

February 9, 2023

Agenda Item 8.a.

Bay Area Affordable Housing Pipeline

Subject:

Presentation of the Bay Area Affordable Housing Pipeline database, which inventories the region’s affordable housing developments in various stages of predevelopment.

Background:

The Bay Area Affordable Housing Pipeline (Pipeline) is a database that inventories affordable housing across the region that is in various stages of predevelopment. Predevelopment ranges from early-stage planning, to entitlements, to permitting, to securing all necessary financing.

In August 2020, Enterprise Community Partners (Enterprise) created the first iteration of the Pipeline. Using both publicly available and proprietary data, it was a point-in-time database of the region’s forthcoming affordable housing. As one of the Bay Area Housing Finance Authority’s (BAHFA) five pilot projects, it commissioned Enterprise to update its Pipeline database. This summary sheet features analysis from the most recent Pipeline update completed by the Enterprise team in September of 2022.

As the Bay Area works to meet its affordable housing needs, the Pipeline provides both guidance and urgency. While illustrating excellent progress around the Bay Area in advancing affordable housing production, it also highlights the significant additional resources needed at the state, regional, and local level to move these affordable homes from predevelopment to construction.

Bay Area Housing in Predevelopment, 2022:

There are a total of 395 affordable housing developments comprised of 32,944 affordable units in some stage of predevelopment in the Bay Area and for which developers have not yet secured all funding necessary to start construction. The table below breaks down the pipeline projects and units by county.

County	Affordable Housing Projects in Predevelopment	Affordable Homes in Predevelopment
Alameda	106	7,916
Contra Costa	22	1,782
Marin	13	556
Napa	9	290
San Francisco	85	7,258
San Mateo	25	1,817

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Santa Clara	88	10,829
Solano	6	287
Sonoma	41	2,209
Regional Total	395	32,944

Funding Needed to Unlock the Pipeline

An affordable housing development generally requires multiple funding sources to achieve financial feasibility. Typically, this includes a conventional bank mortgage, low-income housing tax credits (LIHTC), tax-exempt bonds, and subsidy or soft debt – also known as “gap funding.” All public sector funding sources are currently over-subscribed in California.

The estimated funding needed to unlock the pipeline’s approximately 33,000 homes is \$7.6 billion in gap funding, \$13 billion in tax-exempt bonds, \$11.1 billion in 4% LIHTC equity, and \$1.5 billion in 9% LIHTC equity.

Methodology:

To create the Pipeline, Enterprise collected data from several sources:

- State-provided public data (using both “applicants” and “awards” lists)
- Local public data from city and county housing departments and authorities
- Proprietary data from affordable housing developers and financial consultants

Developments not yet available in any public data source and those led by developers that did not participate in this analysis are not reflected in the Pipeline.

To calculate the funding needed to unlock the Pipeline of affordable homes, Enterprise relied on both actual cost projections reported directly from affordable housing developers and estimates derived from historical data (using standard cost inflation metrics). This data included:

- Average per-unit cost by county, 2020-2022, California Debt Limit Allocation Committee (CDLAC) averages
- Average proportional utilization of 4% and 9% LIHTC programs and project-based vouchers
- Capital stack average proportions, 2019-2021 California Tax Credit Allocation Committee (TCAC) averages

For each development lacking a developer-provided cost projection, Enterprise calculated its estimated funding need, including LIHTC, tax-exempt bonds, and subsidy, based on adjusted historical averages and anticipated financing structures. The funding needs described above reflect the sums of those projections.

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Next Steps:

Enterprise will publish a brief on the analysis and continue to update the Bay Area Affordable Housing Pipeline. There will be an update in early 2023 (as new public data is released) with the eventual goal of updating the regional pipeline quarterly. The collection of non-public data will continue on an annual basis. BAHFA will use the Pipeline data to provide technical assistance to jurisdictions planning their multi-year housing production and preservation strategies. The Pipeline will also inform BAHFA's own strategic planning, with the goal of investing resources in locations and for projects where it will be most impactful and catalytic. Finally, BAHFA and Enterprise will ensure that this Pipeline data will be widely shared and can be used to pursue broader policy goals.

Issues:

None

Recommended Action:

Information

Attachment:

- A. Presentation
- B. Affordable Housing Pipeline Brief

Reviewed:



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