

Action #14.5 Promote Creation of Affordable Housing Authorities in Each County and at the Regional Level

1.1	Key Element of CASA Compact	#14 Affordable housing production funding
1.2	Brief Description <i>1-3 sentence summary of action or policy</i>	<p>AB 1598 (Mullin) was passed by the Legislature in 2017 and establishes an important new tool to fund the construction and preservation of affordable units. The Bay Area is experiencing significant growth in private investment and commercial office development which is increasing local property values. AB 1598 provides a tool to harness some of that growth in assessed value to pay for the construction of new affordable homes without raising taxes. AB 1598 gives cities and counties the power, through resolution, to establish affordable housing authorities (AHAs). AHAs can use property tax revenues generated by increases in property values to pay for their activities by “freezing” the property tax that local government can collect at the rate it was when an affordable housing plan is approved and then AHAs collect the increase in property taxes over time (or tax increment) and use it to pay for their activities. Local governments can also direct local sales taxes to AHAs as long as the use is consistent with the purpose for which the tax was adopted (in addition to the local Bradley-Burns portion). Affordable Housing Authorities have several advantages over other tax increment financing tools:</p> <ul style="list-style-type: none"> • Not confined to a specific neighborhood type - the area covered by an AHA can be as big as the city/unincorporated county itself (no blight finding required). • Full flexibility on how much increment is taken and how large the area is to which it applies • Can be created through a local resolution • Can bond against that increment without voter approval for up to 45 years. <p>AHAs are not Redevelopment:</p> <ul style="list-style-type: none"> • The property tax increment that AHAs can use is limited to the city's or county's portion of the increment unless the city and county agree to revenue sharing, the increment directed to schools remains untouched. That means that the amount of potential funding raised is significantly lower than under former RDA agencies. <p>AHAs provide a flexible and ongoing form of revenue for affordable housing with no new taxes in that they use the incremental growth in the existing tax base to finance their activities.</p> <p>We are proposing two uses of AB 1598 to generate significant new regional affordable housing revenues:</p> <ol style="list-style-type: none"> 1. <u>Have MTC/ABAG create a program to actively promote the creation of new countywide affordable housing authorities for each of the 9 Bay Area counties:</u> Under AB 1598 each Bay Area county could create its own affordable housing authority through a Joint Powers Authority with the unincorporated county and incorporated cities within each county's boundaries making voluntary tax increment contributions. Each county AHA could then bond against that increment without needing voter approval with terms payable over 45 years. For instance, if San Mateo County were to create an affordable housing authority that annually collected \$12 million in tax increment (amount is for illustrative purposes), it could theoretically issue a bond valued at around \$150 million without needing additional voter approval. As the initial bond funds are expended, the County could issue additional bonds paid for by future incremental growth in property taxes. Promoting county AHAs

		<p>would also provide a countywide solution that is sensitive to local needs as each county would need to negotiate an appropriate contribution scheme among its incorporated cities.</p> <p>2. <u>Have MTC/ABAG create a regional affordable housing authority that can collect voluntary contributions of local general sales taxes:</u> MTC/ABAG could create a regional affordable housing authority that could collect general sales and use taxes for the 9-county Bay Area and bond against those proceeds without voter approval. A regional affordable housing authority could be established through a joint powers authority voluntarily created by MTC/ABAG and local governments that choose to opt in. While the State constitution prohibits property taxes generated in one county to be transferred to another, there are no such restrictions for sales and use taxes. Local government presently has the flexibility, with voter approval, to impose up to an additional 2% of local sales taxes (in addition to the Bradley-Burns portion). AB 1598 allows for contributions from such general sales tax revenues into an affordable housing authority. MTC/ABAG would encourage contributions from local governments that could then be used as a revenue stream for debt service and/or as an ongoing source of revenues for a regional affordable housing trust fund.</p>
1.3	Supports these CASA goals: <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input checked="" 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>	<p>Creation of an ongoing funding source for affordable housing at the regional level without the need for voter approval.</p>
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"> Counties would need to negotiate their own tax increment contribution formulas that balances county needs with local concerns What other funds could be contributed to AHAs from the local and regional levels that could be paired with the tax increment?
1.6	Resources Needed <i>What costs will be incurred and by whom?</i>	<p>Locally generated tax increment</p>
1.7	Scale of Impact <i>(as measured by Plan Bay Area goal alignment)</i>	<p>Produce: Thousands of units annually Preserve: Thousands of units annually</p>
1.8	Potential Vehicles for Implementation <i>Check all that apply</i>	<ul style="list-style-type: none"> ✓ Regional Funding: ✓ Pilots and Spreading Best Practices: a countywide AHA could be established on a pilot basis in a large Bay Area county as “proof of concept” that could then be modeled in other counties.
1.9	Time Frame <i>Time needed for action to be approved and implemented.</i>	<p><i>Select one</i></p> <p>X Short-Term (0-2 years): To pass legislation and to develop education materials and begin to disseminate them to jurisdictions.</p>

1.10	Feasibility <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	X Medium - Rationale: While the tool to establish AHAs exists, if they are to be functional across jurisdictions particular attention needs to be paid to local concerns in negotiating the creation of both county and the regional AHAs.