

From: [Martha Silver](#)
To: [Martha Silver](#)
Subject: FW: Questions on Agenda Item 11
Date: Wednesday, June 8, 2022 11:13:38 AM

From: Rebecca Long <rlong@bayareametro.gov>
Sent: Wednesday, June 8, 2022 10:26 AM
To: vinay [REDACTED]
Cc: Kỳ-Nam Miller <kmiller@bayareametro.gov>; Martha Silver <MSilver@bayareametro.gov>
Subject: FW: Questions on Agenda Item 11

Hi Vinay – Thanks for your great questions. I reached out to our housing experts and they helped me craft the responses below in red.

I look forward to the discussion at Policy Advisory Council this afternoon.

Thanks,

Rebecca

From: Vinay Pimple [REDACTED]
Date: June 7, 2022 at 4:57:25 PM PDT
To: Rebecca Long <rlong@bayareametro.gov>, Kỳ-Nam Miller <kmiller@bayareametro.gov>
Cc: Martha Silver <MSilver@bayareametro.gov>
Subject: Questions on Agenda Item 11

External Email

Here are my questions.

Thanks

Vinay

Agenda Item 11

1. Please properly present the fiscal implications of issuing bonds during a period that is likely to see high interest rates. For example, a 30 year bond with 8% interest generates only half the money as a 30year bond with 2% interest.

The effect of various interest rate modeling is seen in the property tax assessment, not the amount of money raised. Currently, 4.25% is the 30-year average of the 30-year Municipal Markets Data (MMD) Index, which is the benchmark for the tax-exempt muni bond market. We've modeled one standard deviation below that average (3%) and one standard deviation above

the average (5.5%) to gauge the effect on taxpayers. Polling will help us understand what an acceptable property tax rate will be.

2. How can 45K homes create housing for half a million households?

This number reflects the ongoing opportunity for housing that newly constructed and preserved buildings will provide over the 55-year term that the federal Low Income Housing Tax Credit requires affordability and an assumption that households will stay in an affordable home for an average of 5 years.

3. "Naturally occurring affordable housing" is often perceived as code for disproportionately minority owned housing. This is because minorities disproportionately own property in low income areas. Please conduct a demographic analysis of ownership patterns in areas targeted for "preservation," and compare it to other areas. If it's true that the areas targeted for "preservation" have disproportionate minority ownership, the laws will be considered as racial discrimination under a disparate impact analysis. Are there any plans to conduct such an analysis to prevent racial discrimination?

The primary purpose of the Preservation program is to keep existing residents housed- avoid displacement. While it may be true that NOAH buildings have disproportionately high rates of BIPOC owners (though we would need to verify that), the point is that whoever those owners are, they're selling. And with a sale transaction, existing residents are at risk of displacement, whether because the new owner raises rents (in areas without rent stabilization protections), conducts a "reno-viction", i.e., moves people out for a long period in the name of rehab, which often means they're gone for good, or simply harasses them to the point of departure, which we see in high-cost cities that do have rent stabilization protections and thus an incentive to take advantage of vacancy decontrol.

We don't think that a Preservation funding program we would implement would create a disparate impact and race-based damage claim. Again, the point is to *protect existing residents* where they are.

4. Please compare the cost per supported household of new affordable housing with that of housing voucher programs. Since the cost of housing vouchers would be very different in SF and in Richmond, please give the different costs for different rental markets, along with the size of those rental markets. A back of the envelope calculations suggests that in an area like Richmond twice as many families could be supported through a housing voucher program as through building new affordable housing. Will you conduct a cost-benefit analysis of the two in order to determine which

program will serve the largest number of low income families?

Access to new Housing Choice Vouchers from the federal government would be a dream come true. Currently, most public housing authorities, which administer the HUD voucher program, have closed waiting lists and only occasionally issue RFPs for project-based voucher assistance. Without access to this resource, which must be permanent to be effective, there's not much value comparing their impact in different rental markets. A proposed GO bond would not include a voucher program as those costs aren't eligible for bond proceeds.

5. Using the 30% figure for housing burden comes from the relative cost of housing and other goods and services at the national level. Since the relative cost of housing, and of other goods and services is very different in the Bay area, the 30% number has to be recalculated for the Bay Area. Consider the following: 1) Nationwide, the housing cost is \$30 and the cost of other good and services is \$70, for a given standard of living level. 2) Assume that the housing cost in the Bay Area is 4X the housing cost at the national level. 3) Assume that the cost of other goods and services in the Bay Area is 1.5X the cost at the national level. 4) To achieve the given standard of living level in the Bay Area, we need: $((\$30 \text{ Housing cost} * 4X) = \$120) + ((\$70 \text{ cost of other goods and services} * 1.5X) = \$105) = \text{Total Income of } \225 . 5) Thus, the Bay Area counterpart of the 30% housing burden at the national level is $(120 / 225) = 53\%$ 6) You can plug in different numbers in the assumptions in 2 and 3 to come up with more accurate numbers for the Bay Area. Will you recalculate a more accurate housing burden percentage for the bay Area? If not, why not?

I am assuming that this comment is in reference to Attachment A, the March 2022 BAHFA update, which notes that 45 percent of Bay Area renters spend more than 30% of their income on housing and nearly ¼ spend over 50%. The reference of 30% here is based on the federal definition of housing burden and is also used as the basis for setting rents for income restricted housing funded with federal tax credits. Since we plan to leverage BAHFA revenue with other state and federal funding sources, all of which require 30% of gross income as the housing payment standard, it remains a relevant metric to describe the Bay Area's housing affordability challenges.