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May 11, 2023

Agenda Item 9.a.

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Housing Incentive Pool (HIP) Program Progress Report (2018-21)

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**Subject:**

Update on the first four years of progress on the Housing Incentive Pool (HIP) Program (2018 to 2021)

**Background:**

Update on the first four years of progress (2018 to 2021) on the Housing Incentive Pool (HIP) program, which rewards Bay Area jurisdictions that produced or preserved the most affordable housing over a five-year period. Housing progress for the remaining year (2022) will be reflected in future HIP program reporting as data becomes available.

In October 2018, the Commission established the criteria for the \$76 million HIP program (MTC Resolution No. 4348), comprised of \$46 million in regionally-controlled Regional Transportation Improvement Program (RTIP) funds and \$30 million in federal One Bay Area Grant (OBAG 2) program funds. The Commission directed \$5 million of the program total for the Sub-HIP pilot program in the North Bay, which was programmed to various transportation projects in Marin, Napa, Solano, and Sonoma Counties in July 2020. This agenda item focuses on the status of the larger, \$71 million HIP program that remains unprogrammed.

*HIP Program Overview*

Established as a “race to the top” incentive, the HIP program will award transportation funds to the 15 jurisdictions that produced or preserved the greatest number of affordable housing units from 2018 through 2022. To be eligible for funding, jurisdictions must comply with state housing laws for Surplus Lands, Accessory Dwelling Units, Density Bonuses, and Housing Elements.

To qualify for HIP credit, housing units must be affordable, deed-restricted, and located within Priority Development Areas (PDAs) or Transit Priority Areas (TPAs). Credit for preservation will be awarded for multi-family units that are either (a) newly acquired and protected as affordable, or (b) existing government-assisted units, with a high risk of converting to market-rate housing, which are given extended protections. For further detail on HIP criteria, see Attachment 1.

*HIP Status Report*

This update incorporates 2021 production and preservation data into ongoing HIP program standings by jurisdiction. In 2021 alone, Bay Area PDAs and TPAs saw over 3,300 new affordable units added and an additional 72 units preserved. Since the beginning of the five-year program, from 2018 to 2021, jurisdictions have built or preserved more than 9,000 affordable units in PDAs or TPAs. Nearly half (44%) of the qualifying units in that period were located in San Francisco. When including the next three cities – Oakland, Fremont, and San Jose – the top 4 jurisdictions account for producing or preserving two-thirds of the total qualifying HIP units. A detailed list of HIP program standings by jurisdiction is included in **Attachment 1**. Please note that the current standings do not imply a funding commitment; HIP program awards will not be determined until the full five years of housing data have been compiled.

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To illustrate the targeted focus of the HIP program, the units built from 2018 to 2021 that qualify for HIP comprise only a fraction (11%) of the total housing built in that time. **Attachment 2** lists the total number of housing units built in each jurisdiction from 2018 to 2021 – including all levels of affordability, deed restriction status, and relationship to PDAs and/or TPAs.

**Issues:**

Jurisdictions are encouraged to review the housing data presented in Attachment 1 and Attachment 2 and alert MTC staff to any corrections that are needed in the number or categorization of units. Additional updates and corrections to both new unit and preserved unit data may be provided in the final 2022 report. HIP unit data will be considered draft until the program awards are finalized after 2022 data is available, anticipated in early 2024. Staff expect to return to this Committee and the Programming and Allocations Committee in Spring 2024 to report on final results and provide further instructions to successful jurisdictions on programming the HIP incentive funding.

In 2017, the Commission committed the \$46 million in regionally-controlled RTIP funds first as contingency for the Caltrain Peninsula Corridor Electrification Project (PCEP), and, if not needed, to augment the \$30 million from OBAG 2 programmed to the HIP program. Recently, the PCEP project reported achievement of a full funding plan from state and federal sources, and therefore staff does not anticipate being asked to contribute additional funding to complete the project.

**Recommended Action:**

Information

**Attachments:**

- A. HIP Program Status Report (2018-21)
- B. All New Housing Units (2018-21)

**Reviewed:**



Andrew Fremier