

**Metropolitan Transportation Commission
Administration Committee**

March 8, 2023

Agenda Item 3a

MTC Resolution No. 4565: Grant of Funding from Metropolitan Transportation Commission (MTC) to Bay Area Housing Finance Authority (BAHFA) for Regional Early Action Planning Grant (REAP 2.0) Housing Preservation and Priority Sites Programs and Authority to the Executive Director to Take Action to Implement the Grant

Subject:

Request for authorization to grant \$43 million in REAP 2.0 funding from MTC to the BAHFA for two new housing pilot programs: the Housing Preservation Pilot and the Priority Sites Pilot and for the Executive Director to take action to implement the grant.

Background:

In July 2022, the California Department of Housing and Community Development (HCD) released the Notice of Funding Availability for its second round of REAP 2.0 grants. HCD allocated \$103 million to MTC for planning and implementation projects at the intersection of climate, housing, and equity. MTC may suballocate its funds to eligible entities in the form of grants. Of MTC's allocation, staff proposes granting to BAHFA the use of \$43 million to launch new pilot programs administered by BAHFA that would explore the strategic expansion of the BAHFA's housing funding portfolio, including a \$15 million Housing Preservation Pilot and \$28 million Priority Sites Pilot. The Commission approved staff's proposal for the REAP 2.0 formula allocation in November 2022 and submitted an application to HCD in December 2022.

Established by Assembly Bill 1487 in 2019, BAHFA's mandate is to raise, administer, and allocate regional funding for tenant protection, affordable housing preservation, and new affordable housing production. As such, BAHFA's execution of the proposed REAP housing pilot programs is well within BAHFA's mission.

Housing Preservation Pilot

If approved, the Housing Preservation Pilot would be the first in-house capital program focused on preservation of unrestricted affordable housing. The program would provide financing to non-profit developers and community land trusts for acquisition and rehabilitation of occupied properties to establish long-term affordability, with the goal of stabilizing at least 60 households. Funding would prioritize projects in systemically marginalized communities and near existing or

planned transit infrastructure. Funded projects would result in anti-displacement benefits to existing tenants, and community-controlled projects could open pathways towards residents building equity. REAP 2.0 provides a unique opportunity to provide near-term capital funds that can achieve immediate impact and demonstrate a “proof of concept” for BAHFA that supports a potential future ballot measure.

Priority Sites Pilot

The Priority Sites Pilot 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, this program would 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.

Next Steps:

- Staff will seek BAHFA Board approval of program guidelines for the two housing program pilots, as well as acceptance of funds from MTC to BAHFA, on March 22, 2023.
- Staff will finalize the program guidelines by March 31, 2023, HCD’s deadline to approve MTC’s REAP 2.0 proposal.
- Notice of Funding Availability for the two pilot programs will be released in spring or summer 2023, pending HCD approval, grant agreement execution, and disbursement of funds.
- All funds must be encumbered by June 30, 2024 and spent by June 30, 2026.

Issues:

HCD's deadline to approve MTC's REAP 2.0 proposal is March 31, 2023. Terms and underwriting guidelines are subject to change until HCD has completed their review.

Recommendations:

Refer MTC Resolution 4565 to the full Commission for approval to authorize the grant of \$43 million in REAP 2.0 proceeds from MTC to BAHFA to administer the Housing Preservation and Priority Sites Pilots, subject to the terms and conditions of the HCD Grant to be executed between MTC and HCD, and to authorize the Executive Director to take action to implement the grant.

Attachments:

- Attachment A: MTC Resolution No. 4565
- Attachment B: PowerPoint



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