while also investing in efforts such as entitlement streamlining and factory-built housing that lowers project costs. Additionally, as BAHFA gets closer to launching its funding programs, CTCAC/CDLAC priorities may change, and BAHFA will continue to monitor, collaborate, and evolve as needed to provide funding to projects that will successfully receive tax credits and bonds, or to those that meet newer "subsidy in lieu of credits" programs such as the state's Housing Accelerator program while also meeting Equity Objectives.

- **Constraints on Local Subsidy Availability**. In addition to the constraints on LIHTC funding availability, projects currently need to go to multiple state and local resources to seek subsidy loans, which adds time and cost due to the need to apply to multiple agencies on their funding cycle and negotiate multiple loan documents, as well as annual reporting to multiple agencies.

Table 2. Overview of Bay Area projects awarded LIHTCs in 2021

Year: 2021	# of Projects	# of Units	Total Project Costs	Cost/ Unit	Federal Credits (10 Yr)	State Credits	Total Credits
New Const. 9%	10	631	$390,032,417	$618,118	$247,678,100	$7,856,694	$255,534,794
New Const. 4%	33	3,946	$2,306,269,093	$584,457	$1,012,077,350	$118,165,004	$1,130,242,354
Rehabilitation 9%*	5	306	$161,032,626	$526,250	$84,503,210	$0	$84,503,210
Rehabilitation 4%*	4	283	$219,737,228	$776,457	$92,410,900	$0	$92,410,900
Total/ Average**	**52**	**5,166**	**$3,077,071,364**	**$600,103**	**$1,436,669,560**	**$126,021,698**	**$1,562,691,258**

*Rehabilitation projects were primarily projects with expiring affordability restrictions. CDLAC/TCAC scoring currently prioritizes new construction.

**Cost/Unit is weighted average.

Opportunities for BAHFA

The universe of new affordable multifamily rental projects needing funding each year across the Bay Area is large. Based on Table 1 above, if 10-20% of annual regional tax credit project development costs can be financed with hard debt, that leaves a $300-$600 million annual permanent financing need and a remaining need for subsidy loans of $1.0-$1.36 billion. In addition, projects not receiving tax credits, but viable with additional debt and/or subsidy, could also be financed (to be described in Appendix 3B!, BAHFA's Innovation Program). These funding needs present opportunities for BAHFA to provide permanent and construction-period financing and improve on current financing approaches.

In addition to providing subsidy loans, if BAHFA can play a role in construction or permanent lending, it can provide competitive project-level benefits, while enabling stabilized operations and the ability to generate revenue from interest and fees which can support BAHFA's financial self-sufficiency and Protection programming.

For the Program to be compelling and add additional value for projects, BAHFA also can:

- **Package its "must pay" hard debt products with subsidy**, to simplify project-level financing and increase the benefit to projects. The threshold for BAHFA to be the best available financing provider for projects in the region is when the cost of its hard debt plus subsidy loan (its "blended cost") is less than the cost for the same total amount of funding from any other source.
- **Compete to provide a lower-cost debt product (lowest possible interest rate, minimum fees)**. There are various way for BAHFA to provide a lower cost debt product than its peers. Initially, BAHFA may apply its RHR to funding hard debt loans directly or via a loan participation. Over time, as BAHFA generates revenue and has financial strength, a multi-year lending track record, and a strong credit rating, it may be able to gain deeper access the capital markets and leverage a wider range of external sources to provide low-cost debt to borrowers, such as through an open bond indenture. In any structure, BAHFA can mark the project costs it controls - principally, fees and interest rate spread—to the minimum level BAHFA can sustain, and/or provide additional subsidy to provide a total financing package that is competitive to other providers.
- **Reduce project costs and ease of execution** through streamlined, standardized reporting, documentation and other administrative requirements and simplification of each project's capital stack.
- **Communicate, coordinate and collaborate with local jurisdictions**, especially to the extent BAHFA cannot provide all the subsidy a project needs and additional subsidy from a local jurisdiction is needed.

Funding Scenarios

If $2 billion in RHR becomes available to BAHFA, a minimum of 52% would be allocated to Production programs. Production also includes the Innovation Program (under separate cover). 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.

As stated in the goals of the Program, and subject to the limitations of its authorizing legislation, BAHFA will 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.

Several options for how BAHFA could seek to do so are outlined below. The **Baseline** scenario assumes BAHFA does not issue project revenue bonds and is unable to leverage any funding aside from RHR. The **Subsidy Only** scenario assumes BAHFA focuses on delivering only subsidy loans. The **additional** options are strategies that, by partnering with banks or accessing the capital markets, would expand the total resources BAHFA has available for the Program and provide BAHFA with additional sources of revenue.

- **Baseline:** BAHFA funds the Program entirely from RHR.
  - **Pros:** Simplest scenario to execute. BAHFA can set the interest rate and terms on all financing it provides, earn 100% of the interest rate charged and receive all repaid principal.
  - **Cons:** Least scaled scenario, with most limited selection of financing products and most limited project set. RHR is a scarce resource and if needed to fund both hard debt and subsidy loans, it would be able to fund fewer subsidy loans and support production of fewer units. BAHFA would be unable to provide many of the financing products identified as opportunities above, including any of the products that require issuance of project revenue bonds. In particular, BAHFA would not have the ability to fund any federally tax-exempt financing to projects, which means projects that ordinarily could benefit from this tax subsidy would have to forgo it to the extent they still choose to use BAHFA financing.

- **Subsidy Only:** BAHFA dedicates its resources to providing subsidies, forgoing any role as a senior lender or issuer.
  - **Pros:** BAHFA could use all RHR for subsidy loans, and it would have fewer staffing needs. Borrowers could continue to receive competitively priced first mortgages from other providers under a structure they are used to.
  - **Cons:** Especially in the short to mid-term, BAHFA would have extremely limited sources of internally generated revenue, which could result in continued dependency on recurring infusions of funding from voter-approved housing measures, or external donors, to continue providing financing products, pay for expenses and deliver Protection programming. In the short to mid-term, BAHFA revenues would consist of interest paid on subsidy loans from available cash flow. Payments on these loans depend on project-level excess cash flow being available and would be unreliable, especially before projects are fully leased-up and stabilized. However, longer-term, some projects may be refinanced, triggering repayment of BAHFA's subsidy loans and providing cash that could be re-loaned, subject to remaining restrictions on those funds.
- **Loan Participation:** BAHFA funds a share of each construction and/or permanent loan from RHR, while banks or other financing partners fund the balance of each loan. This is a strategy BAHFA may employ in the near term as soon as it has RHR available.
  - **Pros:** BAHFA could offer an interest rate competitive with the market, and earn its proportional share of interest plus principal, while the bank earns its share. By utilizing banks to provide the majority of each permanent loan, BAHFA would be able to fund more subsidy loans from RHR than it could under the Baseline scenario while still earning some permanent loan revenue. It can also rely on the banks to lead by using their loan agreements and infrastructure to underwrite and service loans, reducing BAHFA's staffing needs.
  - **Cons:** The complexity of merging multiple financing parties into a single transaction cuts against BAHFA streamlining goals, however this is a structure that banks are familiar with. BAHFA control and decision-making about any project will also be shared with the co-lender(s). By playing a smaller role in the first mortgage loan, BAHFA will earn less revenue.
- **Open Indenture:** BAHFA establishes an open (or "pooled") indenture pursuant to which it issues housing revenue bonds secured by a pool of projects. Bond proceeds are used by BAHFA to fund its permanent first mortgage lending program. This is a strategy BAHFA may employ in the longer term once it generates revenue from other programs and has a strong balance sheet.
  - **Pros:** Makes it possible for BAHFA to provide all of the financing products identified above as opportunities. In addition to using RHR to provide subsidy loans, under the open indenture, BAHFA would access the capital markets to issue housing revenue bonds, proceeds of which would be used by BAHFA to make hard debt loans to projects. This structure 1) allows BAHFA to conserve the majority of its Production-related RHR for subsidy loans which commercial lenders are unable to provide; and 2) leverage the capital markets for external sources to fund its permanent first mortgages, all while BAHFA is able to earn revenue from interest rate spread and other fees.
  - **Cons:** While the open indenture is a powerful structure for BAHFA to generate revenue over the long term, it would be contingent on establishing its powers under the Act to issue project revenue bonds. Furthermore, BAHFA will need to identify cash with which to collateralize the indenture at its outset and under current law, general obligation bond proceeds cannot be used for this purpose. Finally, the cost of capital BAHFA can raise through the open indenture will depend on the indenture's credit strength, which will take time and resources to build. Management and administration of the indenture will also add costs and complexity to BAHFA's operations.

3B. Innovation Program

Appendix 3B.1: Innovation Program Description

Equity Objectives

The Innovation Program (the "Program") will invest in projects that support achievement of the Equity Framework's Production, Preservation, and Cross-Cutting Objectives.[6] In particular, by funding projects that are faster to market and lower cost, as well as piloting new financing and delivery approaches, the Innovation Program will help meet the Equity Framework's objectives of creating more affordable housing, including for extremely low income (ELI) households. Further, by providing funding to projects that will not apply for low income housing tax credits (LIHTCs),[7] the Program will allow for more geographic flexibility to invest in communities identified in the Equity Framework as priorities, such as those in which there has been historical disinvestment.

Additional Objectives

Additional objectives of the Program are to:

- **Support BAHFA's Legislated Production and Preservation Goals.** A combined minimum 67% of Regional Housing Revenue[8] ("RHR") raised by BAHFA is required to be distributed, in the form of a grant, loan or other financing tool, for either the production of rental housing that is restricted to be affordable to lower income households up to 80% AMI for at least 55 years ("Production") or for the preservation of deed-restricted housing, affordable to households up to 120% AMI for 55 years ("Preservation"). An additional 18% may be used for Production, Preservation, or Protections. A majority of projects receiving funding from this Program are anticipated to be faster, lower-cost new construction projects that contribute to meeting BAHFA's Production goal (to which a minimum 52% of RHR must be provided); however, Preservation projects (minimum 15% RHR) may receive funding pursuant to the Program as well.
- **Expand the Range of Financeable Projects.** Much housing development across the region is driven by the requirements of major funding programs, especially tax credits. Alternative project types—such as smaller, infill projects to support lower density development; larger, multifamily rental properties that do not use tax credits; mixed-income housing that includes market and affordable units; and conversion of existing office buildings to residential use—lack available funding. With the Program, BAHFA intends to support a wider universe of project types where needs are not currently being reliably addressed with existing financing sources.
- **Avoid Competitive Bottlenecks in Current State Funding Programs.** Given the current scarcity of affordable housing's principal funding sources—tax-exempt bonds and tax credits—alternative funding pathways are needed for more projects to be possible. The Program is intended for projects that will not seek tax credit funding.

6. The Production, Preservation, Protection Objectives are stated in the Multifamily Rental Production Program, Preservation Program, and Tenant Protections Program descriptions, respectively, along with the Cross-Cutting Objectives. All objectives are also included in Appendix 1: Equity Framework.
7. Projects located in census tracts designated as "high opportunity" currently receive a scoring advantage when applying for tax credits. In practice, this means projects located in other geographies—including areas that have been historically disinvested—may be uncompetitive for tax credits.
8. 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 the Act.

- **Achieve Faster, More Cost-Effective Housing Delivery.** The high cost, extended timelines, and lack of flexibility in pathways to complete new projects are primary contributors to the region's affordable housing shortage. With flexible capital provided through the Program, BAHFA aims to fund projects that:
  - **Reduce project costs:** Cost reductions can be achieved through a faster pace of development, lower-cost land, innovative construction and other techniques.
  - **Deliver projects at a faster time to market:** Faster time to market (acquisition and/or construction through lease-up) can be achieved by, for example, streamlined permitting and approvals, creative construction approaches, and/or streamlined financing and by providing a pathway for production of large, affordable multifamily rental housing without tax credits.
- **Pilot New, Innovative Approaches.** BAHFA wants to open doors to developers that bring leading-edge ideas to meeting the region's housing needs. By providing flexible capital via the Program, BAHFA aims to prioritize housing production and preservation that pilots or expands on new, innovative approaches. For example, BAHFA expects that projects that choose to forgo LIHTC financing and instead prioritize time and cost savings could be funded through the Program, as could projects that explore creative, different community-based ownership structures, or projects that rely on partnership and collaboration between multiple organizations to share capacity and expertise.

Funding Products - Generally

The initial funding products BAHFA will provide pursuant to the Program are intended to support achievement of the Equity Objectives and the Additional Objectives set forth above, and to be responsive to regional financing needs and opportunities.[9]

As the region's affordable housing needs evolve, and as BAHFA identifies additional sources of funding and develops additional capacities, the funding products are expected to change. All Program terms will be periodically reviewed and are subject to revision at any time. Exceptions to general Program terms may be available on a project-by-project basis.

Initial Program funding products are grouped into three categories:

1. Products available for projects meeting the criteria for **Efficient Delivery**;
2. **Affordable Unit Buy-Down** product; and
3. Products available to **Adaptive Re-Use** projects.

Efficient Delivery Products

To qualify for **Efficient Delivery** funding, projects must:

- Minimize their total development cost so that it does not exceed the lesser of $500,000 per unit (adjusted for bedroom count and capitalized operating subsidy needs) or 80% of a comparable project's cost; and
- Keep their development timeline from site/building acquisition to lease-up (for new construction projects) to no greater than that of a comparable project, and in no event greater than three years; or, for construction/rehabilitation completion (for preservation projects), to no greater than that of a comparable project, and in no event greater than 18 months.

9. For additional analysis of regional financing needs and opportunities, please refer to the Appendix 3A.2.

Qualifying projects are expected to forgo applying for tax credits, though may be receiving other sources of local, state, or federal subsidy. Preference will be given to projects minimizing permanent subsidy required to be provided by BAHFA, while also aligning with BAHFA's other programmatic and policy objectives.[10]

- **Permanent Financing** products available pursuant to BAHFA's other funding programs, including Subsidy Loans, First Mortgage Loans and Conduit Bond Issuance. Subsidy Loans may be funded at permanent conversion, or prior to or during construction. If necessary to support project feasibility, BAHFA may exceed the subsidy caps set forth in its other funding programs.
- Flexible financing ("**Efficient Delivery Loan**") to pay for **all or any portion** of eligible acquisition, predevelopment, construction (or, for Preservation projects, rehabilitation) costs until building completion and stabilization. The Efficient Delivery Loan is anticipated to be paid down to the greatest extent possible from other sources at building stabilization, but any remaining balance thereafter may remain as a permanent source. This product is anticipated to be funded from RHR at a below-market interest rate. Typically, BAHFA will require a first-position lien on the property, although this requirement may be waived when supported by the transaction structure and necessary for project feasibility.

Affordable Unit Buy-Down Product

The **Affordable Unit Buy-Down** pays for the cost of adding additional affordable housing units in market rate projects (both new construction and existing market-rate developments) in exchange for 55-year deeded affordability restrictions on these units. Payments would not be available for units that are already required to be affordable, for example, pursuant to an inclusionary housing requirement.

For any unit, BAHFA's calculation of the amount it will pay to buy down affordability in a unit will be based on the net present value of the difference in property cash flows with and without the unit affordability restriction; consequently, the amount of the payment BAHFA would provide will vary with market and affordable rental rates across the region.

The Affordable Unit Buy-Down is provided in the form of a forgivable loan to borrowers, in an amount of up to $200,000 per unit, in exchange for the affordability restriction on their market-rate units.

Adaptive Re-Use Products

The **Adaptive Re-Use Program** provides funding for conversion of non-residential buildings to residential use. Qualifying projects are expected to demonstrate strong alignment with BAHFA's programmatic and equity objectives. Due to their complexity, Adaptive Re-Use projects may have higher per-unit costs and longer development timelines than other BAHFA-funded projects.

Initial funding products available to projects meeting the Adaptive Re-Use Program criteria include:

- **Permanent Financing** products available pursuant to BAHFA's other funding programs, including Subsidy Loans, First Mortgage Loans, and Conduit Bond Issuance. Subsidy Loans may be funded at permanent conversion, or prior to or during construction. Subsidy amounts are subject to a $200,000 per unit cap, with additional amounts available for projects determined to be a high priority based on their meeting criteria to be established by BAHFA.
- Construction period financing ("**Adaptive Re-Use Loan**") to pay for **all or any portion** of eligible acquisition, predevelopment, and construction costs until building completion and stabilization. The Adaptive Re-Use Loan is anticipated to be repaid from other sources at building stabilization. This product is anticipated to be funded from RHR at a below-market interest rate. Typically, BAHFA will require a first-position lien on the property, although this requirement may be waived when supported by the transaction structure and necessary for project feasibility.

10. Where possible, BAHFA will prioritize projects that incorporate extremely low income (ELI) and/or permanent supportive housing (PSH) units. Without federal or state resources such as tax credits, these projects will require increased capital subsidy from local jurisdictions and BAHFA. PSH units will also require operating/rental subsidy and services funding from local jurisdictions. In jurisdictions where operating/rental subsidy or services funding is unavailable, successful projects may still be viable at rents affordable to higher AMI levels.

Appendix 3B.2: Innovation Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Innovation Program is intended to be responsive.

Included in ***Appendix 3B.2:***

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

Current Financing Overview

Affordable housing is produced and preserved at scale when supported by reliable, predictable funding sources. Across the region, the bulk of the region's affordable housing production and preservation depends on the availability of LIHTCs, supplemented by local subsidy.[11] Additional federal, state and local programs can create opportunities for different types of development, but are much smaller in scale, may be short-lived, and/or may not be as profitable for developers to participate in.

Equity from the sale of tax credits to investors typically provides around 40% (for 4% credits) to 60% (for 9% credits) of a project's permanent funding need, so it is a critical component of financing affordable housing alongside subsidy loans. This has created a formulaic, LIHTC-reliant (and correspondingly LIHTC-limited) system for affordable housing production and preservation that is not able to keep pace with the demand for affordable units. The resources needed to sustain this system are also increasingly scarce: although 9% tax credits have long been competitive, allocations of tax-exempt private activity bonds with as-of-right 4% tax credits, once widely available, are now oversubscribed.

The initial feasibility assessment of an affordable housing project can hinge on whether it is expected to be competitive for tax credits and private activity bonds; and increasingly, projects across the Bay Area struggle to be competitive due to their high costs. As projects become more expensive, it also means that available tax credits can support fewer projects. Projects that are unable to secure a tax credit award in their first or successive funding rounds incur carrying costs and become increasingly expensive, for both developers and the local jurisdictions that provide subsidy to projects.

Increasing costs and competition for tax credits is also constraining where projects can be located. To offset higher costs, developers prefer projects that are located in federally-designated Qualified Census Tracts and Difficult to Develop Areas that provide a "basis boost," increasing the value of the tax credit by 30% compared with projects located in ineligible areas. The California Tax Credit Allocation Committee (CTCAC) scoring system also currently awards additional points to LIHTC projects that are located in highly-resourced "Opportunity Areas," increasing their competitiveness to be funded, while de-prioritizing projects that would be located in areas that have high segregation and poverty. Although the methodology and role of opportunity mapping is currently undergoing re-assessment, and may be changed for later funding rounds, it currently means that many projects that are a priority for BAHFA—for example, projects that address systemic racism in housing and support wealth building but may be located in areas that are not assessed by CTCAC to be "high opportunity"—may need to be funded without leveraging tax credits.

The limitations of the current, tax credit-reliant system for funding affordable housing have caused jurisdictions to seek alternative financing sources that could be scalable, reliable, and predictable and support a wider range of project types in a broader set of geographies than those most competitive for tax credits; as well as "off-ramps" that could support projects moving forward even when they are unsuccessful in securing tax credits.

11. For an expanded discussion of the role LIHTCs and other sources play in affordable housing production and preservation, please refer to the Multifamily Rental Production Program description (Appendix 3A.1) and the Preservation Program description (Appendix 3C.1).

Landscape Analysis

Numerous "innovation funds" have sprung up around California and elsewhere, seeking to spark new ways of creating housing more quickly and at lower cost. These include, among many others:

- **Various programs in Los Angeles**, at both the city and county level:
  - **Proposition HHH Housing Challenge.** In 2019, Los Angeles Housing and Community Investment Department (HCIDLA) set aside $120 million of LA City's $1.2 billion homeless housing bond funded from Proposition HHH for the construction of low-cost and innovative permanent supportive housing (PSH), including onsite services, for extremely low income (up to 30% of AMI) and very low income (up to 50% of AMI) households. The primary goal was to identify innovative construction and financing models to produce approximately 1,000 new supportive housing units within two years after receiving funding approval.
    - Funding on the Housing Challenge projects ranged from $600,000 to $13 million and was in the form of a subordinate loan to projects. Eligible project costs included acquisition and/or construction related activities, and to be eligible for an HHH Housing Challenge award, projects had to meet criteria related to the project's cost efficiency and shortened construction timeline, incorporation of certain design features and community engagement, and representation of innovation in meeting the city's homelessness crisis.
    - 15 projects by six developers were awarded under the Prop HHH Housing Challenge program between May 2020 and June 2021, totaling 867 units and $96.4 million in HHH loans with an average award of $6.4 million per project. By July 2022, according to the Los Angeles Housing Department's progress report, only 1 of the 15 projects closed the loan within 12 months of award and 5 others closed between 15 and 22 months from award, resulting in 349 units that have started construction. Considering this and their estimated occupancy date, only one was expected to be completed within 30 months of award. Positively, of the six projects that were under construction, the average cost of the Housing Challenge units was approximately $450k, compared to $596k (in 2021) for standard HHH funded units.
    - Related to the delays, the LA Controller released a report in February 2022 – "The Problems and Progress of Prop. HHH"– which included a number of takeaways for the HHH program (including the Housing Challenge projects):[12]
      - HHH provided partial funding to each project - developers still had to seek additional subsidy loans from other sources as well as tax credits and bonds after the HHH award. Although this enabled Prop HHH to fund more projects, the process of securing multiple sources typically adds time and costs to each project;
      - The COVID-19 pandemic contributed to spikes in construction costs, government staffing shortages, and extended funding and review timelines;
      - The report highlighted longstanding challenges with timely and efficient permitting processes and recommended the City of LA speed up its review of HHH projects;
      - To counter rising construction costs and land use issues, it recommended that the City acquire and convert existing buildings (such as hotels and newly built apartments) to housing; and
      - For Housing Challenge projects specifically, it noted that some projects had issues with site control (since awards were made beforehand) which caused cancellations and developers securing other financing.
    - Salient lessons BAHFA can learn from these takeaways for its Program includes: supporting projects that have streamlined permitting processes, narrowing down the number of financing sources on each project, and piloting new approaches to deliver affordable housing such as adaptive re-use of existing buildings.

12. "The Problems and Progress of Prop. HHH," Office of Kenneth Mejia, LA City Controller, February 23, 2022, https://controller.lacity.gov/audits/problems-and-progress-of-prop-hhh.

- **LA Housing Innovation Challenge.** The LA County Homeless Initiative launched the Housing Innovation Challenge in 2019 to support projects preventing homelessness throughout the county. The Challenge[13] offered an award of $500,000 or $1 million in the form of a forgivable loan from a $4.5 million fund up to five creative, scalable, and low-cost supportive housing projects and programs. The projects had up to two years to complete and were evaluated based on their creativity, achievability, and replicability. Organizations that received awards included modular and shared-living developers, as well as a program incentivizing homeowners to add accessory dwelling units (ADUs) to their properties. The impact and results of these projects include:
  - Flyaway Homes LLC: In July 2022, Flyaway Homes LLC unveiled its permanent supportive housing development, producing 16 two-bedroom units from a total of 54 converted shipping containers.[14] In addition to the $1 million award received, the development was predominantly funded by private capital.
  - Restore Neighborhoods LA's Bungalow Court: Eight one-bedroom studio units were completed in early 2021, financed partially by the $500,000 innovation award, along with broad range of private capital.[15]
- **California Investment and Innovation Program.** Representing an alternative approach to innovation from the two programs created in Los Angeles discussed above, the recently passed Senate Bill 193[16] established the California Investment and Innovation Program, a $50 million fund to grant awards to enhance the capacity of Community Development Finance Institutions ("CDFIs") in providing technical assistance and capital access to economically disadvantaged communities. With annual appropriated funding, the program can offer up to $15,000,000 in total grants per calendar year to eligible applicants (current CDFIs with minimum net worth and portfolio requirements, with either an office, officers currently residing in, or a record of lending in California) selected by the State to apply for funding. Broadly, the Program's funding may be used to increase the CDFI's net assets or to increase its working capital. The first round of grants is expected to be awarded by February 2024.
- **Homes for the Homeless Fund.** In San Francisco, the Housing Accelerator Fund, a CDFI, established the Homes for the Homeless Fund with the goal of producing a new PSH project in less than three years from site acquisition and at a 25% lower total development cost than comparable projects. Its prototype project, the Tahanan, located at 833 Bryant Street, used $50 million in philanthropic funding to pay for all predevelopment, acquisition, and construction costs on an accelerated basis, so that development could proceed even without knowing whether the project would be awarded tax credits and whether funding to operate the building as PSH would be available from the city. The project succeeded in achieving its cost and timing goals. At permanent financing conversion, a portion of the philanthropic funding was left in the project ($8 million), with tax credit equity, permanent debt supported by 30-year lease payments from the city, and operating subsidies comprising the balance of permanent sources. Had the project not been awarded tax credits, or received a lower lease payment from the city, additional philanthropic funds would have had to remain in the project.

13. "Housing Innovation Challenge," Housing Innovation Challenge, https://www.housinginnovationchallenge.com/#about.
14. "FlyawayHomes and the People Concern Announce 82nd Street Permanent ...," July 22, 2021, https://www.einnews.com/pr_news/546974510/flyawayhomes-and-the-people-concern-announce-82nd-street-permanent-supportive-housing-reveal.
15. Anna Scott, "La Developer Finds a Way to Build Affordable Housing Cheaper. Is This a Model for Others?" March 22, 2021, https://www.kcrw.com/news/shows/greater-la/affordable-housing-oscars-oc/restore-neighborhoods-la-homeless-housing.
16. "SB-193 Economic Development: Grant Programs and Other Financial Assistance.," California Legislative Information - Today's Law as Amended, June 30, 2022, https://leginfo.legislature.ca.gov/faces/billCompareClient.xhtml?billid=202120220SB193&showamends=false.

- **Adaptive Re-Use.** Numerous cities, among them Calgary, Cleveland, Atlanta, and Washington, D.C., are launching programs and incentives designed to fund and fast-track conversion of underutilized downtown office buildings to housing. In many of these cities, long-term decline in demand for office space was compounded by the COVID-19 pandemic, even as demand for affordable housing continued to grow. Adaptive re-use of these existing buildings can re-knit and animate neighborhoods that have become pocked with office vacancies and can be more environmentally sustainable than ground-up new construction. Conversions can be expensive, and every building presents unique challenges, but costs can be reduced through measures such as coordinated, streamlined permitting and dedicated assistance with meeting building code requirements. In Calgary, a 10-year, $1 billion ($721 million USD) initiative was recently launched to revitalize a targeted area of the downtown core, with 40% of funding dedicated to providing subsidy for office conversions, up to the lesser of $54 per square foot or $7.2 million per project, with greater funding available subject to additional review and approval. As of October 2022, five conversions anticipated to produce 707 units of housing had been approved. In California, new statewide legislation has been under consideration that would provide funding specifically for adaptive re-use; such a funding source, if it were to become available, could augment any funding BAHFA provides for this purpose.

In general, the above programs reflect the urgency to establish viable, scalable new models for creating and preserving affordable housing. Many of these programs focus on creating housing for especially vulnerable households and individuals that are, or are at risk of becoming, homeless; but innovative ideas from these and other efforts can be brought to bear on and scaled more sustainably, with less reliance on scarce operating and service funding, through their application to additional housing types such as rental housing for a mix of affordable income ranges.

Opportunities for BAHFA

BAHFA has the opportunity to support production and preservation projects outside of the traditional, tax credit-centric financing models and support the delivery of housing that is cost-effective and on a faster timeline to meet the region's housing needs. Alongside its funding programs for production and preservation that seek to leverage other financing sources, including tax credits, there is a need for an additional program designed to support projects that can either be developed at significantly lower cost and delivered to the market at a faster timeline, or those that don't necessarily readily fit within the parameters for BAHFA's other funding programs. With this Program, BAHFA will provide capital that is flexible and able to fill developers' financing needs at several stages over their projects' lifecycles.

It is anticipated that projects receiving funding from the Program will not expect to use tax credits. This does not mean that the Program is intended for projects that were unsuccessful applicants for tax credits (which could still be funded through BAHFA's other funding programs, subject to the terms of those programs) or that the Program will not support projects that have a tax credit allocation; it means, instead, that projects are more likely to be able to achieve significant cost and time savings and greater innovation, and more likely to be aligned with BAHFA's equity and other programmatic goals, if they decide, from the start, not to depend on tax credits. However, the tradeoff for encouraging more innovation and creativity without being bound by the parameters of the tax credit program will be the need for more subsidy loans—whether from local jurisdictions, other public agencies, or BAHFA—to fill the permanent funding gap.

The Program will be initially funded by Regional Housing Revenues, which will likely be raised through general obligation ("GO") bonds. GO bond proceeds can only be used to pay for direct project, capital costs. Other innovation programs have been piloted in California that focus on providing technical assistance funding and working capital support to nonprofit developers and CDFIs, but this is not anticipated to be an element of BAHFA's Innovation Program if it is capitalized with GO bond proceeds. However, it is BAHFA's goal to diversify its sources of funding over time and correspondingly expand the types of funding it can provide.

Emphasis is given to minimizing the long-term, permanent subsidy funding BAHFA would need to provide to any one project, since BAHFA will seek to recycle its flexible early-stage capital into additional projects as possible. This will tend to favor projects that have a lower ongoing subsidy need due to either higher in-place rents, or for extremely low-income projects, local jurisdiction capital subsidies, local jurisdiction operating subsidies, local jurisdiction abatement lease (lease payments from which can be applied to servicing permanent debt service), or state-funded programs such as the Housing Accelerator Program. In addition, whenever possible, BAHFA will look to encourage co-lending or funding by the local jurisdiction so as to reduce BAHFA's funding per project and thereby allow BAHFA to support a greater amount of projects overall.

Funding Scenarios

As stated under Program Objectives, 67% of RHR is required to be allocated to Production and Preservation with an additional 18% available to fund any of the 3Ps. This RHR will be further sub-allocated across the Innovation Program, the Multifamily Rental Production Program, and the Preservation Program. Assuming $2 billion in RHR becomes available to BAHFA pursuant to a GO bond measure, up to 85% would be available for Production and Preservation Programs, drawn in five anticipated tranches at three-year intervals (though funding may be drawn on an accelerated basis if the region expends funds more quickly). Funding for the Program will in part be influenced by demand for BAHFA's other production and preservation funding programs. In addition, current economic conditions and leveraged funding availability could result in the Program supporting several times its allocated funding.

While BAHFA's funds provided through the Program will be flexible and are able stay in projects long-term if needed, a portion of funds provided as early-stage, construction financing ideally will be repaid, and BAHFA will be able to revolve these funds to support additional projects.

3C. Preservation Program

Appendix 3C.1: Preservation Program Description

Equity Objectives

The 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 Grant Program that address any gaps in a comprehensive Affirmatively Furthering Fair Housing ("AFFH") approach given the Act'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[17] ("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.
- **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."[18] 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 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."

17. 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 the Act.

18. The Equity Framework refers to currently Unregulated Properties as "existing unsubsidized housing".

- **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.[19]
- **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.

Funding Products

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.

All units receiving BAHFA financing will have recorded long-term affordability restrictions for a minimum 55-year term.

Initial Program funding products include:[20]

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

19. 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.

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

- **First Mortgage Loans**[21]
  - 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 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

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

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 three 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 3C.2: Preservation Program Context and Considerations

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

Included in ***Appendix 3C.2:***

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

Current Financing Overview

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-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,"[22] 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.

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

Unregulated Properties

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 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 3** on the next page.

  - 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.

Table 3. 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

- 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.

Opportunities for BAHFA

BAHFA has a region-wide opportunity to provide both permanent senior loans and subsidy loans for Preservation Properties.[23] 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.[24]

23. 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 Preservation Program may include smaller properties with as few 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.

24. For additional discussion of these strategies, please refer to the Funding Scenarios section of the Multifamily Rental Production Program (Appendix 3A.2).

3D. Tenant Protections Program

Appendix 3D.1: Tenant Protections Program Description

Equity Objectives

The Tenant Protections Program (the "Program") will support initiatives that support achievement of the Equity Framework's Protection (P) and Cross-Cutting (CC) Objectives. The Program, in combination with other funding programs and initiatives implemented by BAHFA, will seek to:

P1. **Increase access to anti-displacement and homelessness prevention services.** Deploy BAHFA funding to programs with a track record of preventing displacement and homelessness, improving tenant quality of life, and increasing housing stability–such as legal assistance, counseling and advice, financial assistance, and enhanced relocation assistance. Support residents across the full spectrum of anti-displacement and homelessness prevention needs, including tenants with formal leases as well as those with more precarious living situations.

P2. **Support tenant education and advocacy.** Invest in training, education, advocacy, and outreach that raises awareness of tenant rights and facilitates greater access to community resources available to support housing stability. Support tenant associations and similar organizations that reduce power disparities between renters and property owners.

P3. **Prioritize protections and investments in households and communities facing the greatest housing precarity.** Target BAHFA programs so that tenants at greatest risk of displacement and homelessness–disproportionately extremely low income (ELI), residents of Equity Priority Communities, and other impacted households in areas facing displacement pressures—are prioritized.

P4. **Ensure adequate funding for tenant protections.** For BAHFA revenue sources that prohibit expenditures on Protections (e.g., general obligation bonds), design BAHFA funding programs so that they generate new revenue streams that can be reinvested in Protections region wide. Proactively seek other revenue such as state and federal grants to enhance BAHFA tenant protection funding.

P5. **Elevate the urgency of tenant protections through regional leadership.** Invest in research, data collection, and coordination to inform policy change and region wide adoption of best practices.

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 Grant Program that address any gaps in a comprehensive Affirmatively Furthering Fair Housing ("AFFH") approach given the Act'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.

BAHFA anticipates that this Program will be iterative and phased, as BAHFA secures new resources, responds to tenant and jurisdictional needs, and works responsively with partners and stakeholders to changing economic and social conditions. As such, BAHFA has included a Draft Protections Program Budget in **Table 1** of Appendix 3A.2 which outlines the priority programs it will create pending available funds. Therefore, while BAHFA plans to advance all areas of the Equity Objectives, some may be prioritized in the near-term according to Program needs and funding availability.

Additional Objectives

Additional objectives of the Program are to:

- **Support BAHFA's Legislated Protection Goals.** An amount equal to a minimum 5% of Regional Housing Revenue[25] ("RHR") raised by BAHFA is required to be used for tenant protection programs for low- and moderate-income households ("Protections").[26] The Program would provide funding for initiatives meeting the Protections criteria.
- **Provide Regional Capacities.** Overall, the Program BAHFA will aim to provide regional leadership and advocacy with respect to protecting tenants, and will provide technical and financial support to create regional systems and services that protect tenants from displacement and prevent homelessness.

Funding Products

In contrast with BAHFA's other funding programs—e.g., the Multifamily Rental Production Program, the Preservation Program, and the Innovation Program, all of which will deliver loans and subsidies to affordable housing projects—the Protections Program will pay for specific interventions that support Protections.

The funding interventions BAHFA will provide pursuant to the Program are intended to support achievement of the Equity Objectives and the Additional Objectives set forth above, and to be responsive to regional needs and opportunities.

Near- and longer-term objectives and their corresponding interventions for BAHFA's Protections Program are described below. The Program will support both "tenant protections" and "homelessness prevention," given that (while closely linked and coordinated) "tenant protections" programming is often thought to be a different set of services than those required to prevent homelessness.

25. 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 the Act.

26. However, RHR derived from a general obligation bond issuance may not be spent on Protections.

Near-Term Tenant Protections Objectives and Interventions

- **Create regional support for protections.** BAHFA can help solve for the lack of coordination and support for a regional lens on tenant protections by facilitating regional collaboration, research, and technical assistance. In 2023, BAHFA began this work, including:
  - Hosting regional convenings of local jurisdictions and community-based organizations advancing tenant protections.
  - Conducting a research project to understand the feasibility and implementation of programs that best support tenant needs.
  - In coordination with MTC and ABAG, providing technical assistance to ensure that protections programs are developed and implemented using best practices.
- **Support innovative tenant protections pilot programs.** Local jurisdictions in the region are currently exploring innovative programs to help tenants stay in their homes including court-based eviction diversion, right to counsel, and expanded tenant rights education programs. BAHFA seeks to use the findings from its 2023 research project, in tandem with findings from local jurisdictions, to fund and support ongoing pilot programs in local jurisdictions to improve tenant protections and prevent displacement.

Longer-Term Tenant Protections Objectives and Interventions

- **Improve system capacity and infrastructure to implement and evaluate tenant protections across the region.** BAHFA will work to overcome the system capacity and infrastructure challenges that currently hinder the implementation of regional tenant protections and make it difficult to understand the efficacy of existing programs. This could include:
  - Creating and maintaining data systems, such as a housing inventory, to identify and understand displacement and displacement risk caused by rising rents and evictions across the region.
  - Providing technical assistance focused on specific problems within protections systems, such as setting up fast and effective rental assistance application and distribution processes.
  - Creating new regional infrastructure, such as resource-sharing agreements or other collaborative administrative structures, to support smaller jurisdictions to implement protections policies like just cause eviction and rent stabilization in a cost-effective manner.
  - Supporting efforts to improve retention and create a stronger housing legal aid pipeline in response to workforce shortages in the legal aid profession that hinder delivery of tenant legal services across the region.

While related to and sometimes overlapping with tenant protections, targeted homelessness prevention interventions exist in a distinct context that requires a tailored approach. Because there are many funding streams from federal, state, and local agencies, this work can often end up siloed within multiple departments in a jurisdiction. Given the wide diversity of stakeholders and funders in the space, if BAHFA successfully passes a new regional housing bond (a general obligation or "GO" bond) in 2024 it would seek to utilize its funds to support resource integration efforts that advance local jurisdictions' ongoing work to prevent and end homelessness (for more information on BAHFA's potential funding sources, see the "Funding Strategies" section in Appendix 3D.2. BAHFA will pursue the following homelessness prevention interventions based on that need:

Near-Term Homelessness Prevention Objectives and Interventions

- **Collaborate with local jurisdictions to better integrate and grow homelessness prevention programs.** For any jurisdiction seeking assistance to make changes to, or improvements in, integrating health, housing, and homelessness program delivery, BAHFA will provide collaboration and support to bring stakeholders together and secure financial resources to implement specific actions (e.g., rental assistance, legal assistance). This work would be fully supportive of the jurisdiction's goals and, in all likelihood, complement the jurisdiction's deployment of new resources generated by the regional ballot measure.

Longer-Term Homelessness Prevention Objectives and Interventions

- **Provide funding for tenant protection services and/or direct rental and relocation assistance.** Currently, jurisdictions seek additional funding streams to support the direct financial assistance needed to prevent and end homelessness. Pending the receipt of additional funding sources, and, again, as a response to stated jurisdictional needs, BAHFA would fund eligible organizations providing direct services and financial assistance to low-income renters and people at risk of homelessness in the region, including:
  - Pre-eviction and eviction legal services, counseling, advice and consultation, training, renter education, and representation, and services to improve habitability that protect against displacement of tenants.
  - Emergency rental assistance for lower income households. Rental assistance may not exceed 48 months for each assisted household, except that for severely rent-burdened seniors on fixed incomes, rental assistance may be renewed for successive 48-month terms. For purposes of this clause, a "severely rent-burdened senior" is a senior that pays more than 50% of their pre-tax income on rent.
  - Relocation assistance for lower income households beyond what is legally required of landlords according to local or state law.

APPENDIX 3D.2: Tenant Protections Program Context and Considerations

This **section** includes additional analysis of the regional financing needs and opportunities to which BAHFA's Tenant Protections and Homelessness Prevention Program is intended to be responsive.

Included in ***Appendix 3D.2:***

- ***Landscape Analysis***
- ***Opportunities for BAHFA***
- ***Funding Scenarios***

Landscape Analysis: Existing Conditions

In 2019, the Bay Area had over one million extremely low income ("ELI") residents—defined as households with incomes of 30% or less of the area median income—with an average annual income of $17,800, representing 17% of all households. Approximately half of these households spend more than one-third of their income on housing, placing them at severe risk of displacement or homelessness. Black and Hispanic/Latinx people are disproportionately represented in these numbers: Black individuals make up 11% of the ELI population, despite making up only 5% of the Bay Area population, and 33% of the ELI population is Hispanic/Latinx, despite representing 24% of the overall population.[27]

The state of homelessness in the region: In a 2021 report, "Bay Area Homelessness," the Bay Area Council estimated that 73% of the population of people experiencing homelessness in the region is unsheltered. Knowing the exact number of people experiencing homelessness is challenging, and many methods, including the Point-in-Time ("PIT") count, are considered undercounts. However, this remains one of the most standardized methods of data collection and is utilized for funding allocation methodologies at the federal and state level. The 2022 PIT was the first count conducted by every county since 2019 due to the COVID-19 pandemic. This count represents people residing in shelters, transitional housing, vehicles, tents, abandoned buildings, and other places not meant for human habitation. According to the 2022 data reported individually below, there are 37,989 people experiencing homelessness in the 9-county region:

- Alameda County: 9,747 (21.5% increase since 2019) people experiencing homelessness.
- Contra Costa County: 3,093 (34.8% increase).
- Marin County: 1,121 (8.4% increase).
- Napa County: 366 (13.7% increase).
- San Francisco: 7,754 (-3.5% decrease).
- San Mateo: 1,808 (19.6% increase).
  - Santa Clara: 10,028 (3.3% increase). *Note: Although Santa Clara successfully prevented large increases in homelessness county-wide, the city of San Jose saw an 11% increase to 6,739 inside city limits.*
  - Solano: 1,179 (2.4% increase).
  - Sonoma: 2,893 (2% increase).

27. "On the Edge of Homelessness: The Vulnerability of Extremely Low-Income Households in the Bay Area." The Terner Center, December 2, 2021.

The state of displacement in the region: The landscape of eviction and displacement in the Bay Area is complex and continues to evolve as policies and programs created during the COVID-19 pandemic wane and new local programs begin. Region-wide, there has been a sharp increase in evictions since the end of the statewide emergency rental assistance program on March 31, 2022, and the end of the statewide eviction moratorium on June 30, 2022. This number is expected to keep growing as the effects of these state programs as well as local COVID-related programs phase out. Housing costs and the need for stronger region-wide tenant protections policies continue to affect the displacement of low-income communities:

- Rising housing costs between 2000 and 2020 in the urban cores have resulted in significant movement of low-income and extremely low-income households to less expensive parts of the Bay Area and outside of the region altogether. This has heightened pressures for policies and programs in areas undergoing displacement and created new pressures in areas where there has been an influx of lower-income households (e.g., the north and northeast Bay Area counties and southern Santa Clara County). The populations of low-income Black people have disproportionately decreased overall, and there has been significant movement outside of the urban cores in the region.[28]
- Tenant protections, such as rent stabilization, access to tenant education, access to pre-eviction and eviction legal services, and emergency rental assistance, are primarily enacted and enforced at the local level with significant variation, creating a patchwork of these policies and programs in the region. The state-level protections enacted through the Act provide a base level of protections for eligible tenants; however, emerging research suggests that a lack of data and enforcement threaten the efficacy of this policy.[29]

The solutions to create a more stable housing landscape for low-income and extremely low-income residents are known, but require significant funding investment, political will, and policy change. These interventions include:

- Production and preservation of more affordable housing targeted to extremely low-income and formerly homeless households;
- Tenant protections policies and programs to create a rental market where low-income renters can enjoy stable, healthy places to live, and where landlords have the tools and resources needed to mediate conflict outside of eviction;
- Stronger safety net programs to ensure that if households fall behind on rent or other expenses, they can get the financial assistance needed to stay housed and meet basic needs; and
- Homelessness-specific services for households most at-risk of homelessness (representing a portion of but not all ELI households).

Landscape Analysis: Interventions

Overview of Tenant Protections Across the Region: Cities, counties, and community-based organizations provide a variety of services and legal protections to tenants depending on local funding availability and decision-making. Some cities like San Francisco, Mountain View, Berkeley, San Jose, City of Alameda, Fairfax, and Oakland have rent stabilization and just cause eviction policies funded through fees assessed on landlords, while others have only just cause policies (Petaluma) or rent stabilization (Antioch). Local jurisdictions may also establish service-based protections like Right to Counsel (currently implemented in San Francisco) to provide a guarantee of legal services to people facing eviction. As with homelessness prevention programs, jurisdictions that offer multiple types of protections policies and programs offer the strongest support to tenants to prevent displacement.

28. "Rising Housing Costs and Resegregation in the San Francisco Bay Area." Urban Displacement Project, 2018.
29. "Rising Rents, Not Enough Data: How a Lack of Transparency Threatens to Undermine California's Rent Cap." The Terner Center, September 28, 2022.

Pandemic-era programs like California Housing is Key (rental assistance) offered emergency rental assistance through state and federal funding sources. This program closed applications after March 31, 2022; however, some local jurisdictions in the Bay Area are continuing to offer reduced versions of the program using funds primarily raised through local measures.

Finally, statewide measures in recent years have created new protections for tenants. For example, SB 330 (2019) created a right for low-income renters to return if their apartment building is torn down or redeveloped, and AB 1482 (2019) requires landlords to have a just cause to terminate a tenancy and also limits annual rent increases.

Between all the different interventions, policies, and programs occurring at the state and local levels, there is a need for a regional body to help harness the learnings from implementation, increase coordination and resource sharing between entities, and help fund what's working in more jurisdictions. BAHFA could play this role as part of its tenant protections work.

Overview of Homelessness Prevention Programs Across the Region: Cities, counties, continuums of care (COCs), and community-based organizations provide homeless services throughout the region. In the past few years, there has been an increased focus on preventing new incidences of homelessness, and most, if not all, Bay Area counties have programs focused on homelessness prevention. State funds such as the one-time 2018 Homeless Emergency Aid Program (HEAP), Homeless Housing Assistance Program (HHAP), and CDSS Housing and Homelessness programs include homelessness prevention as eligible costs and populations. Tenant protections policies, as described above, also provide upstream homelessness prevention.

BAHFA has the opportunity to help all jurisdictions fully understand what works best, make adjustments as indicated, and continue to implement best practices as needs and resources change over time.

Opportunities for BAHFA

In the Bay Area, there is no regional government body advocating for and supporting tenant protections across the nine counties. Though Bay Area residents tend to live, work, and play across jurisdictional boundaries, the fragmented approach we take to ensuring that our workforce and vulnerable residents can remain stably housed creates distinct challenges. Eviction and displacement are a chronic threat for many low-income tenants. Gaps in our housing safety net include a lack of knowledge and clear guidance about how to implement tenant protections policies; prohibitive administrative burdens for smaller jurisdictions seeking to implement protections; and a lack of sufficient funds to meet the direct financial assistance needs of tenants. With its Protections Program, BAHFA seeks to fill those gaps in support of jurisdictions and tenants.

Interventions for tenant protections include a range of interventions and policies that help protect low-income tenants from displacement and help them stay stably housed. Interventions may include providing rental assistance to tenants who are cost-burdened (where 30% or more of income goes to rent), free legal services for those at risk of eviction or facing habitability, discrimination, or other housing concerns, and local jurisdiction implementation of just cause eviction polices and anti-harassment policies between tenants and landlords, as well as enforcement of building code violations and habitability of units.

Tenant protections are often considered an "upstream" intervention to prevent homelessness. However, homelessness prevention typically means much more targeted strategies to identify persons most at risk of homelessness and providing rapid funding and support to keep them housed. Prevention services are typically administered within a homelessness services setting and may include wraparound support such as mental and physical health services and case management.

We envision implementation as an iterative and phased program, as BAHFA secures new resources, responds to tenant and jurisdictional needs, and works responsively with partners and stakeholders to changing economic and social conditions.

Funding Strategies

While the Act states that an amount equal to a minimum of 5% of RHR be directed toward tenant protection activities for low- and moderate- income households up to 120% AMI, sources included in the legislation have restrictions that make this challenging.[30] As a result, BAHFA will need to consider several strategies to fund these critical activities. Sources and strategies may include:

1. **Ballot Measure with Constitutional Amendment:** A 2024 ballot measure, dependent upon the final language of a simultaneously passed constitutional amendment expanding bond expenditures, may enable BAHFA to use a portion of the GO bond revenue for homelessness interventions and other protections for vulnerable residents. If the amendment passes, both jurisdictions and BAHFA can and must dedicate an amount equal to at least 5% of revenues raised from the measure for these purposes. Assuming the success of a ballot measure pursuant to which $10 billion becomes available regionally, this could translate to approximately $7M available to BAHFA for Protections annually over a 15-year period; and, to counties of origin, $28M annually.

2. **Revenue from lending programs:** BAHFA's production and preservation funding efforts will produce a stream of income from interest and fees charged to developers. This funding will ramp up over time and is estimated to produce between $10-15 million over the first five years.

3. **Private funding:** BAHFA has an opportunity to engage with the corporate and philanthropic sector to raise funding to jumpstart Protections programs. If the statewide amendment does not pass, or if amendment language does not enable spending on the full suite of priorities, then it will be particularly important to raise funds through other means. A push for private funding could result in significant new funding for tenant protections and homelessness prevention.

4. **State and Federal Funding/CalAim:** Additional state and federal funding, whether administered by BAHFA or directly to communities, is greatly needed to prevent and end homelessness. One notable state opportunity is the CalAim program. CalAim provides both services and expanded access to housing, working through managed care organizations. Through CalAim's Providing Access and Transforming Health (PATH) initiative, funding will be available for a variety of housing-related interventions and services, including navigation services, housing deposits, and housing tenancy services. Helping unlock or facilitate access to new funds for jurisdictions, like CalAim or new state dollars, would be additive to the region.

BAHFA does not want to compete with jurisdictions for scarce resources, nor does it want to engage in activities that are duplicative of ongoing work. Instead, BAHFA seeks to pursue and raise funds that will be additive to the work jurisdictions are already doing.

30. Currently, Protections cannot be funded from general obligation bond proceeds, or from commercial linkage fees.

See **Table 4** Draft Protections Program Budget below, which prioritizes potential programs based on near-term funding availability.

Table 4. 2022-2032 Draft Protections Program Budget

Prioritized Tenant Protections and Homelessness Prevention Programs based on anticipated funding availability. Longer-term objectives identified above could be funded as described above with additional resources.

Program	Activities and Description	Program Budget Amount and Sources	Timeline
Tenant Protections Regional Research, Coordination, and Technical Assistance: **Help solve for the lack of coordination and support for a regional lens on tenant protections.**	Contract with qualified firm(s) to gain knowledge about opportunities and challenges relating to tenant protection programs. Findings will support regional interventions supporting tenant protections, including eviction diversion and mediation, right to counsel, and tenant outreach and education programs. BAHFA will ensure coordination with other MTC/ABAG research and technical assistance efforts.	**Total cost:** $150,000 **Sources:** • BAHFA pilot funds: $130,000 • Fundraised private funds: $20,000	2023-24
	In response to requests and need for more collaboration and learning between jurisdictions, BAHFA will regularly convene stakeholders working on tenant protections to: • Share promising practices and research • Discuss available funding sources and how to maximize funding • Build a shared vision and priorities for regional and state tenant protections *Note: This activity may evolve over time in response to needs of the region.*	**Total cost:** $10,000 annually **Sources:** • In-lieu costs (e.g., event space, staffing) provided by BAHFA • Other costs covered by fundraised private funds	2023-32
	Through the MTC Regional Planning Program (RPP), provide regional technical assistance on tenant protections (as part of the "3Ps"). This activity builds upon the Regional Housing Technical Assistance Program launched by ABAG and MTC in 2020. Through this expansion, BAHFA could support jurisdictions to implement protections-related commitments made in their 6th Cycle Housing Elements via grants and technical assistance. It can also support jurisdictions seeking to comply with MTC's recent Transit Oriented Communities (TOC) Policy. *Note: Significant inter-agency coordination for this technical assistance project is currently underway and new activities are expected to launch in 2024.*	**Total cost:** Approximately $15 million program budget, though TBD how much funding will be focused on Protections (vs the other "Ps"). **Source:** Regional Early Action Planning Grants (REAP 1.0 and 2.0). REAP 1.0 is administered by ABAG and REAP 2.0 will be administered by MTC.	2023-26

Program	Activities and Description	Program Budget Amount and Sources	Timeline
State and Federal Advocacy	As appropriate and in coordination with the MTC Legislative and Public Affairs (LPA) team, BAHFA may advocate for tenant protections and homelessness prevention support in alignment with other programs and priorities – with a particular emphasis on securing new funding.	MTC and BAHFA staff time and other administrative costs.	2022-32
Tenant Protection Pilot Program(s)	Using findings from the 2023-24 tenant protections study, develop an RFP for pilot program(s) to help jurisdictions test strategies to: 1. Improve eviction outcomes for tenants in pre-eviction and eviction proceedings. 2. Increase tenant knowledge of existing rights and responsibilities. Exact scope to be determined pending research outcomes and funding availability. Based on the costs of other regional programs, BAHFA estimates a cost of a pilot program at $2-4M annually.	**Total Cost:** To launch one pilot program, BAHFA anticipates a budget of $2M annually for 5 years, requiring at least $10M to begin a program. **Sources:** • Revenue from lending programs projected to be up to $2M per year after the initial start-up years. • Private funds to be determined.	2025-32
Homelessness Prevention Systems Integration Pilot	For any jurisdiction seeking assistance to make changes to, or improvements in, integrating health, housing, and homelessness program delivery, BAHFA will work in collaboration with those jurisdictions and provide support to bring stakeholders together, financial resources to implement specific actions (e.g., rental assistance, legal assistance). This work would be fully supportive of the jurisdiction's goals. BAHFA anticipates that this support would complement the jurisdiction's deployment of new resources generated by the regional ballot measure.	• 2024 GO bond (if statewide amendment also approved): A minimum of $5M annually. • BAHFA funds to be complemented by local jurisdiction funding, e.g., regional bond funds returned to source.	2025-32

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

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Photo: Noah Berger