



**BAY AREA HOUSING FINANCE AUTHORITY**  
**REAP 2.0 HOUSING PRESERVATION PILOT PROGRAM**  
**FUNDING APPLICATION NOTICE**  
**Issue Date: June 10, 2024**

---

**INVITATION**

The Bay Area Housing Finance Authority (BAHFA) is pleased to release this Notice of Funding Availability (Notice) for the Housing Preservation Pilot Program (Program), funded by the California Department of Housing Community Development (HCD) Regional Early Action Planning Grant (REAP 2.0).

BAHFA is making available \$8.9 million in low-interest loans to non-profit developers, community land trusts, and partnerships that include such entities ("Applicants") to acquire and rehabilitate unrestricted, occupied residential properties and to convert them to permanently affordable housing. Of these funds, \$3 million will be reserved for community-controlled projects that promote resident ownership, governance, and/or property management. Contingent upon BAHFA's access to additional REAP 2.0 funds, additional preservation loan funding may be offered through this Program in the future.

The maximum per-unit loan value available for each project is \$250,000.

Applicants should review the terms of this Notice carefully and assess their eligibility and competitiveness before applying given the limited pool of funding.

All projects should prevent displacement of low-income households and create a safe, stable, permanently affordable housing stock. In accordance with HCD's REAP 2.0 Objectives, projects should also accelerate infill development that facilitates housing supply, choice, and affordability; affirmatively further fair housing (AFFH); and reduce vehicle miles traveled (VMT).

**FUNDING PROCESS AND TIMELINE**

Funding will be awarded to an estimated 2-3 projects through an over-the-counter process. Applications will be accepted on a rolling basis and processed in the order they are received until all funds are committed. Interested parties should submit applications through the [Housing Preservation Pilot Application Portal](#). All submissions should be concise and relevant to the Notice.

Projects that meet all program requirements described in the Terms and Underwriting Guidelines (Attachment A) will be eligible for funding. If multiple eligible applications are received within 5 business days of each other, staff will

prioritize projects based on how well they score under the Selection Criteria described below.

The BAHFA Board has delegated authority to the Executive Director to award projects at the staff level. BAHFA staff will provide preliminary project approval after confirmation of eligibility, and scoring of projects as needed, and will confirm awards after receipt and review of all due diligence, organizational, and financing documents listed in the Attachment A. BAHFA staff will work with awarded Applicants and any third party lenders to execute all loan documents necessary for loan closing within 90-120 days of initial application submission.

BAHFA staff anticipates that the application and closing process will follow the timeline below. However, BAHFA reserves the right to change any portion of the anticipated timeline:

NOFA Announcement	June 10, 2024
NOFA Information Session	June 13, 2024, 10-11am PST <a href="#">Zoom Link</a>
Application Portal Opens	June 14, 2024 <a href="#">Application Portal Link</a>
Application Portal Closes	After commitment of all available funding, no later than December 31, 2025
Preliminary Project Approval	Within 30 days of Application submission
Award Confirmation	Within 50 days of Application submission
Loan Closing	Within 90-120 days of Application submission

**ELIGIBLE PROJECTS:**

Eligible Projects must meet the following criteria, described in greater detail in Appendix A, Terms and Underwriting Guidelines.

- Acquisition only or Acquisition/Rehabilitation
  - BAHFA may consider, as a secondary priority, accessory dwelling unit(ADU) construction as part of an acquisition/rehabilitation project under the conditions detailed in Appendix A.
- Residential properties or Mixed-use properties with two-thirds of the building square footage used for residential
- Occupied by existing residents
  - BAHFA may consider, as a secondary priority, unoccupied properties that serve community anti-displacement goals
- Currently unrestricted

- BAHFA may consider, as a secondary priority, properties that have current affordable regulatory agreements that are set to expire within 5 years and for which there is no feasible alternative funding plan
- Site control demonstrated by purchase and sale agreement or by alternative documentation for consideration by BAHFA staff
- Financial feasibility demonstrated by positive cash flow over 20 years
- Achieve all three of HCD’s REAP 2 Objectives listed below, demonstrated by location in an [Eligible Geography](#) or by alternative justification for consideration by BAHFA staff. See Appendix A for more details on Eligible Geographies.
  - Infill Objective: Accelerate infill development that facilitates housing supply, choice, and affordability
  - AFFH Objective: Affirmatively further fair housing
  - VMT Objective: Reduce vehicle miles traveled

**MINIMUM DEVELOPMENT TEAM EXPERIENCE:**

Applicants must provide evidence that their Development Team has the knowledge, skills, experience and financial capacity to successfully acquire, rehabilitate (if applicable), own, and operate the proposed project. This includes:

- Applicant has successfully acquired, rehabilitated (if applicable), owned, and operated at least one (1) comparable project relative to the proposed project within the past five (5) years in the State of California, demonstrating their capacity to perform development and asset management.
- Applicant that does not meet the aforementioned requirement as an organization or partnership may rely on the experience of a staff member or consultant that has acquired, rehabilitated (if applicable), owned, and operated a at least three (3) comparable projects.

**SELECTION CRITERIA**

Eligible projects received within 5 business days of each other will be evaluated and scored based on the point system described below. BAHFA reserves the right to weigh certain selection criteria over others. Projects will be awarded up to 100 points for the purpose of ranking using the following criteria:

<b>Scoring Criteria</b>	<b>Points</b>
Higher Impact on REAP 2.0 Objectives	30
Accelerating Housing Supply, Choice, and Affordability (10)	
Affirmatively Furthering Fair Housing (10)	
Reducing Vehicle Miles Traveled Per Capita (10)	
Readiness/Timeliness	20
Catalytic Impact on Local Preservation Programming	10
Development Team Experience and Capacity	10
Resident Engagement	10
Cost Effectiveness and Leveraging other funding	20
<b>Total</b>	<b>100</b>

## SCORING CONSIDERATIONS:

- **Higher Impact on REAP 2.0 Objectives:** Beyond its location in an [Eligible Geography](#), project demonstrates higher impact towards:
  - Accelerating infill development that facilitates housing supply, choice, and affordability. For example, mix of housing unit types or sizes; access to public services and community assets such as job centers, parks, schools, social service programs, infrastructure, and other amenities.
  - AFFH by addressing significant disparities in housing needs and access to opportunity and transforming areas of poverty into areas of opportunity. For example, high occupancy by low-income residents, historically marginalized populations, households with dependents, and people with disabilities; evidence of eviction threat, landlord harassment, or large rent increases.
  - Reducing VMT Per Capita to advance state and regional climate goals. For example, surrounding transit services, pedestrian, or bicycle pathways; limited off-street parking; estimate for VMT reduced Per Capita as a result of preservation action.
- **Readiness/Timeliness:** Demonstration of project readiness and ease of path to timely completion, including:
  - Site control: execution terms are reasonable and within the control of applicant.
  - Strength of long-term financial feasibility: project conditions indicate manageable rehabilitation scope and ability to establish habitability and long-term financial feasibility in a timely manner.
  - For projects that include ADU construction as part of rehabilitation: ability to secure entitlements and building permit in a timely manner.
- **Catalytic Impact on Local Preservation Programming:** Completion of proposed project would help catalyze preservation programs identified in the applicable Housing Element or other local housing plans, particularly in jurisdictions where resources to carry out such programs has been historically limited.
- **Development Team Experience and Capacity:** Demonstration of sponsor's ability to successfully execute project proposal beyond minimum development experience requirements.
- **Resident Engagement:** Preference will be given to projects in which 100% of households are notified of the Borrower's intention to acquire, rehabilitate and permanently restrict the building as affordable housing and a majority of tenants demonstrate support for the project prior to application. Acknowledging that tenant engagement pre-acquisition is not always possible, BAHFA will give a second priority to sponsors demonstrating experience with resident engagement and a commitment to shaping the project according to resident-identified needs and input.
- **Cost Effectiveness and Leveraging other Funding:** Project budget demonstrates capacity to provide the greatest return on BAHFA's investment by preserving more units with lower BAHFA subsidy. Financing plan includes reasonable per unit BAHFA subsidy coupled with other funding sources as needed.

## **ADDITIONAL RESOURCES**

BAHFA encourages Applicants to take advantage of additional resources as needed to support acquisition and rehabilitation project costs.

If seeking third-party construction and/or permanent debt, Applicants may contact Somaya Abdelgany at [sabdelgany@bayareametro.gov](mailto:sabdelgany@bayareametro.gov) for a list of community development financing institutions that have been briefed on BAHFA's REAP 2.0 Housing Preservation Pilot program.

Applicants considering energy and water-saving upgrades as part of the project's rehabilitation scope are also encouraged to apply for rebates and no-cost consulting services through BayREN's [Bay Area Multifamily Building Enhancements \(BAMBE\)](#) program. BAMBE is eager to support multifamily conversions from market rate to deed-restricted affordable housing, and their technical assistance (TA) staff can provide no-cost comprehensive on-site energy assessments. Depending on timing, these assessments and related scopes of work could positively impact project underwriting while providing meaningful value to existing residents through utility bill reduction, thermal comfort, and improved indoor air quality. Where possible, BAMBE TA staff will provide assistance in layering/stacking these multi-family energy upgrade incentive programs:

- Low Income Weatherization Program (LIWP)
- TECH Clean California
- Energy Savings Assistance (ESA) Multifamily Energy Savings program

Additionally, Applicants considering the installation of solar panels as part of the project's rehabilitation scope may take advantage of [California's Solar on Multifamily Affordable Housing \(SOMAH\)](#) program and other applicable incentives listed in the [Database of State Incentives for Renewables and Efficiency \(DSIRE\)](#).

## **DISCLAIMERS**

BAHFA reserves the right to suspend, amend or modify the provisions of this Notice, to extend the deadlines, to reject all proposals, to negotiate modifications of proposals, or to award less than the full amount of funding available. While the dates and schedule stated in this Notice represent BAHFA's preferred timetable, it shall not be considered binding on BAHFA. The submission of a response to this Notice shall not be binding upon BAHFA nor construed as a contract with or a commitment by BAHFA. BAHFA will not pay any costs incurred in the preparation of a response to this request. BAHFA reserves the right to make decisions on which proposal it deems in BAHFA's best interest, including rejecting all applicants. All submissions shall be public records subject to public disclosure pursuant to the provisions of the California Public Records Act (Government Code Section 6250 et seq.).

## **ENVIRONMENTAL REVIEW AND ASSESSMENT**

BAHFA finds the Housing Preservation Pilot is exempt from environmental review pursuant to California Environmental Quality Act (CEQA) Guideline 15060(c), 15061(b)(2) and (3), 15273, 15378, Public Resources Code Section 21065, and Government Code Section 64523 15061(b)(3) because there is no change to the existing environment given that the program's purpose is to preserve existing conditions for unrestricted affordable housing, and to mitigate against the ongoing housing crisis, by reducing the possibility that low-income households would be displaced through unregulated rent increases if the property was sold to a for-profit developer. However, Applicants should be aware of any component of their work that would trigger CEQA requirements or the National Environmental Policy Act (NEPA) requirements if Federal funding is involved.

## **MINIMUM CONTRACTING REQUIREMENTS**

BAHFA will enter into a loan agreement with the successful applicants. Among other obligations, the loan agreement will require the sponsor to maintain insurance coverage for the organization and its employees and for the property funded by BAHFA, the terms of which shall be further specified in loan documents.

### **For Additional Information**

Please contact Somaya Abdelgany, Preservation Program Manager, at [sabdelgany@bayareametro.gov](mailto:sabdelgany@bayareametro.gov).

# APPENDIX A



## **Bay Area Housing Finance Authority REAP 2.0 Housing Preservation Pilot Program Terms and Underwriting Guidelines Version 2**

The REAP 2.0 Housing Preservation Pilot Program Terms and Underwriting Guidelines were adopted by the BAHFA Board on March 22, 2023. The following Version 2 includes authorized revisions to the adopted Terms and Underwriting Guidelines to comply with HCD requirements, finalize application requirements, and clarify program terms for ease of implementation by Borrowers.

<b>Program Description</b>	<p>To be funded with an anticipated \$8.9M in Regional Early Action Planning (REAP 2.0) Grant funding from the California Department of Housing and Community Development (HCD), the Program provides low-interest loans to mission-driven developers and community land trusts to acquire and rehabilitate unrestricted homes and convert them to permanently affordable housing.</p> <p>The Program’s goals are to prevent displacement of low-income households, to create a safe, stable, permanently affordable housing stock, and to support the financial health of residents, borrowers, and properties.</p> <p>In accordance with HCD’s REAP 2.0 Objectives, the Program will:</p> <ul style="list-style-type: none"><li>• Accelerate infill development that facilitates housing supply, choice, and affordability</li><li>• Affirmatively further fair housing</li><li>• Reduce vehicle miles traveled</li></ul> <p>Program-wide, BAHFA aims to fund multiple projects of various scales and tenure types throughout its jurisdiction.</p>
----------------------------	---

<p><b>Eligible Borrowers</b></p>	<p>Non-profit affordable housing developers, community land trusts, or joint venture partnerships that include such organizations. Partners may include, but are not limited to, public agencies and community-based organizations. Borrowers must possess the following minimum experience:</p> <ul style="list-style-type: none"> <li>• Borrowers must have successfully acquired, rehabilitated, owned, and operated at least one comparable project relative to the proposed project within the past five (5) years in the State of California, demonstrating their capacity to perform development and asset management.</li> <li>• Alternatively, Borrower may rely on the experience of a staff member or consultant that has completed at least three comparable projects.</li> </ul>
<p><b>Eligible Projects</b></p>	<p>Acquisition only or Acquisition/Rehabilitation of existing occupied residential properties that are currently unrestricted and demonstrate some form of site control (see Application Requirements on page 7 below):</p> <ul style="list-style-type: none"> <li>• While accounting for Program-wide goals and giving preference to unrestricted properties, BAHFA may consider properties that have current affordable regulatory agreements that are set to expire within 5 years and for which there is no feasible alternative funding plan. BAHFA may also consider unoccupied properties that serve community anti-displacement goals.</li> <li>• Mixed-use properties are eligible so long as two-thirds of the building square footage is used for residential uses.</li> <li>• BAHFA will consider funding ADU construction as part of an acquisition/rehab project if the ADU meets Regulatory Restrictions (see Regulatory Restrictions on pages 3-4) and installation/construction demonstrates permitting and construction can begin promptly upon closing by submitting the following: <ul style="list-style-type: none"> <li>○ Design proposals that use pre-approved plans or factory-built units</li> <li>○ Data or documentation from the applicable jurisdiction demonstrating support and track record for permitting ADUs</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ Identification of an experienced contractor for construction</li> <li>○ Demonstration of financial resources to cover potential cost overruns, including contingencies.</li> </ul> <p>To achieve each of HCD’s REAP 2.0 Objectives, projects must be located in a <a href="#">geography that meets all of the following geographic objectives</a>. Projects that do not fall within the qualifying geographies may demonstrate alternative methods of achieving the applicable REAP 2.0 Objective(s) at the project level.</p> <ul style="list-style-type: none"> <li>● <i>Infill Objective: Accelerate infill development that facilitates housing supply, choice, and affordability</i> <ul style="list-style-type: none"> <li>○ Meet the definition of “infill development” in <a href="#">HCD’s REAP 2.0 Program Guidelines</a>, (Appendix 2, Definition #14, page 37) AND</li> <li>○ <a href="#">Plan Bay Area 2050 Growth Geography</a>, including Priority Development Areas, OR <a href="#">Transit Priority Area</a></li> </ul> </li> <li>● <i>AFFH Objective: Affirmatively further fair housing</i> <ul style="list-style-type: none"> <li>○ <a href="#">Plan Bay Area 2050 Equity Priority Communities</a> OR</li> <li>○ Areas identified by the <a href="#">Urban Displacement Project Map</a> as being at risk of or experiencing displacement or gentrification OR</li> <li>○ Areas defined by the <a href="#">CTCAC/HCD Opportunity Map</a> as “High Segregation and Poverty”, “Low Resource”, or “Moderate Resource”</li> </ul> </li> <li>● <i>VMT Objective: Reduce vehicle miles traveled (VMT)</i> <ul style="list-style-type: none"> <li>○ Census Tracts with <a href="#">Vehicles Miles Traveled per Capita</a> at or below the Bay Area average of 15 Miles</li> </ul> </li> </ul>
<p><b>BAHFA Loan Terms</b></p>	<p><u>Maximum Loan Amount</u>: \$250,000 per unit</p> <p><u>Loan Term</u>: 55 years</p> <p><u>Interest Rate</u>: 3.0% per year</p> <p><u>Repayment</u>: BAHFA will forego annual repayment of principal and interest from surplus cash (residual receipts). Repayment will be deferred until the conclusion of the Loan Term or upon any transfer of title that results in loss of affordability, whichever occurs first. At the conclusion of</p>

	<p>the Loan Term, projects will have the option to extend the Regulatory Term and loan repayments will be deferred for as long as the project upholds Regulatory Restrictions.</p>
<p><b>Regulatory Restrictions</b></p>	<p><u>Regulatory Term</u>: 55 years. The Executive Director or designee may consider an alternative term option if Borrower demonstrates that the term remains compatible with permanent affordability and prohibition of displacement.</p> <p><u>Maximum Income Levels</u>: No resident shall be displaced regardless of income. For occupied units and vacant units due to turnover, Borrower shall achieve an average area median income (AMI) for all households in the Project of no more than 80%. Upon turnover, units may be occupied by households earning up to 120% AMI as needed to cross-subsize lower income units and achieve an 80% AMI average. Depending on local market conditions, Borrowers may establish an AMI less than 80% if they can demonstrate long term financial feasibility.</p> <p><u>Rent Increases</u>: Upon acquisition, rents for all existing residents shall remain unchanged until the anniversary of the tenant’s initial leasing.</p> <ul style="list-style-type: none"> <li>• For units subject to local rent stabilization ordinances, Borrowers shall continue to comply with the rent stabilization ordinance when imposing rent increases after acquisition.</li> <li>• For units not subject to or exempt from rent stabilization requirements, annual rent increases shall be limited to the lesser of the annual increase in area median income (AMI) or 4%.</li> <li>• It is BAHFA’s goal that preservation projects create and maintain affordability for all residents. The long-term target is that residents pay no more than 30% of gross household income on rent. To the extent possible, borrowers shall decrease rent for rent-burdened low-income households to 30% of household income, while covering necessary and standard Project operating expenses and debt service.</li> </ul> <p><u>Displacement</u>: All existing residents may remain in their home regardless of income, and permanent relocation of tenants is prohibited. No existing resident in the project will</p>

	<p>be displaced because of the preservation action or by Borrower’s imposition of any new, discretionary “house rules” intended to circumvent this rule.</p> <p><u>Temporary Relocation: Permanent relocation is prohibited.</u> If Borrower must temporarily relocate tenants for the purpose of safely conducting a Project rehabilitation, the following requirements apply:</p> <ul style="list-style-type: none"> <li>• Temporary relocation shall not exceed 180 days unless approved by Executive Director or designee. Permanent relocation is prohibited.</li> <li>• Borrowers shall provide temporary housing that is decent, safe, sanitary, of comparable size to and within the vicinity of the relocated tenant’s dwelling unit as determined by the Executive Director or designee.</li> <li>• Tenants shall continue to pay the rent for their original unit, but shall bear no costs related to relocation, including: <ul style="list-style-type: none"> <li>○ Moving and packing expenses</li> <li>○ Any costs associated with the relocation dwelling that exceed their typical housing expenses (rent, utilities, parking, or other charges)</li> </ul> </li> </ul> <p><u>Lien Priority:</u> BAHFA requires first lien priority for its deed of trust. In their sole discretion, the Executive Director or designee may agree to subordinate the restriction if Borrower demonstrates and the Executive Director or designee finds that subordination is necessary to secure financing and if such subordination furthers the goal of creating permanent affordable housing.</p>
<p><b>Resident Engagement and Income Certification</b></p>	<p><u>Engagement:</u> Preference will be given to projects in which 100% of households are notified of the Borrower’s intention to acquire and restrict the building and a majority of tenants demonstrate support for the acquisition prior to application. Acknowledging that tenant engagement pre-acquisition is not always possible, BAHFA will require Borrowers to submit a tenant engagement plan prior to closing. Post-acquisition, all Borrowers are required to conduct robust tenant engagement to ensure that the rehab scope is shaped by resident-identified needs and input.</p>

	<p><u>Income Certification</u>: BAHFA’s assumption is that Borrowers will income certify tenants as quickly as possible post-acquisition in order to secure a welfare tax exemption pursuant to California Revenue and Taxation Code Section 214(g). Borrowers must provide tenant income certification data to BAHFA as well as Borrower’s welfare tax exemption application information. BAHFA will require additional tenant income reporting annually as part of its ongoing asset management process.</p>
<p><b>Financing Assumptions</b></p>	<p><u>Leveraging</u>: If project budgets exceed funds provided by BAHFA, Borrowers must obtain additional private and/or public financing as needed to ensure the project’s financial feasibility. Given the program’s per-unit subsidy cap, it is anticipated that Borrowers must seek construction as well as permanent third-party financing, which may also require Borrower to provide equity. Ideal leveraging shall consist of a construction-to-permanent third-party loan with a 20-year amortizing repayment term. As part of Program outreach, BAHFA staff has consulted with numerous community development financial institutions and first mortgage lenders, some of whom may provide favorable financing terms. BAHFA will provide contact information upon request.</p> <p><u>Rental Income and Operating Expenses</u>: Borrower must provide existing rental income and operating expense information to inform project underwriting, and, whenever possible, tenant income information. If tenant incomes indicate existing rent burdens, BAHFA will seek to work with Borrowers to lower rents to 30% of gross household income where possible.</p> <p><u>Property Tax Exemption</u>: Unless Borrower has secured complete and accurate tenant income information, Borrower shall create a property tax reserve fund as part of its capital budget, and/or a property tax payment line-item in the project operating budget, the sizes of which should be informed to the greatest extent possible regarding individual household eligibility for the property tax exemption and anticipated timeline for exemption approval.</p> <p><u>Construction Contingency</u>: 15% of rehabilitation costs</p> <p><u>Construction Management Fee</u>: Borrower is expected to negotiate the most competitive fee possible with a third</p>

	<p>party construction manager or rely on an in-house construction manager, if available. Construction management fees may not exceed \$30,000 per project.</p> <p><u>BAHFA Legal Fee:</u> \$15,000, subject to change based on transaction requirements.</p> <p><u>BAHFA Asset Management Fee:</u> \$1,500 estimated fee per project per year. <u>Operating Assumptions:</u></p> <ul style="list-style-type: none"> <li>• Vacancy Allowance: 5% of annual residential rent income</li> <li>• Increases in Gross Income: 2.5% annually</li> <li>• Increases in Operating Expenses: 3.5% annually</li> <li>• 1<sup>st</sup> Mortgage Debt Service Coverage Ratio: 1.2</li> <li>• Waterfall: Surplus cash flow after payment of operating expenses and debt service will be distributed annually as follows: <ul style="list-style-type: none"> <li>○ Borrower Retention: 2/3 of surplus cash flow</li> <li>○ Replacement Reserve: 1/3 of surplus cash flow up to (1.5 x Capitalized Replacement Reserve value)</li> <li>○ Emergency Rental Assistance Reserve: After Replacement Reserve is fully funded, 1/3 of surplus cash flow up to (Average regulated unit rent x 20% of total regulated units x 3 months)</li> <li>○ After Replacement Reserve and Emergency Rental Assistance Reserve are fully funded as described above, Borrower may retain remaining 1/3 of surplus cash flow.</li> </ul> </li> </ul> <p><u>Underwriting:</u> In addition to compliance with this Term Sheet, BAHFA will apply industry standard underwriting guidelines in its evaluation of Project proposals. Subsequent to application, Borrower must demonstrate financial feasibility and capacity to carry out the project.</p>
<p><b>Reserves</b></p>	<p><u>Replacement Reserve:</u></p> <ul style="list-style-type: none"> <li>• Capitalized: Reserves must be sufficient to cover 20 years of replacement needs as identified in the Physical Needs Assessment ("Original Capitalized Replacement Value").</li> <li>• Annual Deposits: \$500 per unit per year, included in the annual operating budget. Borrower will also</li> </ul>

	<p>deposit 1/3 of annual surplus cash flow into Replacement Reserve until Borrower achieves 1.5 of the Capitalized Replacement Reserve value.</p> <p><u>Emergency Rental Assistance Reserve:</u></p> <ul style="list-style-type: none"> <li>Annual Deposits: Once Borrower has achieved 1.5 of the Capitalized Replacement Reserve value, Borrower will deposit 1/3 of annual surplus cash flow to establish and maintain an Emergency Rental Assistance Reserve, which is based on the average rent per regulated unit, for 20% of total regulated unit count, for 3 months (Average regulated unit rent x 20% of total regulated units x 3 months). Once Replacement Reserve and Emergency Rental Assistance Reserve are fully funded, Borrower may retain remaining surplus cash flow.</li> </ul> <p><u>Operating Reserve:</u></p> <ul style="list-style-type: none"> <li>Capitalized: 25% of operating expenses, plus debt in Year 1. Borrower shall maintain this funding level throughout the term of the agreement.</li> </ul> <p><u>Vacancy Reserve for Rehabilitation and/or Initial Lease-Up:</u></p> <ul style="list-style-type: none"> <li>Capitalized: Sized to cover monthly rent for Project units vacant at the time of acquisition and for the duration of any expected continued vacancy, whether to accommodate a lease-up period or to provide temporary relocation space for the purposes of building rehabilitation.</li> </ul> <p><u>Property Tax Reserve:</u></p> <ul style="list-style-type: none"> <li>Capitalized: Sized based on Borrower’s estimate of timeline to qualify for the welfare tax exemption</li> </ul>
<p><b>Maximum Developer Fee</b></p>	<p>Borrowers may include a one-time developer fee at their discretion within the Maximum Loan Amount up to \$150,000, plus an additional \$10,000 per unit for any planned rehabilitation.</p> <ul style="list-style-type: none"> <li>The \$150,000 developer fee may be paid at the time of acquisition closing</li> </ul>

	<ul style="list-style-type: none"> <li>• \$10,000 per unit may be paid at the time of Borrower’s receipt of a certificate of completion (or similar document) from the permitting local agency for the rehabilitation work</li> </ul>
<p><b>Compliance</b></p>	<p><u>Regional Early Action Planning Grant:</u> The Borrower must comply with California Health and Safety Code section 50515.08(c)(1), all REAP 2.0 requirements and guidelines, all applicable state and federal statutes, rules, regulations, the Standard Agreement that will be executed by and between MTC and HCD for REAP 2.0 funding.</p> <p><u>Fair Housing and Rehabilitation:</u> The Borrower must comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination as well as all applicable laws and regulations governing construction, rehabilitation, relocation and building operations.</p> <p><u>Welfare Tax Exemption:</u> Borrower is solely responsible for and must annually secure the welfare exemption from the applicable governing bodies. Borrower shall provide evidence of the welfare exemption to BAHFA annually, as well as any other Project-related information BAHFA requests.</p>
<p><b>Community-Controlled Set Aside Eligibility Requirements</b></p>	<p>A minimum of \$3M will be set aside for community-controlled projects that include resident ownership, governance, and/or management. This set aside does not preclude such projects from applying for the remaining \$5.9M deployed under the Program.</p> <p><u>Eligible Borrowers:</u></p> <ul style="list-style-type: none"> <li>• Community Land Trusts (CLTs)</li> <li>• Cooperative Housing Entities with existing 501C3 designation and executed governance and operating agreements</li> <li>• Community Based Organizations in a documented partnership with a CLT</li> </ul> <p><u>Eligible Tenure Types:</u></p> <ul style="list-style-type: none"> <li>• Affordable rental</li> <li>• Affordable homeownership</li> </ul>

	<ul style="list-style-type: none"> <li>• Shared or limited equity resident shareholder ownership in the cooperative</li> <li>• Affordable rental-to-homeownership (“lease to own”) projects</li> <li>• Affordable rental-to-cooperative projects</li> </ul> <p><u>Homeownership</u>: Units must be sold to households at or below 80% of AMI. BAHFA will structure its financing with the expectation that Borrower will secure a first mortgage loan.</p> <p><u>Cooperative Conversion</u>: The average income of resident shareholders should not exceed 80% AMI, and income cap of 120% AMI shall apply for all households. Until such time that the CLT owner demonstrates approval of a conversion from traditional rental to a cooperative governance structure from all (100%) residents, CLT must operate the building as traditional rental. If the CLT anticipates the ability to secure approval from all residents for conversion, it must submit a proposed timeframe and resident engagement and training plan for the conversion, along with all resident and organizational documents supporting the conversion that BAHFA may reasonably request. BAHFA retains sole discretion to approve the conversion. Cooperative projects must establish ongoing training curriculum milestones to be met during regulatory agreement term, as set forth in the Regulatory Agreement, as well as training protocols for new residents who join the cooperative when units turn over.</p>
<b>Waivers</b>	The Executive Director or designee may waive any of these terms, provided the Executive Director or designee finds such waiver is necessary to achieve the Program goals.
<b>Application Process and Loan Commitment</b>	Projects will be selected through an over-the-counter process subject to the release of a Notice of Funding Availability (NOFA) from BAHFA. Applications will be reviewed for completeness, project feasibility, and compliance with this Term Sheet. If multiple eligible projects are received within 5 business days of each other, BAHFA will prioritize projects based on the Selection Criteria established in the NOFA. After preliminary project approval, BAHFA will require a minimum of 90 days for a



	synchronized closing with a third-party construction-to-perm lender.
<b>Application Requirements</b>	<p>Applicants must submit the following documents for BAHFA review in a timely manner for BAHFA to view and approve prior to loan closing:</p> <ol style="list-style-type: none"> <li>1) Completed application form via the <a href="#">Housing Preservation Pilot Application Portal</a>, including at a minimum, upload of the following documents: <ol style="list-style-type: none"> <li>a. Purchase and Sale Agreement (or alternate form of site control for BAHFA staff’s consideration)</li> <li>b. Rent roll and all other seller-provided documentation, including, e.g., existing operating expenses, utility payment information, property improvement information</li> <li>c. Project Financing Documents, including: <ul style="list-style-type: none"> <li>- Estimated Sources &amp; Uses budget</li> <li>- Proposed Rehabilitation scope</li> <li>- Proposed Operating budget</li> <li>- 20-year cash flow</li> </ul> </li> </ol> </li> <li>2) Acquisition due diligence documents, including but not limited to the following, within the 90-day minimum closing period: <ol style="list-style-type: none"> <li>a. Third-party, independent appraisal to be submitted within 60 days of the loan application with the following valuations: <ul style="list-style-type: none"> <li>- As-is value</li> <li>- As-improved value (for rehabilitation projects)</li> <li>- As-restricted and improved value</li> </ul> </li> <li>b. Independent, third-party physical needs assessment, which shall include a 20-year capital needs schedule and associated costs (as inflated)</li> <li>c. Additional physical reports, e.g., wood-destroying pests; asbestos and lead; roof examinations; structural/seismic; sewer laterals; electrical; plumbing; elevator; any others recommended in property inspection report</li> <li>d. Zoning analysis</li> <li>e. Environmental review documents (e.g., Phase 1 and, as applicable, Phase 2, lead and asbestos survey, etc.)</li> </ol> </li> </ol>

	<ul style="list-style-type: none"> <li>f. Preliminary Title Report</li> <li>g. ALTA Survey (this requirement may be waived for small projects)</li> <li>h. Income certifications, if available</li> <li>i. Subordination Non-Disturbance and Attornment (SNDA) for commercial tenants, as applicable</li> <li>j. Building plans and specifications, as applicable</li> <li>k. Resident engagement plan, no more than 3 pages.</li> </ul> <p>3) Updated Project Financing Documents, including:</p> <ul style="list-style-type: none"> <li>a. Final Sources &amp; Uses budget</li> <li>b. Final Rehabilitation scope</li> <li>c. Final Operating budget</li> <li>d. 20-year cash flow</li> </ul> <p>4) Development Team Documents, including:</p> <ul style="list-style-type: none"> <li>a. Current year unaudited financials</li> <li>b. Prior two years of Applicant’s audited financials</li> <li>c. Organizational documents: <ul style="list-style-type: none"> <li>- Firm description</li> <li>- Leadership &amp; governance (Board, Committees, profile of leadership)</li> <li>- Key staff resumes</li> <li>- Strategic planning documents (if available)</li> <li>- Annual Report (if available)</li> <li>- Schedule of real estate owned and projects under construction (if any)</li> </ul> </li> <li>d. As applicable, description of Project architect; general contractor; and property manager</li> </ul>
<p><b>Contact Information</b></p>	<p>Somaya Abdelgany  Preservation Program Manager  Bay Area Housing Finance Authority  <a href="mailto:sabdelgany@bayareametro.gov">sabdelgany@bayareametro.gov</a></p>