

EXPAND EXISTING REGIONAL HOUSING FUNDS TO CREATE A SIGNIFICANT REGIONAL HOUSING PRESERVATION PROGRAM

1.1	Key Element of CASA Compact	#7. Flexible housing preservation funding
1.2	Brief Description <i>1-3 sentence summary of action or policy</i>	<p>Encourage donors from all sectors (government, banks, CDFIs, foundations) to contribute to a regional affordable housing preservation fund (could also be part of an existing regional fund CZI's Regional Housing Fund, HTSV, MTC's Housing Preservation Pilot, etc.). The preservation fund would be supplemented by additional funding raised through a regional housing ballot measure. The preservation fund would provide a flexible ongoing source of longer-term subsidy, low-cost debt, and equity – “dequity” – for acquiring, rehabilitating, and preserving both rent-restricted and unrestricted affordable units. The emphasis would be on providing longer-term 15-20-year term gap-financing tools that do not require repayment and can serve as risk capital.</p> <p>A blended fund structure comprised of multiple sources would allow for different actors to take on different levels of risk and would also allow for a diversity of products that could help housing organizations, landlords, homeowners, and governmental entities achieve different objectives. For instance, a governmental contributor could help provide funding for products that are deeply subsidized or forgivable whereas philanthropic or foundation PRI and grant funding could be used to provide loans repayable at below-market interest rates with more generous repayment terms. Bay Area businesses willing to invest medium and long-term capital at below-market returns in exchange for local recognition for their contributions could also contribute to such a fund.</p> <p>To be effective, the Housing Preservation Program must offer the following products:</p> <p>1. <u>For housing organizations</u>: Provide nonprofit organizations (at the enterprise level) with (1) fast-moving lines of credit to purchase existing affordable properties with expiring rent-restrictions or that are currently on the open market and at risk of losing their affordability; (2) below market intermediate 5-10-year term financing; and (3) longer-term 15-20-year debt and equity financing. Opportunities will distinguish between large site/building acquisition (tied to opportunity) vs. small site acquisition (tenant driven, tied to risk).</p> <p>2. <u>For landlords</u>: Provide small/low-income landlords with low-cost debt for abatement of health hazards to meet basic health and habitability standards</p>

		<p>in properties they own and presently rent at below-market rates (coupled with tenant protections and restrictions on rent increases).</p> <p>3. <u>For low-income homeowners</u>: Provide low income homeowners with low-cost debt to add accessory dwelling units as a source of ongoing income to stay in place (with limitations on short term rentals and incentives to rent to long term section-8 tenants).</p> <p>4. <u>Capacity building and technical assistance</u>: Provide technical assistance and create educational materials and ongoing trainings to build the capacity of homeowners, cities, and non-profit organizations to preserve the affordability of existing homes through funding a series of resources targeted to education, technical assistance, and outreach:</p> <p><u>For low-income homeowners</u>: Can fund educational materials and workshops on how to add accessory dwelling units (ADUs) to help generate a source of income to help them stay in place. Can also help homeowners learn how to use their ADUs to provide housing for housing choice voucher holders.</p> <p><u>For housing organizations</u>: Can fund workshops and educational materials on how to do small and large site acquisition/rehabilitation/preservation and how organizations could tap into existing resources at the regional level to do this work.</p> <p><u>For cities/counties</u>: Could provide best practices and ongoing trainings on a suite of preservation policies that could be adopted at a local level including monitoring of existing affordable housing stock (both restricted and unrestricted), adoption of Affordable Housing Preservation Ordinances and Ground Lease First policies as well as a suite of “bread and butter” preservation policies including: condominium conversion ordinances, SRO preservation ordinances, demolition controls, and short term rental regulations, tenant and nonprofit right of first refusal to purchase rental units being removed from the rental market</p>
1.3	Supports these CASA goals: <i>(check all that apply)</i>	<input checked="" type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input type="checkbox"/> Production

1.4	Desired Effect <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Provide funding for the acquisition/rehabilitation/preservation of market-rate affordable units (affordable households making less than 80% of AMI) as well as the preservation of affordable units with expiring deed-restrictions. This fund will also help low-income homeowners stay in place and low-income landlords abate serious health hazards in units they presently rent at below-market rates. The housing preservation program would also provide technical assistance and build the capacity of local governments to adopt preservation-related ordinances.
1.5	Key Questions and Points of Concern <i>What key questions or issues need to be resolved?</i> <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> • What interest rate could the fund charge for certain products that would be worthwhile for housing organizations and appealing to investors? • What blended structure would allow for the diversity of products discussed? • What changes need to be made within existing regional housing funds to accommodate such a product? • Could a part of existing governmental funding for preservation be redirected to grow a regional fund while ensuring return to source? • How do we incentivize the various actors in this space to move from technical assistance to action?
1.6	Resources Needed <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	There are between 400,000 – 600,000 rental units in the Bay Area presently being rented at rates affordable to households making less than 80% of AMI. The Bay Area also loses approximately between 20,000 – 30,000 such units to market turnover each year. These figures would place the level of resources needed to preserve all market-rate affordable units at \$3-\$4 billion/year. However, given the scarcity of funding for affordable housing in general a fund valued at \$300-500 million/year represents an aggressive but achievable target given the level of resources that presently exist in the Bay Area.
1.7	Scale of Impact <i>(as measured by Plan Bay Area goal alignment)</i>	Preserve: <u>2,000-3,500</u> net new units annually
1.8	Potential Vehicles for Implementation <i>Check all that apply</i>	✓ Regional Funding <u>Regional funding:</u> Would require contributions by various actors to create a robust regional housing preservation program either on its own or within existing regional housing funds. Potential vehicles for such a fund could include CZI's Regional Housing Fund, HTSV, or MTC's Preservation Pilot
1.9	Time Frame <i>Time needed for action to be approved and implemented.</i>	✓ Short-Term (0-2 years)
1.10	Feasibility <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	Medium Rationale: Compared to other regional affordable housing funding needs, the barriers to growing a substantial regional housing preservation fund are relatively low as it could simply involve the restructuring of existing funds and not the creation of new ones altogether. Preservation is also unique in that the acquisition of new buildings provides immediate and ongoing repayment of the initial investment through existing rents.