AB 1487 Implementation: Follow-Up to Questions from April Board Meetings

Agenda Item 4(a): Information Item

MTC Executive Committee & ABAG Administrative Committee Joint Meeting

May 18, 2020

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Bay Area Housing Finance Authority (BAHFA) Legal Framework

- BAHFA already exists as a distinct legal entity by virtue of AB 1487.
- Only the State Legislature can amend, expand, or dissolve BAHFA.
- However, the BAHFA Board (same members as MTC Commission) can choose when to “activate” the entity.
- Once activated, a unique feature of BAHFA is shared decision-making between ABAG Executive Board & BAHFA Board over many decisions related to activities and expenditures.

Review: **Why BAHFA?**

ABAG and MTC helped to craft AB 1487 and eventually supported the bill in order to create new tools to address the region's housing challenges beyond the authorities already held by the agencies. The new powers vested in BAHFA include:

- Authority to propose regional ballot measure to raise revenue for 3 Ps
- Authority to accept variety of funds to advance the 3 Ps, including funds from private parties
- Authority to deploy a variety of housing finance tools, including directly underwriting projects
- Joint governance strengthens the opportunity for a coordinated regional housing portfolio across all 3 Ps

BAHFA Activation Mechanics

- Mechanics established by state law per AB 1487
- BAHFA is formally “activated” when the Chair of BAHFA Board (same as Chair of MTC Commission) calls the first BAHFA Board meeting
- Thereafter, ABAG Executive Board and BAHFA Board must convene an Advisory Committee
- BAHFA Board & Advisory Committee set their own meeting schedules. Can meet as frequently or infrequently as desired. No statutory minimum number of meetings.

Timing of BAHFA Activation

BAHFA Board *could* be activated at any time, but is only statutorily *required* to activate to accomplish certain activities:

- BAHFA Board must be activated to place a regional revenue measure on the ballot.
  - For November 2020 measure, BAHFA would need to activate in June
- Non-ballot measure activities have a more flexible timeline – activation could be timed to align with work plan for new activities and new revenues.

Budgetary Considerations

- **AB 1487 established BAHFA as an entity but did not establish a dedicated revenue source.**
- **Instead, BAHFA has authority to raise its own revenues, including:**
  - Regional ballot measure (5% admin takedown)
  - Solicit and receive other funds, including from private entities
  - Earned income from financing activities
- **BAHFA is staffed by existing staff of MTC**
- **ABAG/MTC Budget Constraints**
  - Hard hit by COVID-19 economic fallout.
    - MTC expects a two-year budget deficit of $10 million
    - ABAG's budget reliant on member dues
  - Severely constrained capacity to undertake any new initiatives absent corresponding new revenue sources

Framework for Decision-Making

Decision Whether to Pursue a November 2020 Ballot Measure

OPTION 1

If "**Yes**" to Nov. 2020 Ballot Measure

If "**No**" to Nov. 2020 Ballot Measure — Then Provide Direction on Future Housing Portfolio

OPTION 2

Explore Expanded Housing Portfolio

OPTION 3

Focus on Existing Housing Portfolio

Option 1:
Pursue Nov. 2020 Ballot Measure

LOGISTICS:

Must activate BAHFA in June, final resolution in July.

ADVANTAGES:

Opportunity to secure $10 billion for affordable housing in the near future.

RESOURCE CONSIDERATIONS:

- Roughly $3 million in direct election-related costs (BAHFA responsibility)
- 2-3 full time equivalents (FTEs) of current staff in the next 3-6 months.

RISKS:

If ballot measure is unsuccessful, there is no revenue stream to cover ~$3 million in direct costs.

Option 2:
Explore Expanded Housing Portfolio

LOGISTICS:

Direct staff to return in June with proposed work plan sized to fit various revenue scenarios.

ADVANTAGES:

- Position the region to capture potential resource opportunities to deepen housing work.
- Signal opportunity for regional leadership on housing during COVID-19 relief and recovery.

RESOURCE CONSIDERATIONS:

- Moderate staff time to explore potential activities and revenue sources (existing staff resources).
- Strategy proposal would size potential activities to viable revenue sources to ensure fiscal health.

RISKS:

Could raise expectations of BAHFA sustained activity without guaranteed revenue stream.

Option 3:
Focus on Existing Housing Portfolio

LOGISTICS:

Staff executes current work plans; BAHFA held in hibernation.

ADVANTAGES:

Maximize conservation of agency resources within a fiscally constrained budget.

RESOURCE CONSIDERATIONS:

No additional resources required.

RISKS:

Could lose revenue opportunities to address worsening regional housing challenges, especially for housing-related COVID-19 response and recovery.

Questions?

AB 1487 Implementation: Decision on Pursuit of November 2020 Affordable Housing Measure

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Polling Results

- In April 2019, EMC Research found that 74 percent of Bay Area voters supported taking a “regional approach” to housing.
- EMC Research conducted a poll testing support for a $10 billion regional affordable housing bond in late April/early May of 2020
- Polling was a split sample testing two questions; each sample was based on interviews with 1,200 likely voters
- Staff from EMC Research are here to share their findings

EMC research

Bay Area Voter Survey Regarding Potential November 2020 Regional Housing Bond Measure

May 2020

Methodology

- Survey of likely November 2020 voters in the nine-county Bay Area
- Conducted April 26 – May 6, 2020
- Mixed mode telephone and email-to-web methodology:
  - Telephone interviews were conducted by trained, professional interviewers; landlines and mobile phones included
  - Email invitations were sent with link to web survey
- 2,491 interviews; overall margin of error ±2.0 percentage points
  - Split sample: 1,246 interviews per split, margin of error ± 2.8 percentage points
- The survey was available in English, Chinese, and Spanish

Please note that due to rounding, some percentages may not add up to exactly 100%.

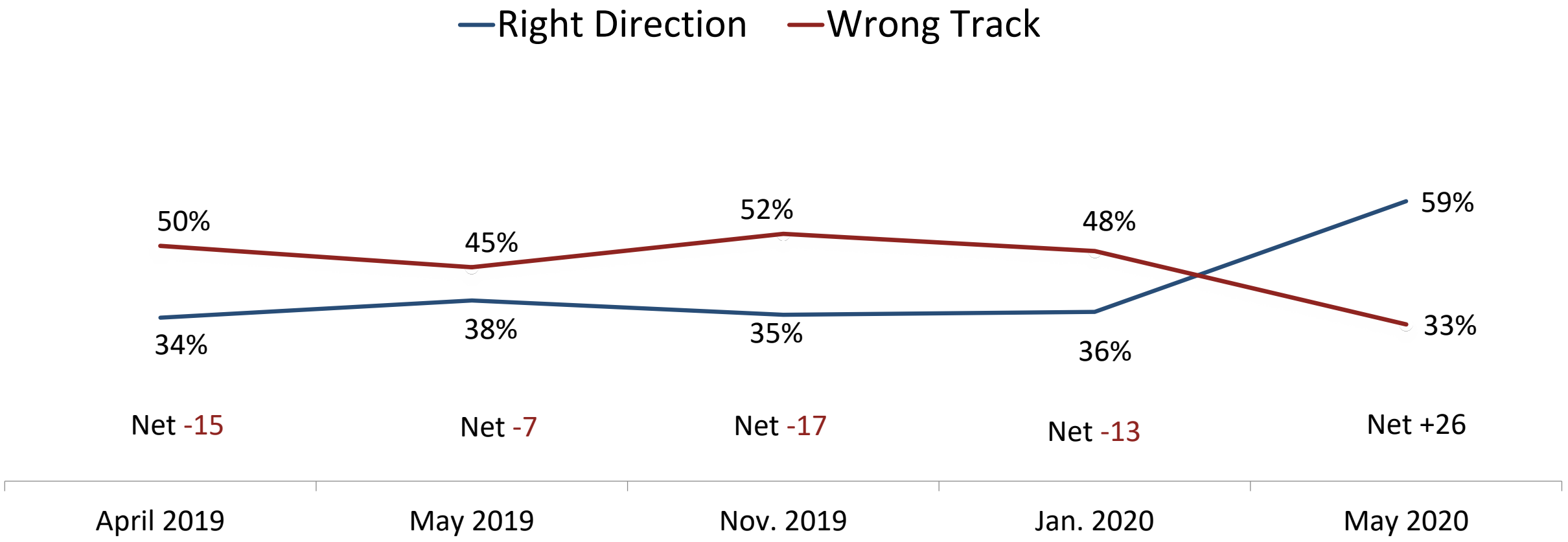
Key Findings

EMC research

- Voters throughout the Bay Area continue to be very concerned about housing and homelessness.
- There is support for fundamental outcomes of what a potential affordable housing bond could help fund, especially stable housing for homeless children and families and other vulnerable populations.
- A strong majority are supportive of a regional housing bond measure, but support falls below the two-thirds threshold needed for passage.
- Ballot language tested that frames the measure as housing/homelessness receives slightly higher support than the measure with an economic recovery frame.
- Voter attitudes about taxes and rising economic concerns due to COVID-19 have softened the environment for a potential measure.

Direction of the Bay Area Over Time

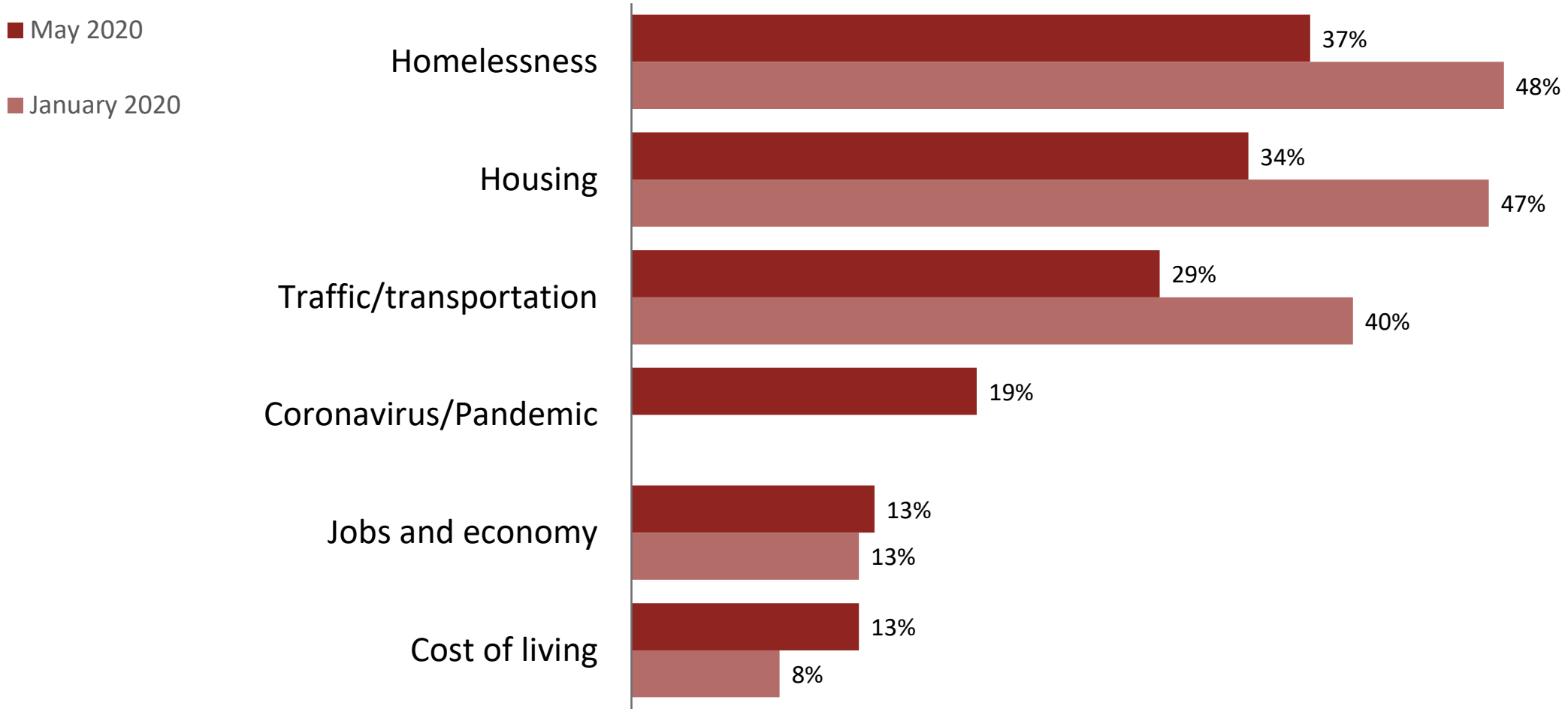
With California and Bay Area leaders receiving national attention for an effective response to the coronavirus, voter optimism has become significantly more positive.



Q4. Do you feel that things in the Bay Area are generally going in the right direction or do you feel things have gotten pretty seriously off on the wrong track?

Most Important Problem

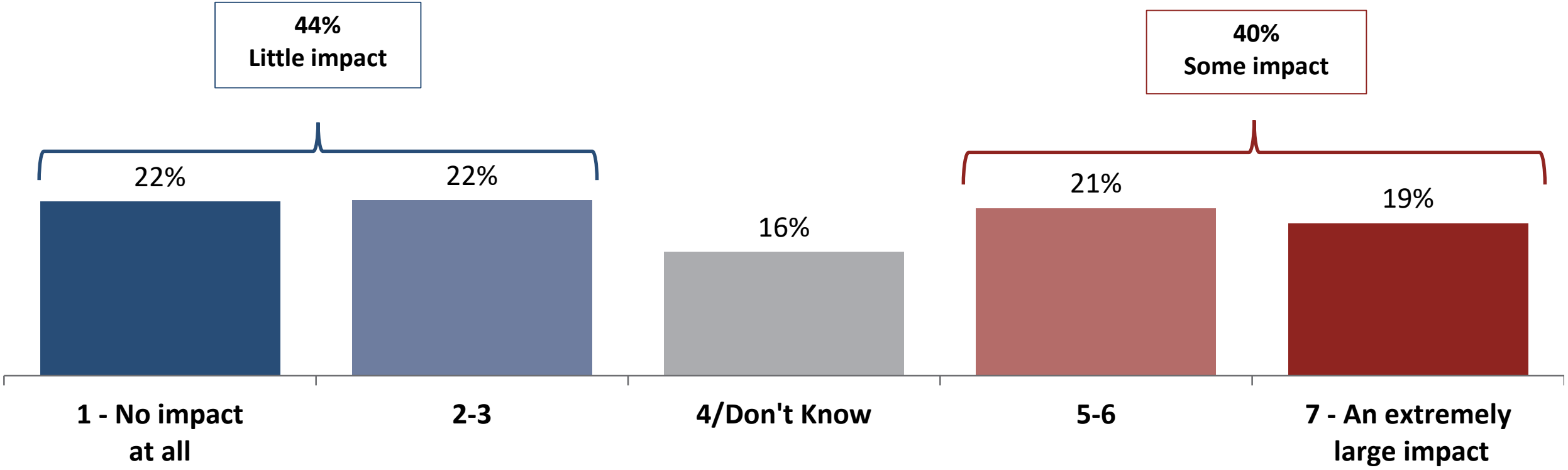
Homelessness and housing continue to be top-of-mind for voters, but they have declined as top of mind issues with coronavirus taking their place.



Q5. What do you think are the most important problems facing the Bay Area today?

COVID-19 Impact on Household Finances

Many voters anticipate a hit to their personal finances in the next 3-6 months.

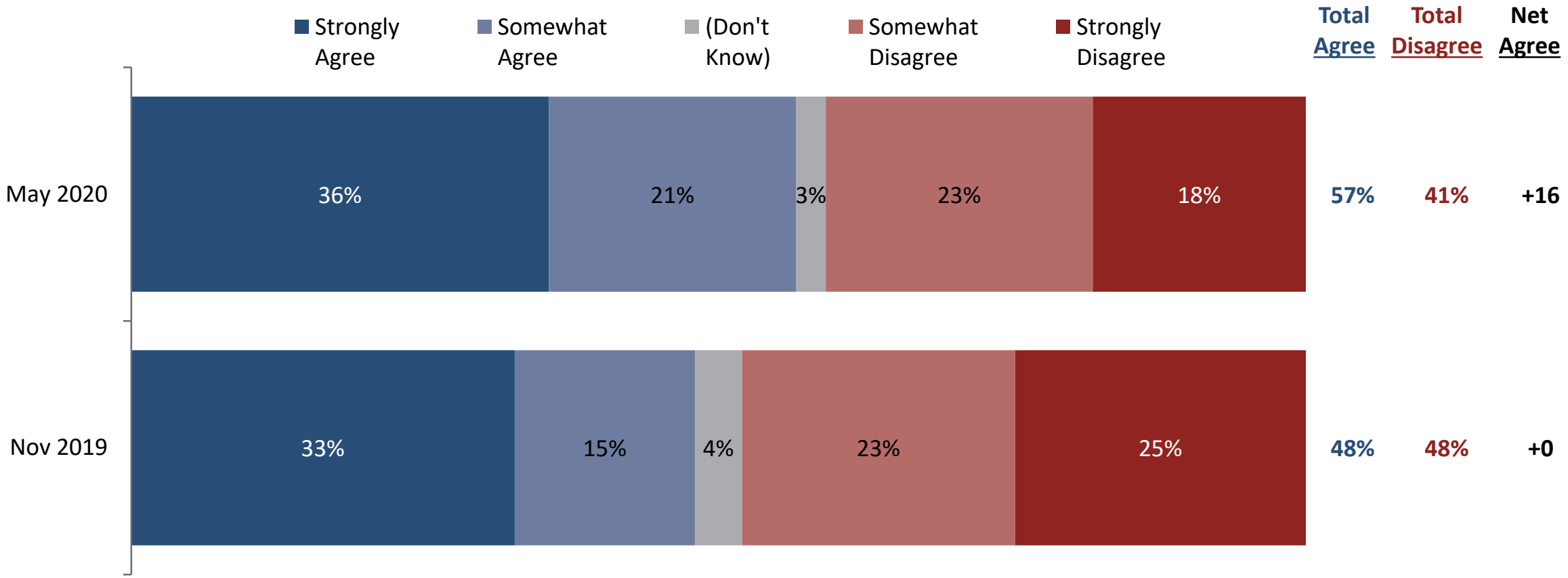


Q37. On a scale of 1 to 7, where 1 means no impact at all, and 7 means an extremely large impact, what impact do you think COVID-19/Coronavirus will have on your monthly household finances in the next 3 to 6 months?

Tax Attitudes

With economic uncertainty around the coronavirus, tax sensitivity has increased since November.

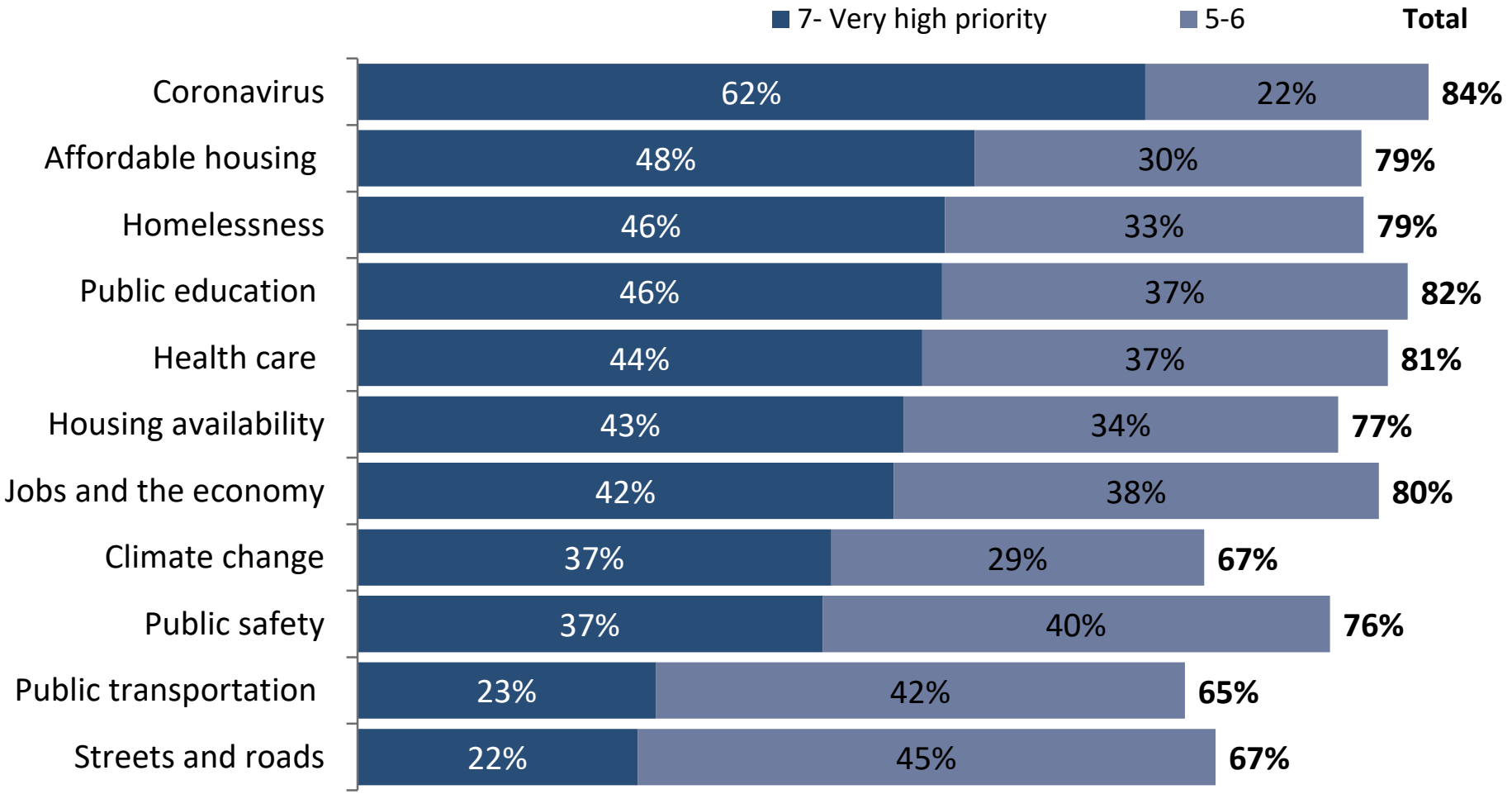
Taxes in the Bay Area are high enough, I will vote against any tax increase



Q20-22. Please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each of the following statements.

Bay Area Funding Priorities

Coronavirus response is the top funding priority among voters, though there is also support for a variety of other priorities, including affordable housing and homelessness.



Q6-16. Thinking about where the Bay Area should prioritize funding, please rate each of the following items using a scale of one to seven, where one means not a priority at all, and seven means a very high priority.

Ballot Questions Tested

EMC research

(Homelessness Frame) n=1,246

Shall the measure to address Bay Area housing affordability/homelessness, by providing:

- stable housing for homeless children/families;
- housing which may include mental health/substance abuse services; and
- local housing that is affordable for vulnerable residents including seniors, veterans, and persons with disabilities;

by issuing $10,000,000,000 in general obligation bonds with an estimated levy of 35 cents per $1,000 of assessed value, generating $670,000,000 annually, while bonds are outstanding, with local authority, oversight and audits, be adopted?

(Economic Recovery Frame) n=1,246

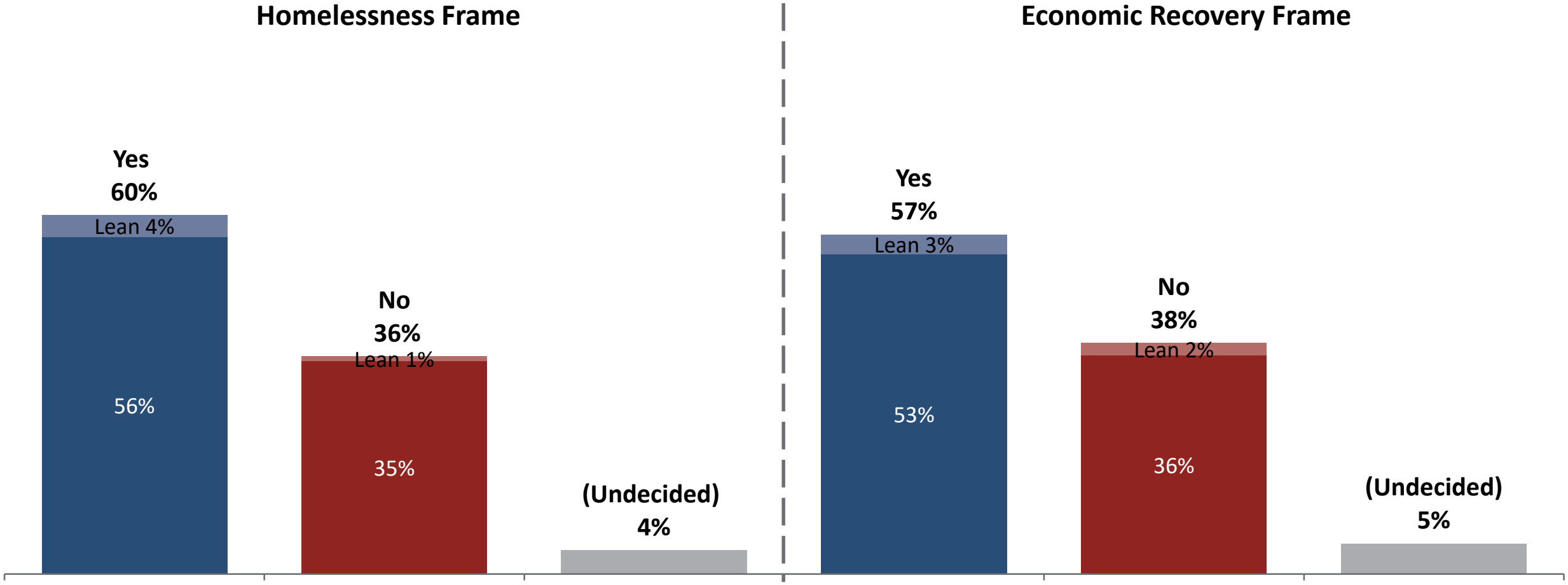
Shall the measure to stimulate the local Bay Area economy and protect the health of residents by:

- creating jobs by building affordable housing; and
- providing local housing for those experiencing income loss, who are homeless or at risk of becoming homeless

by issuing $10,000,000,000 in general obligation bonds with an estimated levy of 35 cents per $1,000 of assessed value, generating $670,000,000 annually, while bonds are outstanding, with local authority, oversight and audits, be adopted?

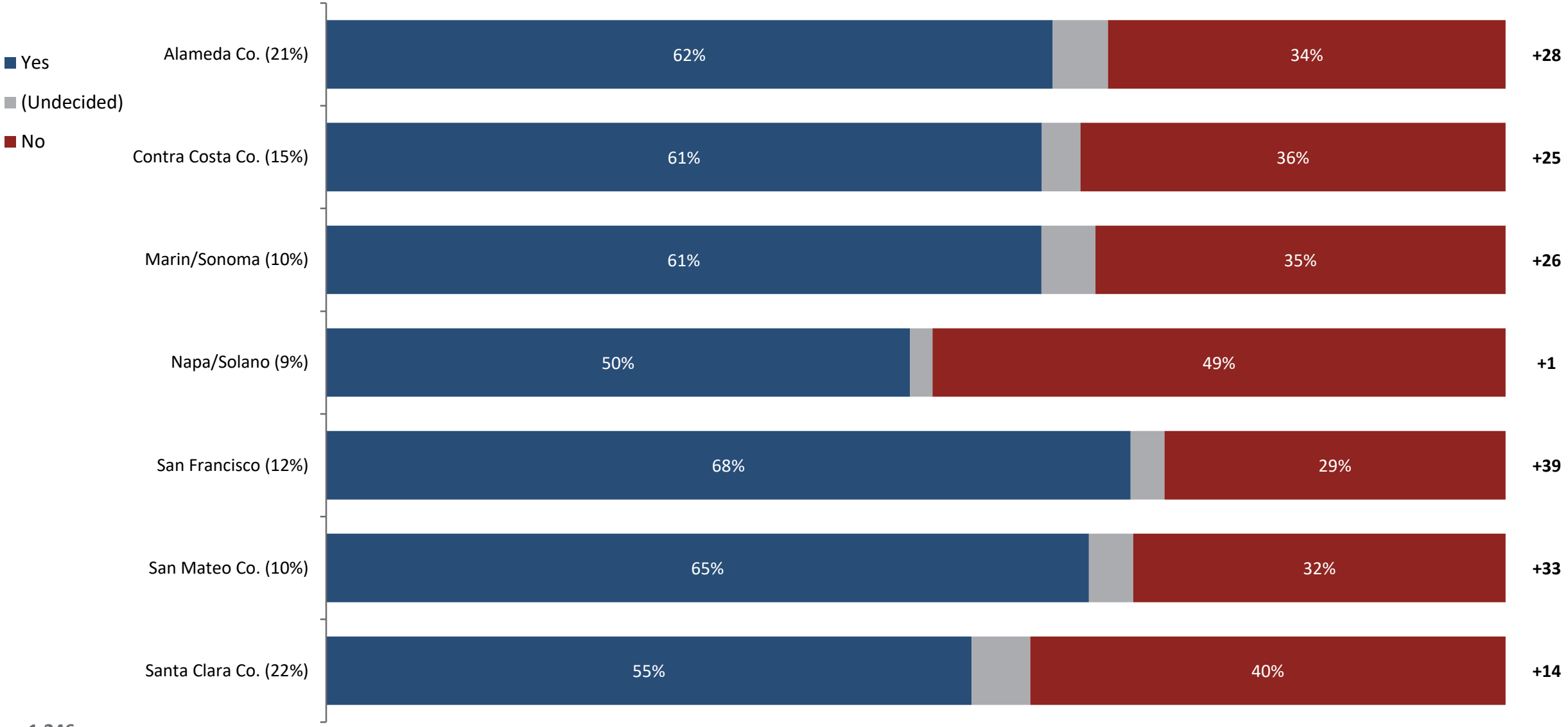
Initial Bond Vote

There is support for a regional housing bond, but neither ballot language tested reaches the two-thirds threshold in the initial vote.



Q18. If the election were held today, would you vote yes to approve or no to reject this measure?

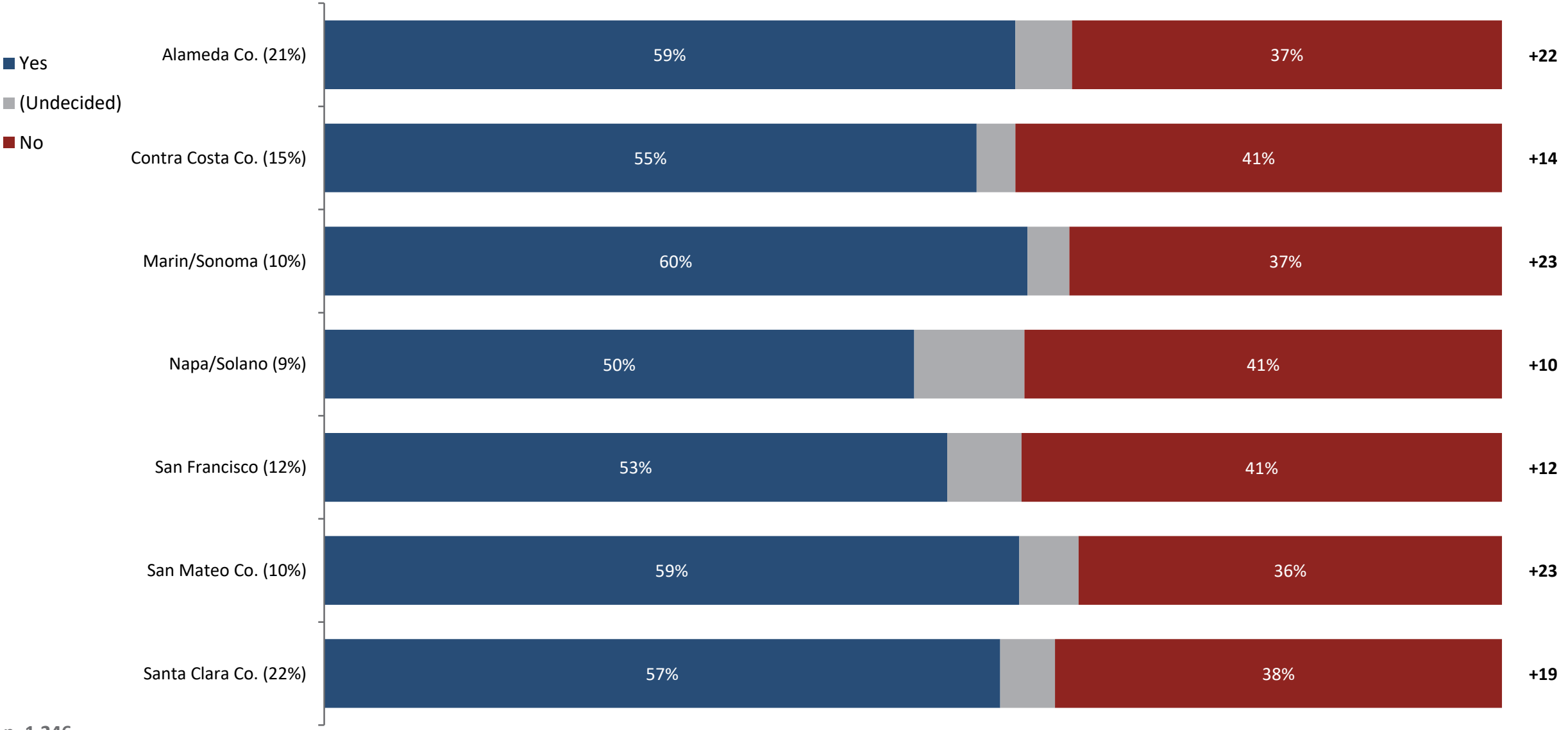
Homelessness Frame Vote by County



n=1,246

Q18. If the election were held today, would you vote yes to approve or no to reject this measure?

Economic Recovery Frame Vote by County

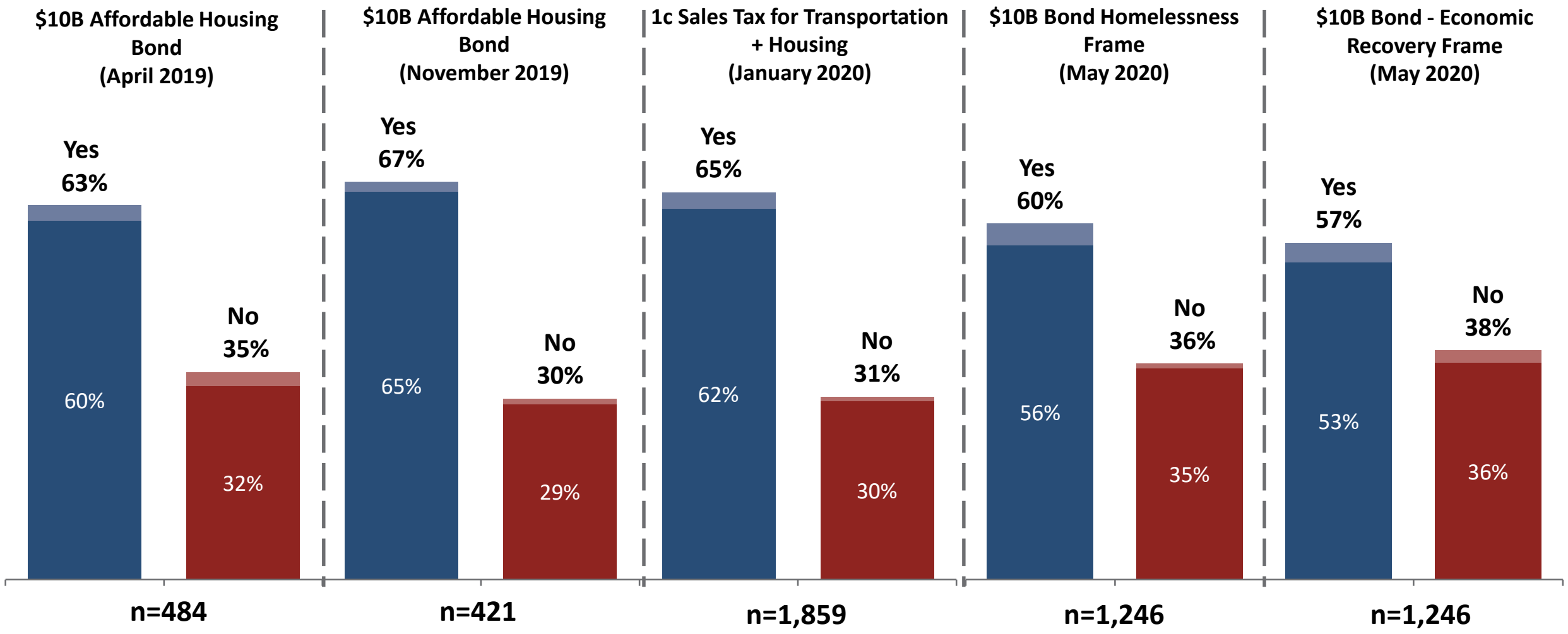


n=1,246

Q18. If the election were held today, would you vote yes to approve or no to reject this measure?

Polling on Regional Housing measure

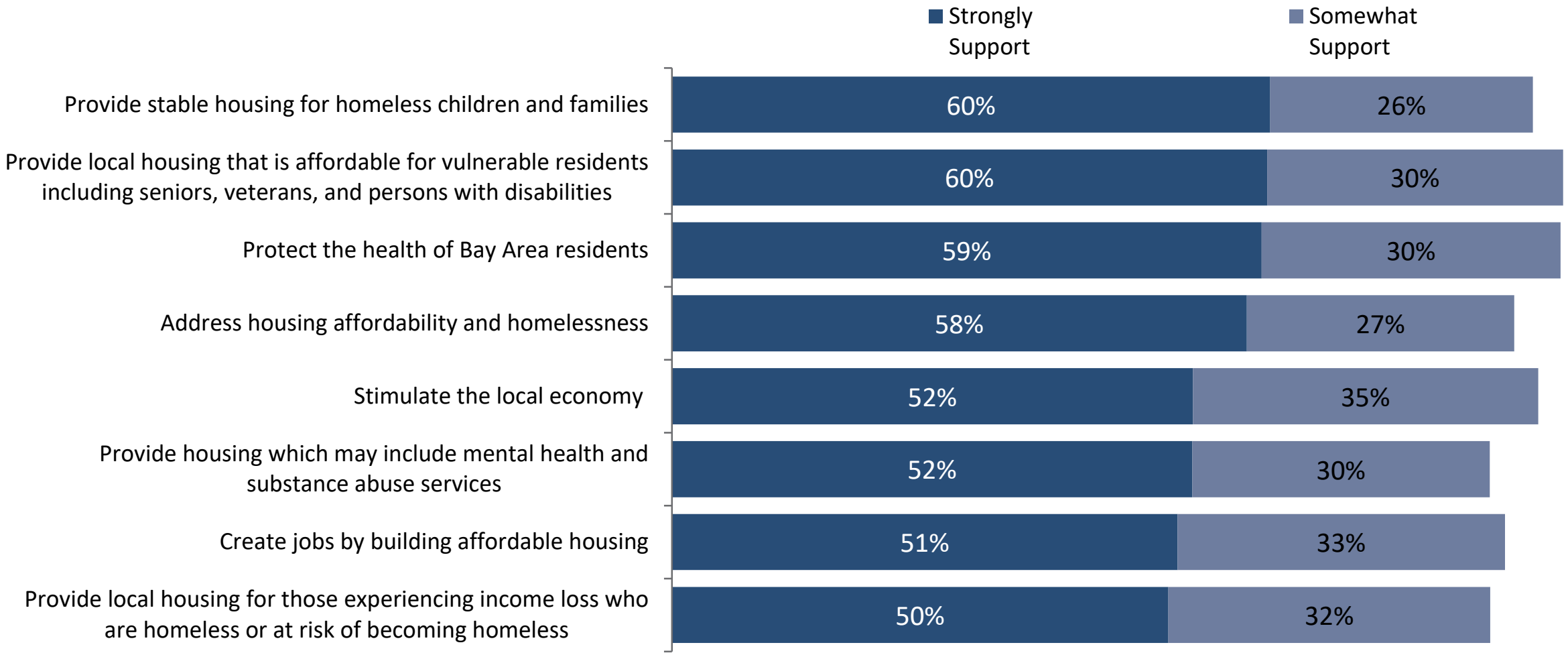
Support for a regional measure to fund housing is lower today than it was in previous polling.



Note: The wording of the measure was different in each poll.

Support for Bond Measure Components

The individual elements of the measures have significant support.

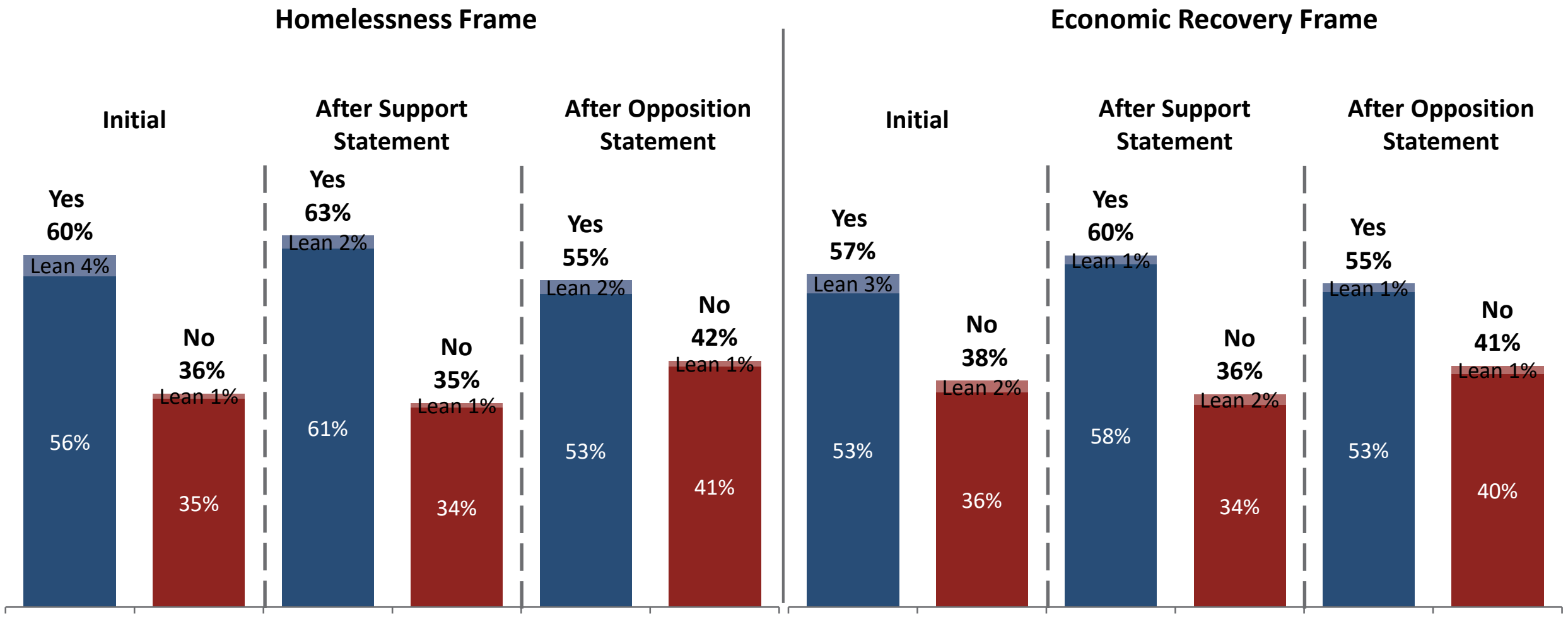


Q23-Q30. I'm going to read you some of the things this measure could do. For each one, please tell me if you strongly support, somewhat support, somewhat oppose or strongly oppose it.

Impact of Additional Information

EMC research

The Yes vote increases after a strong support statement, but does not reach two thirds. Opposition is damaging.



Q18/Q31/Q32.

Conclusions

- The economic and political environment has shifted substantially.
- Voters continue to be concerned about housing affordability and homelessness, and are fundamentally supportive of what a potential regional housing measure could help do.
- There is support across the Bay Area for a regional measure, but it does not reach the two-thirds threshold needed for passage today.

Election-Related Costs: Direct

Categories of Expenses	Estimated Amount	Comments
Direct Election Costs – county reimbursement	$3,000,000*	In RM 3, we were charged $3.2 million. Most counties have indicated they would charge less if we had a lower page count and vast majority of costs are print-related.
Translations	$25,000	Provided by Santa Clara County Registrar
Election counsel	$45,000	Based on RM 3
Communication materials printing costs	$2,000	Based on RM 3
Total	**$3,072,000**	

**This estimate is likely a minimum, as printing costs may increase with an anticipated all vote by-mail November 2020 election due to COVID-19.*

Staff Recommendation

- **The polling results demonstrate a high risk that voters would reject the measure, with significantly diminished support for a regional tax measure after the outbreak of COVID-19. This also poses a substantial budget risk as there are no funds available in the ABAG or MTC budget to cover election-related costs if the measure fails.**

- **In light of these circumstances, staff recommends we not pursue a ballot measure at this time.**

Questions?

AB 1487 Implementation: Direction on Future Regional Housing Plan

Agenda Item 4(c): Action Item

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Framework for Decision-Making

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Option 2:
Expand Regional Housing Portfolio

Leverage BAHFA to seek new resources that can support an expanded regional housing portfolio that more comprehensively tackles the Bay Area's housing challenges.

Option 2 Features:

- New activities must be linked to corresponding expected funding sources. The current budget does not support new work without new revenue.
- Today's presentation is a landscape analysis to review the range of possibilities. If policymakers direct staff to pursue Option 2, staff would return with a more detailed strategy proposal and potential work plan, including specific BAHFA roles.

Option 2:
Expand Regional Housing Portfolio

Potential Revenue Sources

- **Federal and state funding opportunities**
- **Public-Private partnerships with philanthropic & business communities**
- **Earned revenue from new housing financing tools**
- **Regional Early Action Planning Grants (REAP) program (eligibility limited)**

Option 2:
Expand Regional Housing Portfolio

Regional Leadership on COVID-19 Relief

Explore potential value-add options for regional leadership through collaborative resource-sharing and leveraging BAHFA's convening power.

- **Support regional coordination on COVID-19 housing response**
  - Technical assistance to cities and counties on COVID-related housing policies and programs
  - Potential regional coordination of rental assistance funds
- **Position BAHFA for counter-cyclical strategies**
  - Housing construction as job-creating economic development
  - Acquisition & preservation strategy to prevent displacement from distressed assets

Option 2:
Expand Regional Housing Portfolio

Potential BAHFA Activities

- **Comprehensive BAHFA Business Plan**
- **Develop Housing Finance Capacity**
- **Regional Housing Funding Coordination**
- **Technical Assistance**
- **Regional Affordable Housing Platform**
- **Enhanced Data Gathering**

Option 3:
Existing Housing Portfolio

In light of severe fiscal constraints, focus on existing housing portfolios at MTC and ABAG rather than exploring an expansion into new activities.

Existing Regional Housing Portfolio Includes:

- Regional Housing Needs Assessment (RHNA)
- Regional Early Action Planning Grants (REAP)
- Housing Funding and Incentive Programs
- Housing Permit Data Gathering and Analysis

Staff Recommendation: **Option 2**
Expanded Regional Housing Portfolio

On balance, staff recommends Option 2 to take advantage of potential funding sources that could address critical housing needs in the Bay Area

Option 2 Next Steps:

- Staff will return in June with a strategy proposal and potential work plan.
- The proposal will right-size potential activities to corresponding opportunities for additional revenue.
- Part of the strategy will explore how to integrate new activities with the existing portfolio in a way that conserves resources and maximizes impact.

Thank You.

For more information contact:

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