

**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



Andrew B. Fremier

Date: March 22, 2023
W.I.: 1615
Referred by: Administration

ABSTRACT

Resolution No. 4565

This resolution authorizes the grant of funding from the Metropolitan Transportation Commission (MTC) to the Bay Area Housing Finance Authority (BAHFA) for implementation of affordable housing programs using Regional Early Action Planning Grant 2.0 (REAP 2.0) proceeds issued through a formula allocation to MTC by the California Department of Housing and Community Development (HCD). By Resolution No. 4548, dated November 16, 2022, MTC authorized the request to HCD for its allocation of funds in an amount not to exceed \$102,842,103.03, which includes funds now authorized for program implementation by BAHFA as specified in Attachment A.

Further discussion of the REAP 2.0 allocation and affordable housing programs is contained in a memorandum to the Administration Committee dated March 8, 2023.

Date: March 22, 2023
W.I.: 1615
Referred by: Administration

RE: Grant REAP 2.0 Proceeds from MTC to BAHFA

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4565

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq.*; and

WHEREAS, MTC is the designated Metropolitan Planning Organization (MPO) for the nine-county San Francisco Bay Area region; and

WHEREAS, the California Department of Housing and Community Development (HCD) is authorized to provide up to \$510,000,000 to Metropolitan Planning Organizations and Councils of Government (“Applicant”) listed in Health and Safety Code Section 50515.08, subdivisions (a)(1)-(6) under the Regional Early Action Planning grants program (REAP 2.0), as detailed in Health and Safety Code Section 50515.08-10; and

WHEREAS, HCD issued a Notice of Funding Availability on July 26, 2022, for REAP 2.0 grants available to MPOs and Councils of Government; and

WHEREAS, MTC authorized application for an allocation of REAP 2.0 funds in an amount not to exceed \$102,842,103.03 by Resolution 4548 on November 16, 2022; and

WHEREAS, MTC further agreed by Resolution 4548 to use all such REAP 2.0 funds only for eligible activities as set forth in California Health and Safety Code section 50515.08(c)(1) and in accordance with REAP 2.0 requirements and guidelines, which include, among other activities, affordable housing preservation and affordable housing predevelopment funding; and

WHEREAS, Title 6.8 of the Government Code, commencing with Government Code Section 64510 creates the Bay Area Housing Finance Authority (BAHFA) with jurisdiction extending throughout the nine county San Francisco Bay Area; and

WHEREAS, per Government Code Section 64510(c), BAHFA's purpose is to raise, administer, and allocate funding and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production; and

WHEREAS, on March 22, 2023, BAHFA adopted Resolution No. 28, establishing its Housing Preservation Pilot to provide low-interest loans to mission-driven developers and community land trusts to acquire and rehabilitate unrestricted, occupied homes and convert them to permanently affordable housing. The program aims to prevent displacement of low-income households, to create a safe, stable, permanently affordable housing stock, and to support the financial health of residents, borrowers, and properties; and

WHEREAS, Resolution No. 28 also establishes the Priority Sites Predevelopment Pilot to provide low-interest loans to developers and public agencies for predevelopment activities necessary to advance development projects that provide deed-restricted affordable homes on sites identified by the Metropolitan Transportation Commission and Association of Bay Area Government as Priority Sites. The program aims to accelerate regionally significant affordable or mixed-income housing projects that leverage public land or the redevelopment of aging malls/office parks – two impactful Housing Strategies in Plan Bay Area 2050; and

WHEREAS, in adopting Resolution No. 28, BAHFA also agreed to accept MTC's grant of REAP 2.0 funding, subject to applicable terms and conditions of the grant agreement for the REAP 2.0 funds to be executed between MTC and HCD; and now therefore be it

RESOLVED that MTC finds that BAHFA's Housing Preservation Pilot and Priority Sites Predevelopment Pilot will accelerate infill housing development by establishing and funding an affordable housing fund and authorizes the grant of REAP 2.0 proceeds to BAHFA, as outlined in Attachment A, contingent upon MTC receiving the REAP 2.0 funds as requested by MTC Resolution No. 4548 and subject to applicable terms and conditions of the grant agreement to be executed between MTC and HCD for the REAP 2.0 funds; and be it further

RESOLVED that the Executive Director is authorized to enter into, execute, and deliver any and all other documents and take all necessary actions required or incidental to the grant of REAP 2.0 funds to BAHFA, including executing any agreements or amendments to existing agreements with HCD to effectuate the grant of the REAP 2.0 to BAHFA for the Housing Preservation Pilot and Priority Sites Predevelopment Pilot.

METROPOLITAN TRANSPORTATION COMMISSION

Alfredo Pedroza, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, on March 22, 2023.

Date: March 22, 2023
W.I.: 1615
Referred by: Administration

Attachment A
Resolution No. 4565
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Attachment A

REAP 2.0 Program	Grant Amount
Housing Preservation Pilot	\$15 million
Priority Sites Predevelopment Pilot	\$28 million
Total	\$43 million

REAP 2.0 Housing Pilots

MTC Administration Committee

March 8, 2023



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION



How did we get here?

Plan Bay Area 2050

Adopted in Fall 2021

Regional Housing Needs Allocation 6th Cycle

Adopted in Winter 2021

Regional Housing TA Program

\$24M REAP 1.0 Grant in 2020

Bay Area Housing Finance Authority

Established in 2019
Staffed in 2022

Implementation Opportunity: REAP 2.0 Affordable Housing Pilots

1. Housing Preservation Pilot
2. Priority Sites Pilot

Previous REAP 2.0 Committee Discussion:

- **January 2022** - MTC Programming and Allocations Committee
- **March 2022** - MTC Programming and Allocations Committee
- **April 2022** - Joint MTC Planning/ABAG Administrative Committee
- **November 2022** - MTC Programming and Allocations Committee and Commission

What is the Regional Early Action Planning Grant (REAP) 2.0?

- \$600M statewide grant program to MPOs
- \$103M formula allocation to MTC
- Goal: accelerate progress towards housing, equity, and climate goals
- Uses: planning efforts and capital projects that implement Sustainable Communities Strategies
- Administered by HCD in collaboration with OPR, SGC, CARB

REAP 2.0 Objectives

All program uses must:

1. Accelerate infill development that facilitates housing supply, choice, and affordability
2. Affirmatively further fair housing
3. Reduce vehicle miles traveled (VMT)

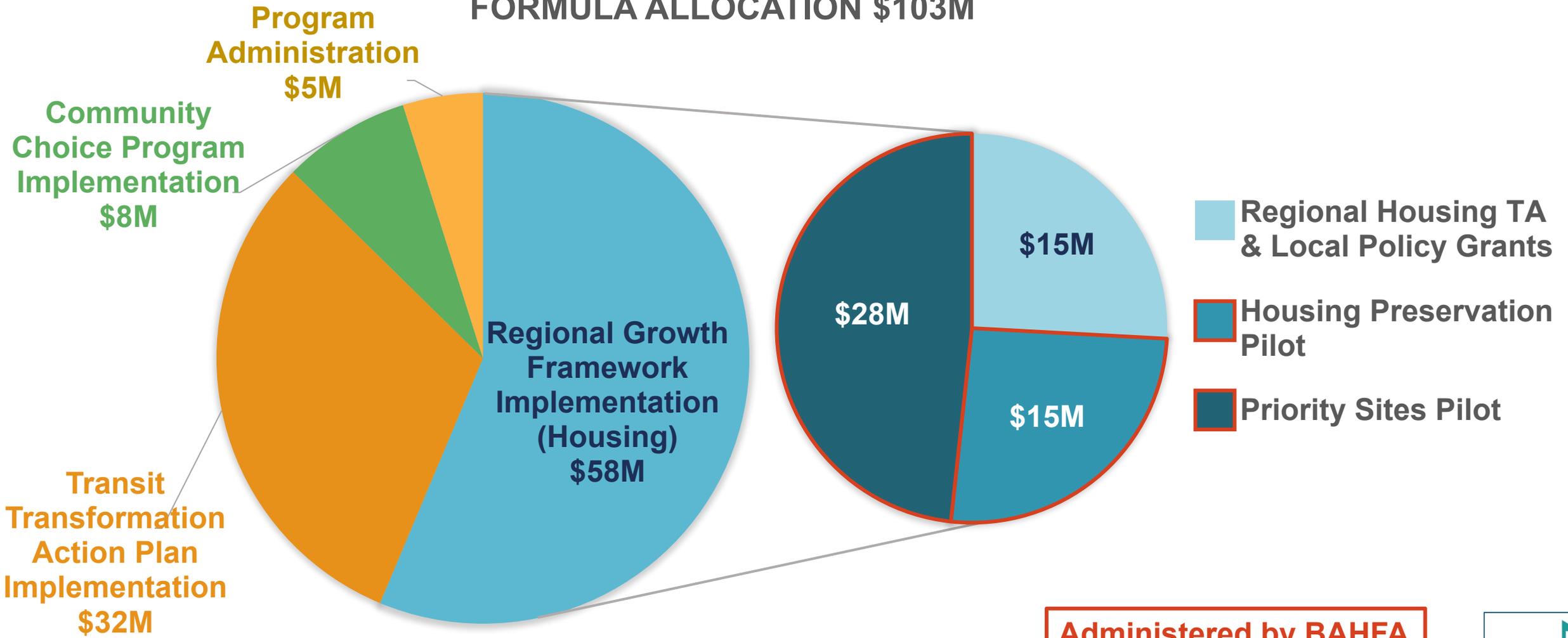


REAP 2.0 Timeline



REAP 2.0 Proposed Uses

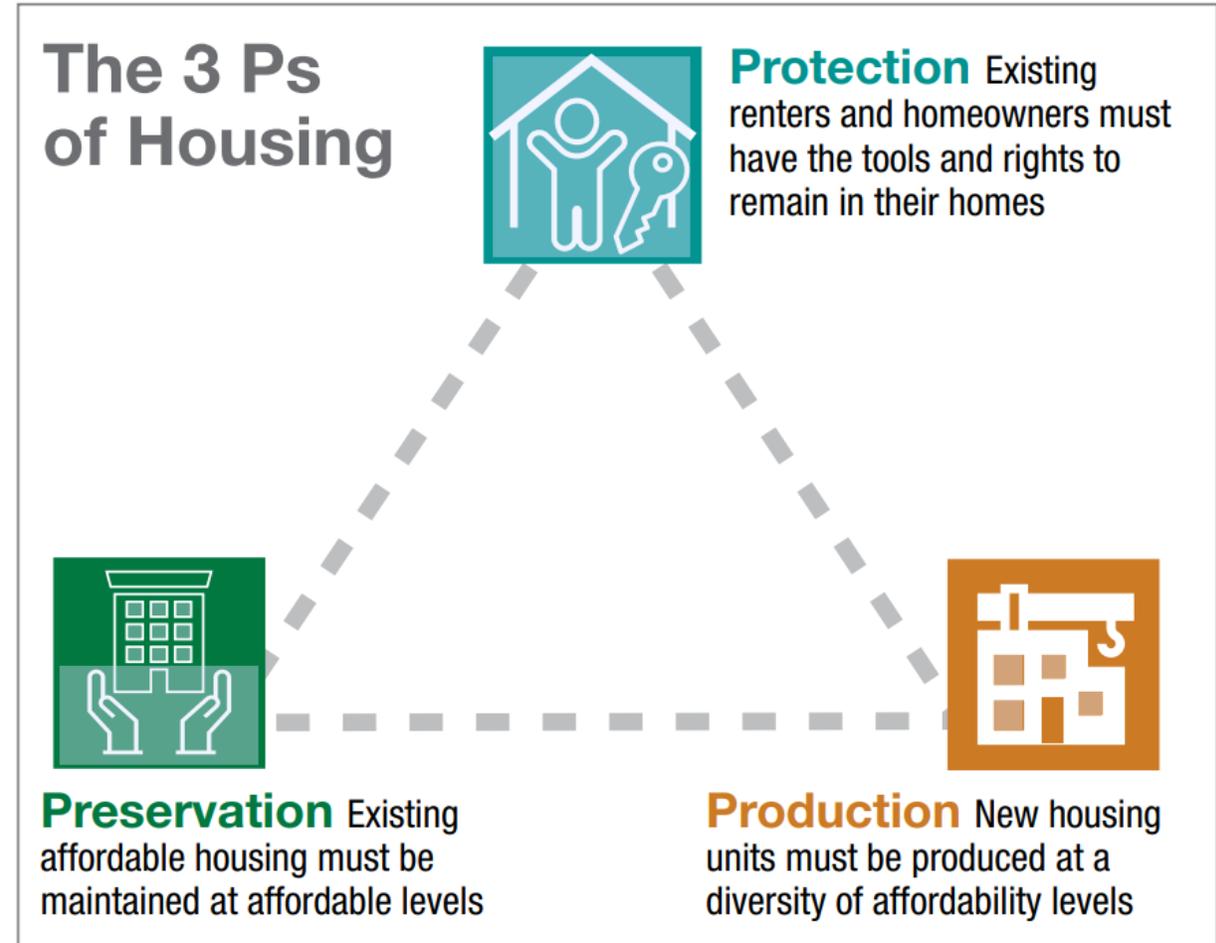
FORMULA ALLOCATION \$103M



Administered by BAHFA

BAHFA's Role in REAP 2.0

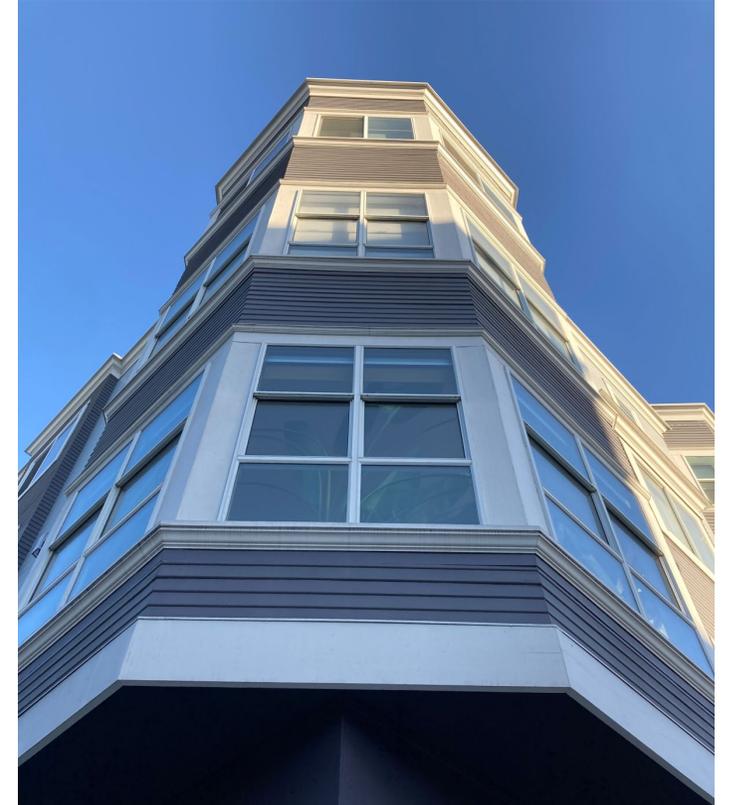
- The Bay Area Housing Finance Authority (BAHFA) was created by Assembly Bill 1487 in 2019
- Purpose is to raise, administer, and allocate regional funding for tenant protection, affordable housing preservation, and new affordable housing production
- Launched in 2022, BAHFA brings a new set of relevant skills and development expertise to execute REAP 2.0 affordable housing pilots



REAP 2.0 Housing Pilots

1) *Housing Preservation Pilot - \$15M*

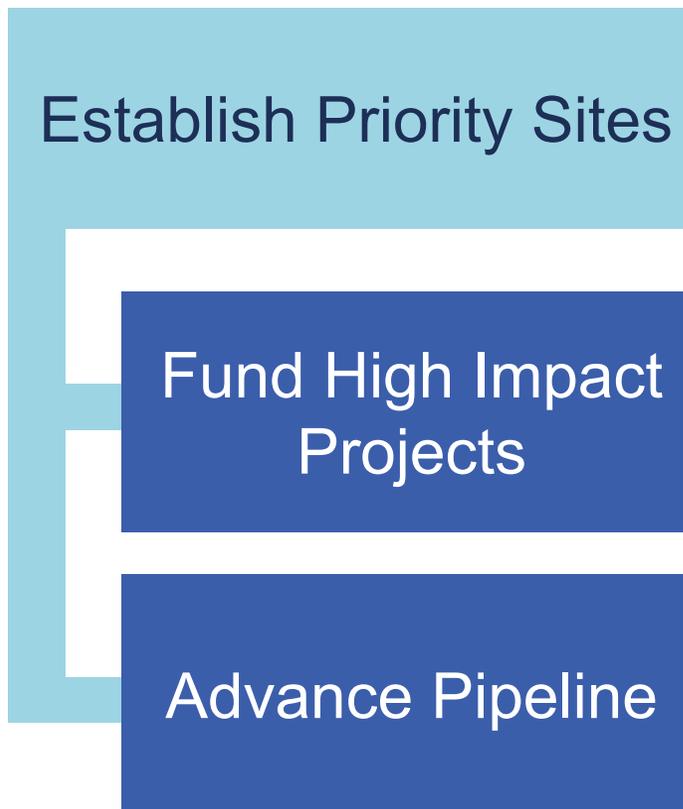
- Provide over-the-counter capital financing to non-profit developers and community land trusts for acquisition-rehab
- Prevent displacement of at least 60 families by converting unrestricted, occupied residential properties into permanently affordable housing
- Begin to fulfill PBA 2050 commitment to take lead on preservation
- Build upon existing Bay Area Preservation Pilot (BAPP)
- Strike a balance between achieving scale and helping historically disadvantaged households build equity



REAP 2.0 Housing Pilots

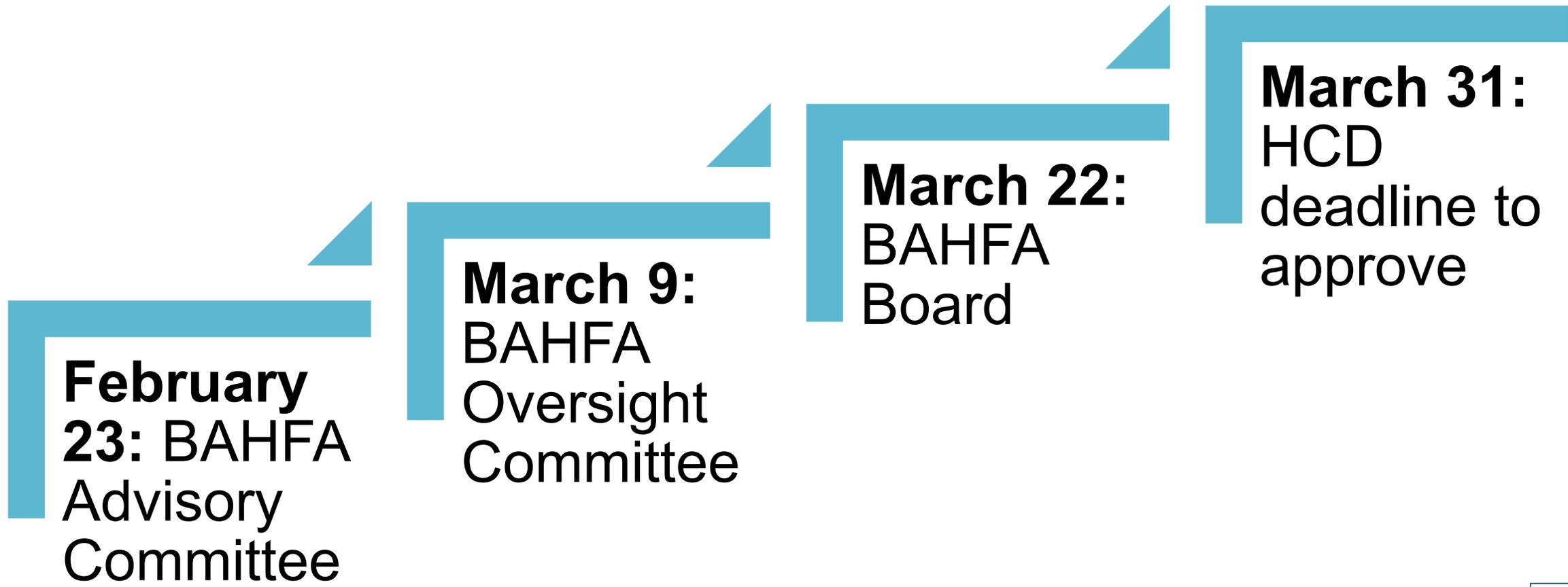
2) *Priority Sites Pilot - \$28M*

- Following a Priority Sites nomination and selection process, launch projects resulting in 750 - 3,000 affordable homes, bringing up to \$2 billion into the region, leveraging BAHFA expertise
- Establish network of regionally-significant, locally-nominated priority development sites
- Transform surplus public land and aging malls and offices into vibrant neighborhoods
- Make scarce local funding go farther and create pipeline for potential future BAHFA funding



REAP 2.0 Housing Pilots

Program Guidelines Approval



MTC Resolution 4565

MTC authorizes a grant for \$43 million in REAP 2.0 proceeds to BAHFA to administer Housing Preservation and Priority Sites Pilots



Thank you.

