

September 8, 2022

Agenda Item 9.a.

Regional Early Action Planning

Subject:

Presentation regarding Proposed Housing Preservation, Predevelopment, and Technical Assistance Uses for 2022 Regional Early Action Planning 2.0 Funds from the State of California

Background:

The California Department of Housing and Community Development (HCD) has designated a new funding program for the Metropolitan Transportation Commission to advance transportation, planning and housing activities that promote equity goals, reduce per capita vehicle miles traveled, and implement the region’s Sustainable Communities Strategy. Staff proposes to use a portion of the grant to finance affordable housing preservation projects, help accelerate development on Priority Sites, and continue to provide housing technical assistance to local jurisdictions.

In July 2022, HCD released the Notice of Funding Availability for its second round of Regional Early Action Planning (REAP 2.0) grants, allocating \$102.8 million to MTC for planning and implementation projects at the intersection of climate, housing, and equity. As presented to the Joint MTC Planning Committee with the ABAG Administrative Committee in April 2022, staff proposes the use of \$58 million of REAP 2.0 funding to augment highly successful, existing housing programs while also launching new pilot programs to explore the strategic expansion of the agency’s housing funding portfolio:

Program	Proposed Budget
Housing Preservation Pilot	\$15 million
Priority Sites Pilot	\$28 million
Regional Housing TA & Local Grants	\$15 million
Total REAP 2.0 Housing Programs Budget	\$58 million

Housing Preservation Pilot (\$15 million)

Building upon the recently revised Bay Area Preservation Pilot (BAPP) and the launch of BAHFA, these funds would establish the first in-house capital program focused on preservation of unsubsidized affordable housing. The program would provide rapidly deployed, over-the-counter financing enabling non-profit developers and community land trusts to acquire and rehabilitate buildings that are for sale on the open market. The community-based organizations would then convert those properties to permanent affordability. The \$15 million funding pool will immediately stabilize 60-75 households, and with the conversion to permanent affordability,

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many subsequent generations of low-income renters. Funding would prioritize projects in systemically marginalized communities such as Equity Priority Communities and in Plan Bay Area 2050 Growth Geographies served by major regional transit investments. Funded projects would result in anti-displacement benefits to existing tenants, and community-controlled projects could open pathways towards shared ownership of buildings that provide households with the opportunity to build personal equity (i.e., through cooperative or limited equity homeownership models). REAP 2.0 provides a unique opportunity to provide near-term capital funds that can achieve immediate impact and demonstrate a “proof of concept” that supports a potential future ballot measure.

Priority Sites Pilot (\$28 million)

This pilot program would accelerate regionally significant affordable or mixed-income housing projects that leverage public land or the redevelopment of aging malls/office parks – two of the most impactful Housing Strategies in Plan Bay Area 2050. In addition to establishing a pipeline of locally-prioritized, regionally significant sites in transit-rich areas, the program would deliver predevelopment funding directly to projects that advance multiple regional goals (affordability, climate, equity, etc.) and demonstrate success factors such as local support, a clear path to entitlements, and a realistic financing plan. The program could also explore alignment with other state and regional funding sources to expedite project delivery and effectively leverage other sources of capital. Similar to the Housing Preservation Pilot, subject to any necessary BAHFA Board approvals, this program could be jointly administered by BAHFA and demonstrate the value-add of a regional approach, including the completion of large-scale projects that can deliver significant portions of jurisdictions’ lower-income RHNA targets. The [Priority Sites Concept Paper](#), available for [download on the MTC/ABAG website](#), provides additional context for staff’s preliminary design recommendations for this program.

Regional Housing Technical Assistance & Local Grants (\$15 million)

This would build upon the success of the Regional Housing Technical Assistance Program (RHTA) launched with a one-time \$24 million grant to ABAG as part of the REAP 1.0 Program. The expenditure deadline for REAP 1.0 funds was originally the end of 2023. The legislature recently extended the deadline to the end of 2024. REAP 2.0 funding could extend and enhance the RHTA program to support compliance with the TOC Policy, implementation of local RHNA targets and Housing Element requirements, and ensure Bay Area jurisdictions remain competitive for state funding by assisting with the new “pro-housing” designation. Components of the program could include regional technical assistance (policy development, data, trainings, etc.) that leverages regional economies of scale, as well as extending funding for county-based Planning Collaboratives and exploring a “race to the top” housing policy grant pilot program.

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Next Steps:

- Building on the outreach conducted during the Plan Bay Area 2050 and Regional Housing Needs Allocation processes to define the broad program priorities for the REAP 2.0 grant, staff will conduct REAP 2.0-specific outreach to further inform more specific program components from August through October 2022. Outreach will include presentations and discussions at existing housing stakeholder meetings, as well as one-on-one interviews.
- Staff will seek approval of the full REAP 2.0 program proposal from the Commission in November 2022, which will authorize MTC's grant application to HCD by the December 31, 2022 deadline.
- Contingent on Commission approval, staff will:
 - Seek additional feedback and approvals from Committees on remaining details of program design.
 - Develop the required lending terms for developer and CLT project financing and submit those to HCD for approval by the March 31, 2023 deadline.
 - Request delegated authority for the Housing Preservation Pilot to administer grants/loans swiftly and empower developers and CLTs to compete with market buyers.
 - Release a Notice of Funding Availability for lending and grant programs (targeted for spring 2023).

Issues:

- REAP 2.0-specific outreach must be conducted in a short window of time to inform MTC's program proposal prior to HCD's application deadline of December 31, 2022.
- All program uses must demonstrate a nexus to all REAP 2.0 Objectives: Accelerating Infill Development that Facilitates Housing Supply, Choice, and Affordability; Affirmatively Furthering Fair Housing; and Reducing Vehicle Miles Traveled. This will narrow the geographic focus of capital pilot programs and broaden the subject-matter focus of the existing Regional Housing TA Program.
- All REAP 2.0 funds must be encumbered by June 30, 2024, with final expenditures submitted and closed out by June 30, 2026. This suggests that projects receiving REAP 2.0 funds must be ready for swift implementation. This will require advance payment from HCD and delegated authority for staff to approve term sheet compliant deals for the Housing Preservation Pilot in particular.

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Recommendation:

Information

Attachments:

- A. Presentation

Reviewed:



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