

## Bay Area Housing Finance Authority Board

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May 22, 2024

Agenda Item 4.a.

### BAHFA Business Plan

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#### Subject:

Discussion of a proposed resolution to approve the Bay Area Housing Finance Authority's Business Plan; Anticipated CEQA Determination: Exempt Pursuant to Public Resources Code § 21065; Government Code § 64523.

#### Background:

BAHFA launched its business planning process in 2021 with the goal of creating bold, regional solutions to the Bay Area's housing challenges. The final Business Plan includes four substantive chapters:

- 1) Legislative and Business Planning Overview
- 2) Equity Framework Summary
- 3) Funding Programs
- 4) Operations and Organizational Sustainability

Staff presented information on each of the four components above to the Advisory Committee, BAHFA Board and Executive Board on multiple occasions, soliciting input and guidance. The Advisory Committee unanimously approved the Equity Framework and Funding Programs on April 27, 2023. On October 25, 2023, and November 16, 2023, the BAHFA Board and Executive Board, respectively, unanimously approved BAHFA's Equity Framework and Funding Programs. In addition, the Advisory Committee and the Joint Housing Committees (BAHFA Oversight and ABAG Housing) conveyed their acceptance of the Operations and Organizational Sustainability Plan terms presented by staff on October 26, 2023, and November 8, 2023, respectively.

On January 25, 2024, the Advisory Committee reviewed the final Business Plan and unanimously recommended approval. Similarly, the ABAG Housing Committee and the BAHFA Oversight Committee unanimously recommended approval of the final Business Plan at their meeting on February 14, 2024. On April 18, 2024, the ABAG Executive Board (acting as the Executive Board to BAHFA) unanimously adopted Resolution No. 02-2024 approving the Business Plan.

In addition to BAHFA's governing boards' input and approvals, the creation of the Business Plan benefitted from extensive public outreach:

- **Initial Interviews:** over 25 interviews with housing, finance, 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 stakeholders discussed and provided recommendations on draft equity 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, and provide input on the Funding Programs, 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.
- **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 560 stakeholders.
- **BAHFA and Executive Board Feedback:** the BAHFA Oversight Committee and ABAG Housing Committee received several updates from staff and provided feedback throughout 2022 and 2023.

## Business Plan Summary

The Business Plan's four substantive chapters provide a comprehensive, integrated strategy for BAHFA's successful implementation of its 3Ps programs and successful establishment as a self-sustaining agency over the long term. Chapter content covers the following elements, among others:

**Chapter 1: Legislative and Business Planning Overview.** Describes in detail the legal obligations BAHFA must fulfill, the legal limitations applicable to BAHFA's work, and the governance structure in which BAHFA is embedded. These include, for example:

- The various revenue-generating options available to BAHFA
- The specific spending allocations BAHFA must achieve under a general obligation bond measure
- California Constitutional requirements applicable to general obligation bonds
- The ways BAHFA Advisory Committee, Executive Board and BAHFA Board must work together to authorize BAHFA's programs and policies.

**Chapter 2: Equity Framework.** Focuses BAHFA's Business Plan on delivery of 3P programs (Production, Preservation and Protections) that prioritize equity, racial justice, and protection of communities most impacted by the region's affordability challenges. It consists of four main parts:

- An introductory section highlighting the significant disparities existing in the Bay Area's housing system that 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).

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- A detailed list of objectives and metrics to guide BAHFA's work, set forth the specific outcomes BAHFA will seek to achieve, and demonstrate how BAHFA should measure its success.
  - A discussion of BAHFA's role to provide regional leadership and technical assistance that strengthens the region's housing systems in service of equitable outcomes and that highlights implementation and accountability considerations.
  - A description of broad social equity goals to which BAHFA and the Bay Area can aspire.

**Chapter 3: Funding Programs.** Provides extensive details on BAHFA's investment strategies and the ways it will structure investments to meet 3Ps requirements and create strong, impactful, and lasting affordable housing programs. Each of the Production, Preservation, and Protections funding programs reflect the principles set forth in the Equity Framework, as well as other elements critical to achieving programmatic and operational success, including promotion of cost-effective housing development and design; achieving scale; and retaining a flexible approach that will allow BAHFA to react proactively to market conditions and new opportunities as they arise.

The Funding Programs chapter also describes in detail BAHFA's Regional Expenditure Plan, which integrates Equity Framework principles, 3P implementation strategies, and the key decision points and recommendations for BAHFA's Expenditure Plan presented to and accepted by the Executive and BAHFA Boards.

**Chapter 4: Operations and Organizational Sustainability.** Sets forth the management and program operations necessary to establish BAHFA as a permanent, self-supporting regional finance agency able to provide financial products essential to meet the Bay Area's affordable housing needs. It brings together each of the previous three chapters with a detailed description of how BAHFA can follow the successful implementation of a general obligation bond measure with the creation of new lending capital, the launch of new products and programs, and strengthened self-sufficiency. It describes the roles and responsibilities of specific staffing needed to carry out the work. It also summarizes the outcomes of financial modeling completed assuming a range of scenarios, including a \$10 billion and a \$20 billion bond with multiple dispersal options each. For the 20% of funds retained by BAHFA, the total unit count for homes produced or preserved with a \$20 billion bond is estimated to be approximately 7,200 - 7,800. This assumes that BAHFA's Protections funds are reallocated to Production or Preservation given the current constitutional prohibition against spending bond funds on tenant protection services. Over the initial 15-20 years of implementation of the bond, BAHFA is expected to accrue approximately \$400-\$450 million in net revenue, which it will use for administrative needs, to secure new lending capital, and to reinvest in affordable housing projects and programs.

#### Issues:

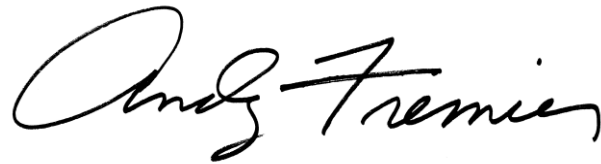
The final value of the proposed general obligation bond must be determined.

**Recommended Action:**

None (information only).

**Attachments:**

- A. Presentation
- B. Business Plan, with attachments
- C. Draft Resolution of Approval of the BAHFA Business Plan



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