BAHFA's Enabling Legislation & Potential Future Revenue Measure

Regional Housing Stakeholder Committee (RHSC) Update

ABAG Housing, BAHFA Oversight, and BAHFA Advisory Committees

September 9, 2026

Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Part 1:

Background & Process

Regional Revenue Measure Timeline

Phase 1: Stakeholder Engagement

Broad table to discuss outstanding policy issues to inform proposed legislative changes

BAHFA coordinates with ***stakeholders***, building trust and generating buy-in

Outcome: policy framework for statutory amendments

Timing: ~March-Nov 2026

Phase 2: Legislative Changes

Implement policy framework through proposed amendments to BAHFA's enabling legislation

Joint advocacy between BAHFA and ***coalition*** that could emerge from stakeholder process

Outcome: amended statute

Timing: Nov 2026-Sept 2027

Phase 3: Revenue Measure

Policy development of a regional measure, guided by revised statute

Potential for amended statute to permit placement via qualified voter initiative

If a measure proceeds, BAHFA role limited to public information; not involved in ***campaign*** activity

Outcome: ballot measure

Timing: Fall 2027-Nov 2028

BAHFA & ABAG Guiding Principles

- Be Passable
- Achieve Scale
- Innovate to Add Value and Meet Needs
- Ensure Financial Sustainability
- Advance Fairness
- Deliver on the 3Ps
- Be Administrable

Regional Housing Stakeholder Committee (RHSC)

Coordinating Committee

Co-Chairs
BAHFA
All Home
Enterprise
Consultant
Support

RHSC Co-Chairs

Regional Housing Stakeholder Committee

Drive towards policy alignment using gradients of agreement

Sub-Committee: Revenue Mechanisms

Sub-Committee: Eligible Uses

Sub-Committee: Labor Standards

Caucusing with broader stakeholder groups

Phase 1 Final Product: Policy Framework

- Proposed amendments to enabling legislation, with recommendations and/or options
- Document levels of support from RHSC members and other participants
- May include: summary of research, feedback from key constituencies, trade off analysis, application of Guiding Principles & Path to Success, etc.
- Enable efficient transition to Phase 2 when BAHFA & ABAG drive legislative advocacy forward

Phase 1 Engagement Strategy

Local Governments

- Presentations to elected officials in every county
- Local Elected Official Survey (*currently open*)
- Local Elected Official Webinar on Sept 30
- Local Housing Staff Convening

Community & Stakeholders

- Participation in subcommittees
- Interactive “All Hands” workshops:
  - July 24 (BayMetro Center)
  - Sept 25 (South Bay)
  - Oct 9 (East Bay)
- Support for “in the field” presentations and caucusing
- Presentations at conferences, industry groups, etc.
- Targeted outreach

Part 2:

RHSC Policy Framework Updates

Key Topics:

1. Revenue Mechanisms
2. Eligible Uses of Funds
3. Labor Standards
4. Revenue Distribution

Policy Issue #1: Revenue Mechanisms

Revenue Mechanisms Subcommittee Scope

Revenue Mechanisms Currently Authorized:

- General Obligation Bond
- Uniform Parcel Tax
- Gross Receipts Tax
- Per Employee Head Tax

The Subcommittee is exploring (1) whether any current mechanisms warrant expansion, and (2) whether to add new mechanisms.

Revenue Mechanism	Legislative Details	Potential Action
General Obligation Bond	Already allowed	None
Uniform Parcel Tax	Already allowed	None
Head Tax	Already allowed, with exemptions for nonprofit & religious institution employers	None
Gross Receipts Tax	Already allowed, including potential design features identified by the subcommittee: • Variable rates based on sector • Exemptions for small businesses, nonprofits, & religious institution employers	None
Differentiated Parcel Tax	Would require the following amendments: • Remove uniformity clause (allows for differentiation) • Provide ability to create exemptions	Consider amendments
Sales Tax	Would require: • Adding sales tax as eligible mechanism • Separate legislation to raise the local sales tax cap, which would require identifying specific sales tax rate by early-mid-2027.	Consider amendments and companion legislation.
Payroll Tax	Would require adding payroll tax as eligible mechanism with specifics on exemptions and/or differentiation.	Consider amendments
Real Estate Transfer Tax	Would require adding RETT as eligible mechanism with specifics on design.	Consider amendments

Non-Ballot Revenue Options

Based on feedback and evolving circumstances, the Co-Chairs have added a new line of research on non-ballot revenue options, as a sub-component of the Revenue Mechanism Subcommittee.

- Examples include tax-increment financing/enhanced infrastructure financing districts (EIFDs). Research will explore other avenues to identify the full range of potential options.
- Scope: background research, 1:1 interviews with individuals with public finance expertise; convenings of relevant experts.
- Non-ballot options will be considered alongside ballot options in the fall, potentially creating multiple complementary paths and/or mitigating potential impacts of Proposition 43.

Discussion and input

1. **How do you feel about the following amendment idea?**

   Expand BAHFA's parcel tax authority to include differentiation and exemptions

   This would require the following amendments to BAHFA's statute:
   - Remove uniformity clause
   - Provide ability to create exemptions

2. **Do you have feedback on potential new mechanisms?**
   - Sales Tax
   - Payroll Tax
   - Real Estate Transfer Tax

Policy Issue #2: Eligible Uses

Eligible Uses Currently Authorized

Affordable Housing Production: at least 52%

Affordable Housing Preservation: at least 15%

Tenant Protections: at least 5%

Flexible Uses: 28% Locals / 18% Regional
Local Government Grant Program: up to 10% of Regional Funds

Emerging Potential Eligible Use Ideas

- Expand eligibility for operating subsidy, in particular those that can cover rental subsidies like Capitalized Operating Subsidy Reserves (COSRs)
- Create a minimum set-aside for extremely low-income housing
- Create flexibility for innovative housing models:
    - Increase AMI limits for BAHFA production funds to 120% to cross subsidize more deeply affordable units
    - Expand BAHFA financing options to produce or preserve mixed-income properties that meet public benefit criteria (research ongoing)
    - Allow BAHFA production funds to produce housing for homeownership
- Increase funding minimum for tenant protections and homelessness prevention
- Increase public engagement requirements

Discussion and Input

- What ideas resonate with you?
- What ideas raise concerns or bring up critical questions we should consider?
- Are there any ideas that have *not* been surfaced that we should consider?

Policy Issue #3: Labor Standards

Labor Standards as Currently Authorized

BAHFA's enabling statute establishes different levels of legal authority to impose labor standards on **regional funds** vs. **return-to-source local funds:**

- **Regional funds:** BAHFA may (but is not required) to impose specific labor standards.
- **Return-to-Source Local Funds:** BAHFA cannot impose labor standards on local funds. However, each administering entity (county or city) may determine whether to apply labor standards on their own funds.

The Labor Standards Subcommittee is exploring whether to recommend expansion of BAHFA's authority to establish labor standards on all revenue and what those standards should be.

Labor Standards Subcommittee Timeline

July

RHSC Labor Standards Level-Setting

Present a level-setting on labor standards for the entire RHSC

August

September

Labor Subcommittee Meetings

Representatives from a variety of sectors (labor, development, public policy) will dive into this matter further through research, feedback, additional analysis and potential negotiations

October

Return to RHSC with subcommittee findings on labor standards

Policy Issue #4: Revenue Distribution

Statutory Revenue Distribution

Return-to-Source = <u>At Least</u>

80% of Parcel Tax/Gross Receipts/Bonds
50% of Employee "Head" Tax

- **County Expenditure Plans**
- **San Jose & Oakland Expenditure Plans**
- **Other Direct Allocation * Expenditure Plans**

BAHFA = <u>No More Than</u>

20% of Parcel Tax/Gross Receipts/Bonds
50% of Employee "Head" Tax

- **Regional Expenditure Plan**

- All plans must meet minimum funding for "3Ps" (Production 52%, Preservation 15%, Protections 5%**)
- All plans may include up to 5% for administrative costs
- BAHFA's plan may include local government grants
- Counties must consult with cities on their expenditure plans

** Cities with >30% of county lower-income RHNA in counties without one of the region's three largest cities*
*** California constitution prohibits spending bond funds on services, which comprise most of "Protections"*

Next Steps

September

- Ongoing engagement
- Distill and digest feedback
- RHSC refines policy proposals

October

- Wrap up Phase 1 engagement
- Oct 14 Joint Meeting of BAHFA & ABAG Committees
- RHSC finalizes policy proposals

November

- Evaluate implications of November election results
- Policy Framework completed
- ABAG-MTC implement Policy Framework as part of draft Joint Advocacy Program