
May 8, 2024

Agenda Item 7.a.

Regional Early Action Planning 2.0 Grants – Priority Sites Predevelopment Loan Recommendations

Subject

Referral of BAHFA Resolution No. 0035 to the Bay Area Housing Finance Authority to authorize the Executive Director or designee to negotiate and enter into loan agreements and all ancillary documents necessary to implement such loans for the following Priority Site Pilots Projects, with the respective developer or single purpose entity formed by the developer in the amount shown below, for a total cumulative amount not to exceed \$28 million from and subject to receipt of Regional Early Action Planning 2.0 (REAP) funding:

Mandela Station, Mandela Station Affordable, LLC, \$3,000,000; South San Francisco PUC Site, SSF PUC Housing Partners, LLC, \$2,100,000; Lake Merritt BART, East Bay Asian Local Development Corporation, \$3,000,000; North Berkeley BART, North Berkeley Housing, \$3,000,000; Blossom Hill, Blossom Hill NC, L.P., \$3,000,000; Midway Village, Midway Associates 2, L.P., \$2,500,000; Treasure Island, Treasure Island Development Authority, \$3,000,000; Capitol Station, MP Capitol Station Associates I, L.P., \$3,000,000; El Cerrito Plaza, ECP Parcel A South Housing Partners, L.P and ECP Parcel C East Housing Partners, L.P., \$2,400,000; Orbisonia Village, Pacific West Communities Inc.(or affiliated borrowing entity), \$3,000,000.

Background

In November 2023, the Commission and ABAG Executive Board approved MTC Resolution No. 4618 and ABAG Resolution No. 15-2023, respectively, establishing 211 Priority Sites. Following approval, sites became eligible for ongoing technical assistance and funding opportunities. In late November 2023, staff released a call for Letters of Interest for \$28 million in predevelopment loans and \$2.8 million in technical assistance. Both activities had been approved by the Commission for REAP 2.0 funding in March 2023, a state program administered by the Department of Housing and Community Development (HCD). The first of these, predevelopment loans, is the focus of this agenda item, with a parallel item requesting approval to award technical assistance slated to be considered by the MTC Planning Committee this month.

Predevelopment Loan Scoring Criteria and Recommended Awards

Applicants submitted 24 Letters of Interest requesting predevelopment loans totaling \$77.5 million. This was accompanied by another 28 Letters of Interest requesting technical assistance for 30 sites with an estimated cost of \$8.6 million. Predevelopment loan proposals were scored and ranked according to the terms of the Notice of Funding Availability (NOFA) released November 17, 2023 and outlined in **Attachment D**. The NOFA is based on the terms and conditions of the REAP 2.0 grant. The proposals were all highly competitive, but the following scoring criteria largely distinguished projects that are recommended for funding.

May 8, 2024

Agenda Item 7.a.

Regional Early Action Planning 2.0 Grants – Priority Sites Predevelopment Loan Recommendations

1. Readiness/Timeliness. The funding goal was to assist projects that were as close to construction commencement as possible. Projects that had the following conditions scored better: a) site control b) fully approved entitlements, c) all gap funding committed, including from HCD.
2. Leveraging Other Funding. The NOFA prioritized projects able to repay loans at construction loan closings rather than converting to permanent financing so that money could be recycled to assist more projects. Predevelopment-only requests scored better.
3. Affirmatively Furthering Fair Housing. This was an HCD REAP 2.0 objective. The NOFA prioritized projects meeting our affordability thresholds located in a moderate or high resource area.
4. Impact and Cost Effectiveness. The NOFA prioritized projects that provided the greatest return on BAHFA's investment by maximizing the number of affordable units. Projects that had the following conditions scored better:
 - a. Projects with units specifically for people experiencing homelessness.
 - b. Projects with a higher absolute number of affordable units. Total affordable units were grouped into three categories. A) over 150 affordable units, B) 100-150 affordable units, C) below 100 affordable units. Projects over 150 affordable units scored higher.
5. Location and Transit-Oriented Development and Planning. The NOFA scoring criteria prioritized transit-oriented projects. Developments located at or near transit stations and developed as part of a transit transformation project scored better, based upon:
 - a. *Alignment with Plan Bay Area 2050* goals including the reuse of public and community owned land for essential services and housing, with an emphasis on location in growth geographies, especially when the overall project provided non-housing amenities.
 - b. *Experience and Partnerships/Collaboration* goals of prioritizing projects that demonstrated collaboration with a wide range of stakeholders and emphasized implementation outcomes, such as VMT reduction and streamlined decision-making through the involvement of decision-makers in the development process.
6. Tiebreaker: If projects achieved the same score, those with an expiring funding award or a higher "Readiness" score were prioritized.

In summary, projects with the highest scores, and which are therefore recommended for funding, are most ready to start construction. They are also large redevelopments of public sites and include significant non-housing related improvements (e.g., infrastructure upgrades, community space, open space, retail, services, etc.). They also have high affordable unit counts. Additional factors that produced high scores were some combination of the following: location in a High Resource Area; serving unhoused households; requesting predevelopment funding only; and/or demonstrating some cost controls with below-average development costs.

May 8, 2024

Agenda Item 7.a.

Regional Early Action Planning 2.0 Grants – Priority Sites Predevelopment Loan
Recommendations

In acknowledgement of HCD's uncertain funding disbursement schedule, predevelopment funding award recommendations are categorized by "phase," as outlined in **Attachment B**. The proposed funding phasing corresponds to information provided to date by HCD, as follows:

- Phase 1: \$11.1 million to fund 4 Priority Sites projects. This funding value represents the total funds HCD has advised may be available immediately, given state budget negotiations in progress. Staff has submitted an advanced disbursement request for these funds and will issue them to project sponsors once the project recommendations are approved by the BAHFA Board and the funds are secured.
- Phase 2: \$3 million to fund 1 additional project. This funding phase brings the total Priority Sites Predevelopment Pilot loan pool up to approximately 50% of the originally requested value, \$28 million. The Governor's January budget proposal recommended funding REAP 2.0 at the 50% level due to projected state budget deficits.
- Phase 3: \$13.9 million to fund 5 additional projects. Phase 3 assumes 100% of the original value of the Priority Sites Predevelopment Pilot program, \$28 million, is funded.

Again, funding for all Priority Sites Predevelopment Pilot phases is dependent on state budget determinations and HCD's release of money. To enable BAHFA to disburse funds immediately upon their receipt from HCD, staff recommends that the BAHFA Board approve the loan requests for all ten projects included in Phases 1 to 3, subject to confirmation that scoring characteristics leading to project scoring remain in place at the time funds are ready to disburse and project sponsors have otherwise met all loan requirements.

Note that of the total \$28 million in recommended loans, \$14.1 million is for predevelopment use only, and will revolve back to BAHFA at each project's construction loan closing. BAHFA will make these repaid funds available to other Priority Sites projects as they become available, with projects in Phases 1 to 3 retaining top priority for funding, assuming project conditions and funding needs remain unchanged. Staff will return to the Board for new funding approvals should sufficient funding exist to make awards beyond Phase 3 projects.

See **Attachment B** for a full list of predevelopment loan applications and recommended awards. For informational purposes, **Attachment C** lists the applications and recommended awards for technical assistance under consideration by the MTC Planning Committee.

May 8, 2024

Agenda Item 7.a.

Regional Early Action Planning 2.0 Grants – Priority Sites Predevelopment Loan
Recommendations

Next Steps

Upon approval by the BAHFA Board, staff will work with Phase 1 applicants to finalize the terms of loan requests, ensure that all required due diligence materials and information are in place, and proceed to loan execution once BAHFA is in receipt of funding from HCD, through MTC.

Issues:

Staff will continue to monitor state budget developments, remain in correspondence with HCD regarding funding availability and timelines, and communicate HCD-provided information to Priority Sites Pilot program applicants.

Recommended Action:

Refer to the Bay Area Housing Finance Authority Board approval the attached resolution as described above.

Attachments:

- A: Presentation
- B: List of Pilot Project Proposals and Awards
- C: List of Priority Sites Technical Assistance Proposals and Awards
- D: Scoring Criteria
- E: BAHFA Resolution No. 0035

Reviewed:



Andrew Fremier