Attachment A to BAHFA Resolution 16, Revised

BAY AREA HOUSING FINANCE AUTHORITY

Welfare Tax Exemption Program ~~Preservation~~ Term Sheet

Multifamily Rental Properties

Program Description	BAHFA assists mission-driven developers to produce and preserve affordable and ~~existing~~ mixed-income, multifamily housing by providing the public sector regulation necessary to achieve the "welfare exemption" defined in California Revenue and Taxation Code (R&T) Section 214(g). BAHFA assistance includes: 1) A grant of the minimum amount the California Board of Equalization (BOE) will accept to meet the local financing provision of R&T Section 214(g)(A) (currently $5,000) 2) A recorded deed restriction on the property that continuously limits occupancy of designated units to Lower Income households (see R&T Section 214(g)(2)(A)(ii). The Program's goal is to prevent displacement of low-income households, to create a permanently affordable housing stock that provides safe, decent, stable residencies for working households, and to promote neighborhood vitality.
Eligible Applicants	Affordable housing development teams that: 1) Meet the ownership requirements of R&T Section 214(g)(1); and 2) Have a demonstrated track record of successfully developing, owning and operating comparable projects.
Eligible Projects	~~Occupied, u~~Unrestricted multi-family residential buildings ~~with 4 or more legal dwelling units~~. ~~1) Mixed-use buildings are eligible so long as the majority of the building square footage is used for residential uses.~~ ~~2)~~1) Applicants must demonstrate that the proposed welfare-exempt rent restrictions provide a discount to market-rate rents of at least 10% or, in the alternative and subject to the approval of BAHFA, other economic conditions that justify imposition of the welfare exemption.

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Term and Regulatory Restrictions	Regulatory Term: 55 years. BAHFA will consider shorter regulatory periods if the Applicant demonstrates that a shorter term remains compatible with 1) permanent affordability and 2) a prohibition on displacement. For example, Applicants may plan to refinance the property with tax credit equity or other public sources that would provide new regulatory controls that supersede BAHFA's restrictions. Lien Priority: BAHFA requires first lien priority for its occupancy deed restriction. In its sole discretion, BAHFA will consider subordination of its restriction if Applicant demonstrates the necessity of subordination to secure financing and if such subordination is consistent with the goal of creating permanent affordable housing. Displacement: Notwithstanding the imposition of income restrictions, in the case the program is applied to an existing building, no existing resident in the Project shall be displaced because of the preservation action or by Applicant's imposition of any new, discretionary "house rules". 1) Eligibility for the welfare exemption may be full or partial at recordation of BAHFA's Deed Restriction.~~acquisition,~~ In the case of a partial welfare exemption, ~~with~~ additional units ~~converting~~ may convert to welfare exempt over time through unit turnover or income certification of existing residents. 2) For units subject to local "just cause" eviction ordinances, Applicants shall continue to comply with the just cause ordinance rules after acquisition. 3) All Applicants must comply with the Tenant Protection Act of 2019, Civil Code Sec. 1946.2 et seq. (AB 1482, Chiu) provisions regarding protections of tenants from tenancy terminations without just cause. Temporary Relocation: If Applicant must temporarily relocate tenants for the purpose of safely conducting a Project rehabilitation, the following requirements apply: 1) Temporary relocation shall not exceed 180~~90~~ days unless approved by BAHFA. Permanent relocation is prohibited. 2) Applicants shall provide temporary housing that is decent, safe, sanitary and of comparable size to the relocated tenant's dwelling unit. 3) Tenants shall continue to pay the rent for their original unit, but shall bear no costs related to relocation, including:

a. Moving and packing expenses
b. Any costs associated with the relocation dwelling that exceed their typical housing expenses (rent, utilities, other charges)

4) Notwithstanding the relocation requirements listed above, if Applicant conducts a substantial rehabilitation project funded with low-income housing tax credits or a similar program that ensures permanent affordability and extends the useful life of the building, BAHFA will subordinate its relocation requirements to the relocation requirements of the permanent rehabilitation affordable funding source.

Rent Setting:

1) Existing Tenants: Upon acquisition, rents for all existing residents shall remain unchanged until the anniversary of the tenant's initial leasing.
   a. For units subject to local rent stabilization ordinances, Applicants shall continue to comply with the rent stabilization ordinance when imposing rent increases after acquisition.
   b. 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%.
   c. As a condition of project approval, Applicant will propose a program to address reducing severe rent burden ~~F~~for existing residents earning less than or equal to 80% AMI and who pay more than ~~3~~50% of gross household income for rent.~~, Applicant shall decrease those households' rents to a maximum of 30% of gross annual income upon approval of the Applicant's welfare tax exemption application by the local assessor's office, assuming Project income is sufficient to allow a rent decrease for such households while covering necessary and standard Project operating expenses.~~

2) New Tenants (filling existing vacancies or newly vacated units~~ in welfare exempt designated units~~):
   a. Tenant household income must be certified as meeting welfare exemption requirements prior to lease execution
   b. Rents for welfare exempt designated units shall not exceed 30% of 80% of AMI, adjusted for household size.

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	~~b.~~c. In all cases, initial rents subject to regulation will be set at a level that is 10% below market rents for comparable unit type.
Submission Requirements	~~Applicants must submit the following documents for BAHFA review.~~ BAHFA's Executive Director or their designee will create and maintain a list of submission requirements for all projects, which may be amended from time to time. Anticipated requirements may include, but are not limited to: 1) Project proposal, including project narrative, property description, development team description, and business plan. ~~1)~~2) ~~and acquisition d~~Due diligence documents, including but not limited to: a. Purchase and Sale Agreement b. As-is, current appraisal for preservation projects, and As-completed appraisal for new construction projects c. Independent, third-party physical needs assessment for preservation projects d. Environmental review documents (e.g., Phase 1 and, as applicable, Phase 2, lead and asbestos survey, etc.) e. Preliminary Title Report ~~2)~~ Rent roll for preservation projects, including (i) original lease start date and (ii) if known, household income f. 3) Project financing documents, including: a. Sources & Uses budget b. Rehabilitation or Construction scope c. Operating budget d. 20-year cash flow 4) Development Team Documents, including: a. Applicant's current and past 2 years of audited financials; organizational chart; board of directors roster ~~a.~~b. Key staff resumes c. As applicable, description of Project architect; general contractor; ~~and~~ property manager; and social service provider ~~b.~~d. Schedule of real estate owned and projects under construction (if any)
Compliance	Fair Housing and Rehabilitation/Construction: The Applicant 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, and building operations. Welfare Exemption: Applicant is solely responsible for and must annually secure the welfare exemption from the applicable governing bodies. Applicant shall provide evidence of the welfare exemption to BAHFA annually, as well as any other Project-related information BAHFA reasonably requests.
Program Fees	Program fees will be charged according to BAHFA's adopted fee schedule for the Program.
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