



BAHFA's Regional Expenditure Plan – Labor Standards

2024 Affordable Housing General Obligation Bond

Joint Housing Committees
March 13, 2024



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Recap

- BAHFA's 20% Regional Housing Revenue must be spent according to a Regional Expenditure Plan.
- On 2/14/24, the Joint Housing Committees referred for adoption BAHFA's draft Regional Expenditure Plan to their respective Boards.
- The referral was subject to additional discussion and potential action on labor standards that could be incorporated into the Regional Expenditure Plan prior to final adoption by the Boards.

Legal Limitations

- BAHFA does not have the legal authority to impose labor standards on the 80% of funds directly administered by the counties and direct allocation cities.
- If the state legislature were to amend the San Francisco Bay Area Regional Housing Finance Act at, BAHFA would be bound by state law, as amended.
 - However, due to federal law about project labor agreements (PLAs), BAHFA could not impose that standard on the counties even with amended state legislation.

Potential BAHFA Labor Standards

For BAHFA’s 20% of bond funds, the landscape of labor standards includes:

Standard	Brief Description
Baseline (CA Labor Code)	Prevailing wage with exceptions
AB 2011 (Wicks, 2022)	<ol style="list-style-type: none"> 1. Enforceable prevailing wage requirement (no exceptions) 2. For 50+ units, requires health care payment 3. For 50+ units, requires approved apprenticeship participation
SB 423 (Wiener, 2023)	<ul style="list-style-type: none"> • AB 2011 plus “skilled and trained” requirement for projects over 85 feet • 100% affordable projects are exempt
“Skilled and Trained”	<ul style="list-style-type: none"> • Generally, limits workforce to skilled journeymen and graduates of approved apprenticeship programs
Project Labor Agreements (PLAs)	<ul style="list-style-type: none"> • Could take many forms; likely scenario is BAHFA requires borrowers to sign PLAs with Building Trades Councils where project is located • Set various terms including wages, health care & pension payments, contractor eligibility, dispute resolution, and worksite conditions

Context: Balancing Multiple Goals

Establishing labor standards for BAHFA requires balancing interrelated goals:

- Expand worker protections in the Bay Area's affordable housing construction industry
- Produce and preserve affordable housing at the scale necessary to meet the needs of Bay Area residents
- Pursue innovative financing and development strategies to deliver affordable housing more cost-effectively and swiftly

Expanding Worker Protections: Developer Cohorts

Two different categories of developers build affordable housing:

1. Nonprofit Developers:

- Most likely borrowers of BAHFA funds; typically already pay prevailing wages, deep community engagement, subject to enhanced regulations; high project costs
- Expansion: AB 2011 standards or stronger would add healthcare & training requirements in parts of the region
 - Must balance concerns about impacts to project cost and viability.

2. For-Profit Developers:

- Typically forego local funds; less regulatory oversight (e.g., no prevailing wages)
- Expansion: Any standard would improve worker protections, but only if developers choose to borrow from BAHFA
 - Must balance goal of broad developer engagement and efficient financing

Production at Scale: Recent Trends

During the last Regional Housing Needs Allocation (RHNA) Cycle, the Bay Area dramatically underproduced affordable housing.

Income Targets	2015-2023 Cycle 5 RHNA	2015-2023 Units Permitted	% RHNA Permitted
Very Low-Income <i>(0-50% AMI)</i>	46,680	18,751	40%
Low-Income <i>(50-80% AMI)</i>	28,940	16,025	55%
Moderate-Income <i>(80-120% of AMI)</i>	33,420	20,071	60%
Above Moderate-Income <i>(Above 120% of AMI)</i>	78,950	163,018	203%
Total Units	187,990	217,865	116%

Production at Scale: Increased Need

State-mandated housing targets for the current RHNA Cycle have more than doubled and far outpace recent trends.

Income Targets	2015-2023 Cycle 5 RHNA	2015-2023 Units Permitted	2023-2031 Cycle 6 RHNA
Very Low-Income	46,680	18,751	114,442
Low-Income	28,940	16,025	65,892
Moderate-Income	33,420	20,071	72,712
Above Moderate-Income	78,950	163,018	188,130
Total Units	187,990	217,865	441,176

Costs: Complexity and Burdens of Local Funds

Affordable housing construction costs are high across the region, with the complexity and regulatory burden of local funds driving costs even higher in nearly every county.

County	Avg. Cost Per Unit w/ Local Funds	Avg. Cost Per Unit w/o Local Funds	% Cost Increase w/ Local Funds
Alameda	\$903,684	\$491,500	84%
Contra Costa	\$772,417	\$513,140	51%
Marin	<i>n/a</i>	\$767,873	<i>n/a</i>
Napa	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
San Francisco	\$939,826	\$734,585	28%
San Mateo	\$972,512	\$448,642	117%
Santa Clara	\$782,945	\$636,918	23%
Solano	\$687,334	\$355,303	93%
Sonoma	\$568,732	\$476,369	19%
Total:	\$835,406	\$546,806	53%

Source: Applications submitted to TCAC, 2021-2023

Costs: Recent Spike

Affordable housing construction costs have increased during the last 3 years. Isolating data from 2023 CDLAC/TCAC applications reveals nearly \$1 million per unit costs in many parts of the region.

County	Avg. Cost Per Unit w/ Local Funds
Alameda	\$984,300
Contra Costa	\$998,250
San Francisco	\$916,500
San Mateo	\$998,400
Santa Clara	\$1,016,500
Solano	\$481,000
Sonoma	\$661,600

*Source: Applications
submitted to TCAC, 2023*

Trade-Offs & Considerations

- Lax labor practices in some segments of the affordable housing construction industry perpetuate poverty among affected workers.
- Exclusive or restrictive labor standards benefit some workers while negatively affecting others.
- High development costs negatively impact workers by reducing the amount of housing built and jobs created, while also reducing the potential number of stable homes for lower-income residents.
- BAHFA labor standards can “raise the bar” at regional scale. A balanced approach can protect all workers, create more jobs, and provide low-income housing urgently needed.

Next Steps: Decision-Making Timeline

March

Joint Housing Committees

- Labor standards (info)

ABAG Exec Board

- Preview of April decisions

April

Joint Housing Committees

- Labor standards (recommendation)

ABAG Exec Board

- Business Plan
- Expenditure Plan (w/ labor standards)
- Initiating Resolution (“up to \$20B”)

May

BAHFA Board

- Business Plan
- Expenditure Plan (w/ labor standards)
- Election Resolution (w/ Ballot Question, Full Text, Tax Rate Statement)

June

BAHFA Board

- Business Plan
- Expenditure Plan (w/ labor standards)
- Election Resolution (w/ Ballot Question, Full Text, Tax Rate Statement)

Green = action item

Thank You



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