
March 12, 2025

Agenda Item 7.a.

BAHFA Strategic Planning

Subject:

Preliminary report on next steps for BAHFA including a strategic planning process and near-term actions to lay the groundwork for BAHFA's future success

Background:

On November 13, 2024, the ABAG Housing and BAHFA Oversight Committees (the "Joint Housing Committees") received a status update about BAHFA and the broader housing portfolio shared with MTC and ABAG. The same materials were presented to the ABAG Executive Board and the BAHFA Board later in November 2024. The presentations served as a level-setting opportunity to inform future discussions of how the regional agencies can continue to address housing affordability in the wake of the withdrawal of Regional Measure 4 (RM 4) and the defeat of Proposition 5, which would have established a 55% voter approval threshold for housing and infrastructure bonds. As it stands, the threshold for approval of affordable housing bonds is two-thirds.

The central theme of the November 2024 meetings was that staff currently have full work plans to implement a suite of ongoing housing and land use programs to improve housing affordability for Bay Area residents. These programs span the full spectrum of activities necessary to create vibrant, affordable communities, including:

- Policy development at the state and local levels
- Integrated planning and zoning reform within cities and specific neighborhoods
- Securing entitlements for catalytic projects that will bring new affordable homes and amenities to transit-rich neighborhoods
- Predevelopment financing to enable affordable housing projects to break ground more swiftly
- Supporting the lease-up of newly constructed affordable homes
- Providing services to new and long-term residents to enhance affordability and housing stability

The current programs are actively expanding housing opportunities across the region. BAHFA and MTC investments into housing projects to date will add nearly 1,700 new affordable homes and preserve an estimated 865 homes, once completed, while also developing a longer-term pipeline for an additional 12,800 homes that require additional funding to come to fruition.

Delivering the existing portfolio remains a critical priority to demonstrate the value-add of regional housing initiatives that can produce concrete benefits. Importantly, such efforts can address the lack of trust in government reflected in recent polling and thereby improve the chances for success for any future regional housing revenue measure.

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During the November 2024 meetings, ABAG Executive Board and BAHFA Board members reiterated the agencies' commitment to BAHFA and the broader regional housing portfolio. Policymakers directed staff to engage with stakeholders and return in early 2025 for additional discussion about BAHFA's future, including timing of a potential future regional housing measure. Based on analysis and conversations with stakeholders during the last several months, today's item includes considerations and staff recommendations regarding next steps.

BAHFA's Current Financial Status

BAHFA is currently funded by several one-time sources that are diminishing over time, including a \$20 million start up grant that was included in the state budget in FY 2020-21 from the California Department of Housing and Community Development (HCD) and project-level financing from the Regional Early Action Planning Grant of 2021 (REAP 2.0). These sources were combined into a multiyear budget extending through June 2026. As such, BAHFA staff are on time-limited contracts that expire in June 2026. The purpose of this structure was to support BAHFA's operations until an anticipated ballot measure in November 2024 could provide sustained funding. In the absence of the funds anticipated from a ballot measure, a new strategy and resources are required to extend BAHFA's runway.

Based on recent and planned expenditures, staff estimate that BAHFA's current funding may be able to extend a core set of operations to approximately summer 2027. This potential extension of BAHFA's runway is largely attributable to savings on election-related costs due to the removal of RM 4 from the November ballot. Specifically, registrar of voter costs have come in significantly under budget, but some legal expenses are still unknown.

This additional runway may ease the transition to BAHFA's next phase, though fundamental strategic questions remain regarding BAHFA's programmatic focus and a plan for sustainable, long-term funding. The funding for several major programs will wind down by summer 2026 and so even with an extended runway for staff BAHFA must pivot towards an evolved suite of programs that are designed to best leverage available and anticipated future resources. Therefore, staff recommend immediately launching a Strategic Planning process, described in greater detail below, to ensure a smooth transition beyond the "pivot moment" approaching in summer of 2026.

Investing in Affordability: Ballot Measure Timing and Other Funding Strategies

Based on conversations with stakeholders, staff have identified a series of considerations that affect the preferred timing and viability of a potential future regional housing revenue measure:

- **Voter Threshold.** With the defeat of Prop 5, the threshold for voters to approve a measure placed on the ballot by BAHFA is two-thirds. Drawing upon the success of Measure A in Los Angeles County, which will raise roughly \$1 billion per year for homelessness and housing, a potential alternative path would be a 50%+1 threshold offered by a citizen initiative. BAHFA's enabling statute is silent on the permissibility of a

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citizen initiative but could be amended to make clear that a measure could be placed on the ballot via signatures. Under a citizen initiative, BAHFA and ABAG would not approve the ballot language or the decision to move forward with a measure.

- **Revenue Source.** A general obligation bond cannot be advanced through a citizen initiative. The other revenue mechanisms currently authorized by BAHFA's statute include a parcel tax, gross receipts tax, and payroll tax. If BAHFA's legislation is amended to expressly authorize a citizen initiative, this presents an opportunity to add new revenue mechanisms as well. Technical and political analysis would be needed to evaluate the merits of potential new revenue source options.
- **Political and Economic Climate.** Homelessness and housing affordability have consistently ranked as the top issues for Bay Area voters in recent polling. However, this concern may not translate into similarly high levels of support for a measure given the high degree of tax fatigue and distrust of government seen in recent polling. It is difficult to predict how tax sensitivity will shift over time, especially with the dynamic situation at the federal level and potential trickle-down impacts at the state and local levels.
- **Coalition Building.** There was a great deal of disappointment in the wake of RM 4's removal and the defeat of Prop 5. Strengthening the coalition to support a regional housing measure, and expanding it to ensure success in leading a citizen initiative, will take time and is work that must be led by non-governmental organizations.
- **Transportation Revenue Measure.** Bay Area transit agencies are counting on a regional ballot measure in November 2026 to address the looming transit fiscal cliff. Senate Bill 63, (Wiener/Arreguin) is the anticipated enabling legislation for a regional transportation revenue measure. The enabling legislation is expected to authorize placement on the ballot through a citizen initiative.

Given the circumstances, staff believe that 2028 is likely the best next opportunity to pursue a regional housing revenue measure. The list of considerations above represents a significant body of work that involves many external stakeholders as well as the weighing of meaningful tradeoffs. A lesson from RM 4 is that success is more likely if policy details are resolved well before the election. 2028 provides a more viable opportunity to create the conditions for success.

Even with a 2028 time horizon, it is imperative to take action in the near-term to lay the foundation for BAHFA to pursue a regional housing revenue measure. These actions include implementing the current suite of programs to demonstrate proof of concept, launching a Strategic Planning process, and preparing for legislative efforts in the 2026 session to enable a citizen's initiative.

Moreover, a near-term priority must be to secure additional affordable housing resources to meet the tremendous need in the Bay Area and to sustain BAHFA's impact. Key components of this work include:

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- Pursue a state budget request to extend BAHFA's runway beyond the current 2026-27 cliff, so that BAHFA is poised to pursue a transformative revenue measure at the next viable opportunity,
- Seek a small set-aside for BAHFA seed funding from the proposed statewide housing bond (AB 736 (Wicks) and SB 417 (Calderon), and
- Coordinate with counties that are considering local housing revenue measures.

To take full advantage of BAHFA's statutory authorities and deliver on its mandate to improve housing affordability, BAHFA will seek revenue sources beyond the state. Potential additional sources include revenue generated by future BAHFA financing products, philanthropic and other private sector donations, and revolved Priority Sites predevelopment loans from REAP 2.0 (subject to state requirements). The Strategic Planning process described in the next section is an opportunity to develop a strategy to braid together as many of these funding sources as possible into a realistic funding plan.

Strategic Planning

When BAHFA was created by the Legislature in 2019, the central vision was to raise transformative resources through a regional revenue measure. When COVID-19 derailed initial plans for a revenue measure in November 2020, staff engaged policymakers and stakeholders in a visioning process to chart a course for BAHFA that would bridge to a revenue measure in November 2024. That process served as the basis for fundraising that enabled the hiring of BAHFA staff and yielded the current suite of BAHFA pilot programs.

A similar process is now needed to articulate a vision to sustain BAHFA beyond its current runway and until it is capitalized at scale. Since its inception, BAHFA has benefited from a broad coalition of supporters including local governments, housing developers and other practitioners, and advocacy organizations. Staff propose launching a Strategic Planning process to engage and strengthen this coalition of supporters as BAHFA plans its transition to the next phase.

The proposed Strategic Planning process will evaluate the future of BAHFA's programs, develop a funding plan to implement those programs, and sustain momentum for a future regional housing revenue measure. Staff will strive for a process that balances inclusivity with swiftness; staff anticipate a process that wraps up by early 2026. Staff also anticipate structuring the process as a series of modules that will enable appropriate sequencing, such that the most time-sensitive components can be addressed first and then built upon incrementally. A preliminary list of potential modules includes: (1) new regional financing products and approaches, (2) other regional programs, (3) funding strategy, and (4) framework for a future ballot measure.

Staff will gather feedback on the proposed Strategic Planning process, then return to the Committees in April to present a more detailed project plan including timeline, milestones, and an approach to stakeholder engagement.

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Issues:

None

Recommended Action:

Information

Attachments:

A. Presentation

Reviewed:



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