



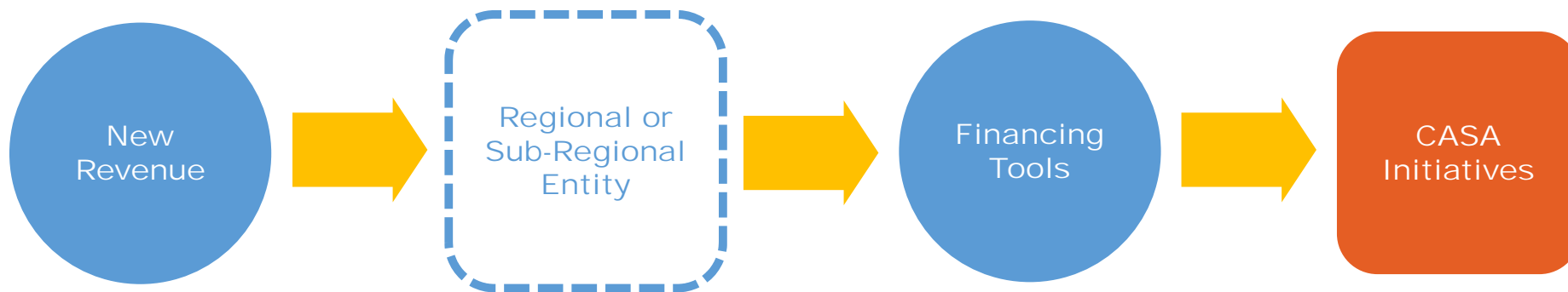
The Committee to House the Bay Area

Funding and Financing Ideas

September 12th, 2018

Image source: Tom Lee

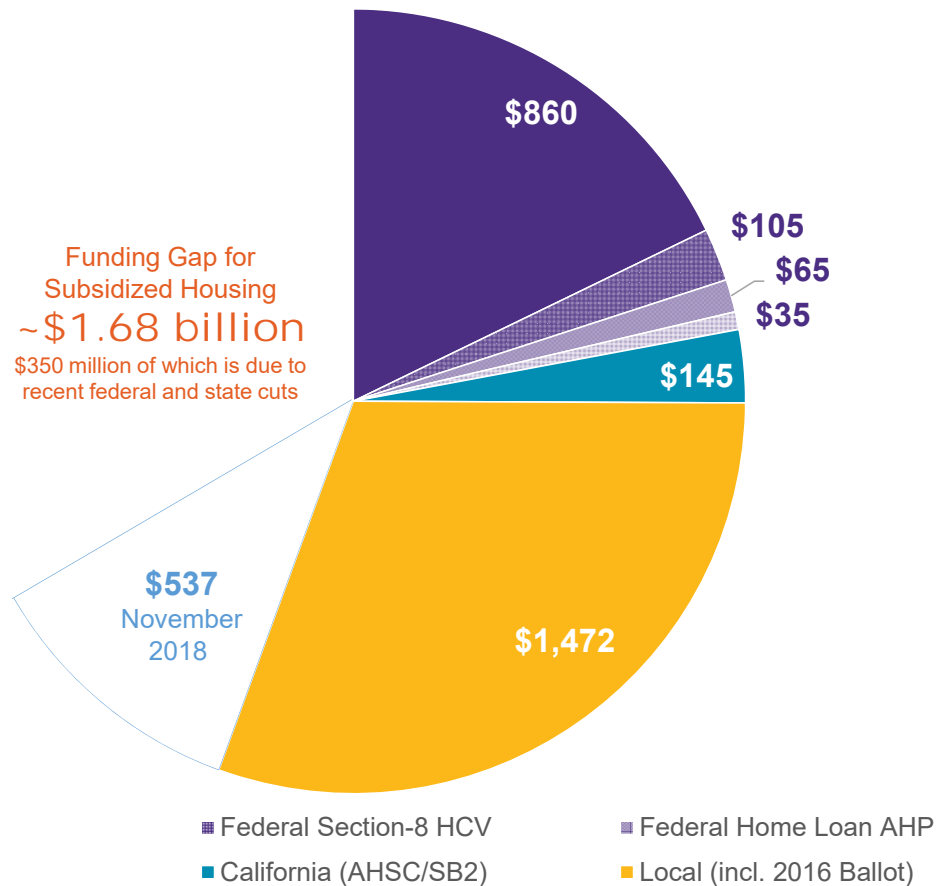
CASA Funding/Financing Compact Components



Annual Funding for Affordable Housing

\$ Millions, Bay Area

Based on RHNA 2015-2022; only for low- and very-low income subsidized housing; does not yet account for other CASA initiatives related to cost reduction, regional inclusionary, tenant services, middle-income housing, etc.



Source: Funding Affordable Housing Near Transit, May 2017, Great Communities Collaborative; MTC Analysis

* Value of LIHTC reduced from \$993 million to \$860 million as a result of the 2017 federal tax reforms



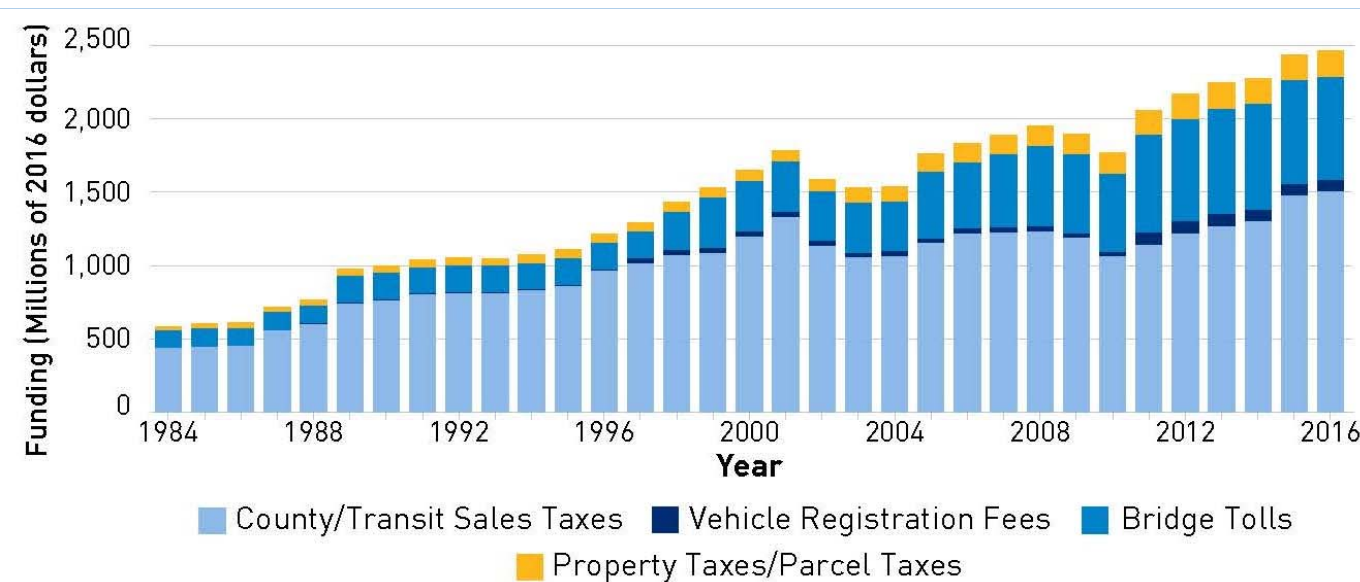
<i>Fund Sources</i> (Subsidized Housing for Low- and Very-Low Income HHs)	<i>Annual Funding</i> (\$ millions)
Federal LIHTC	\$860*
Federal Section-8 HCV	\$105
Federal Home Loan AHP	\$65
Other Federal	\$35
California (AHSC/SB2)	\$145
Local (incl. 2016 bond measures)	\$1,472
Funding Gap	\$1,680
TOTAL for Bay Area	\$4,290

Source: Funding Affordable Housing Near Transit, May 2017, Great Communities Collaborative; Non-Profit Housing Association of Northern California



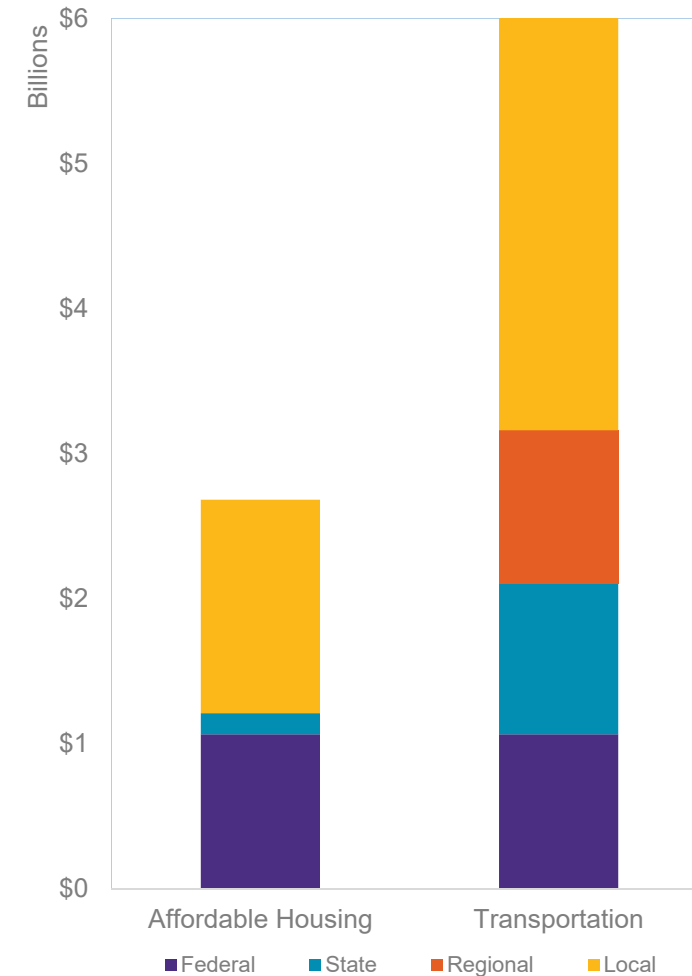
Self-Help Funding for Transportation, 1984-2016

Source: MTC



Source of Funding, Annual

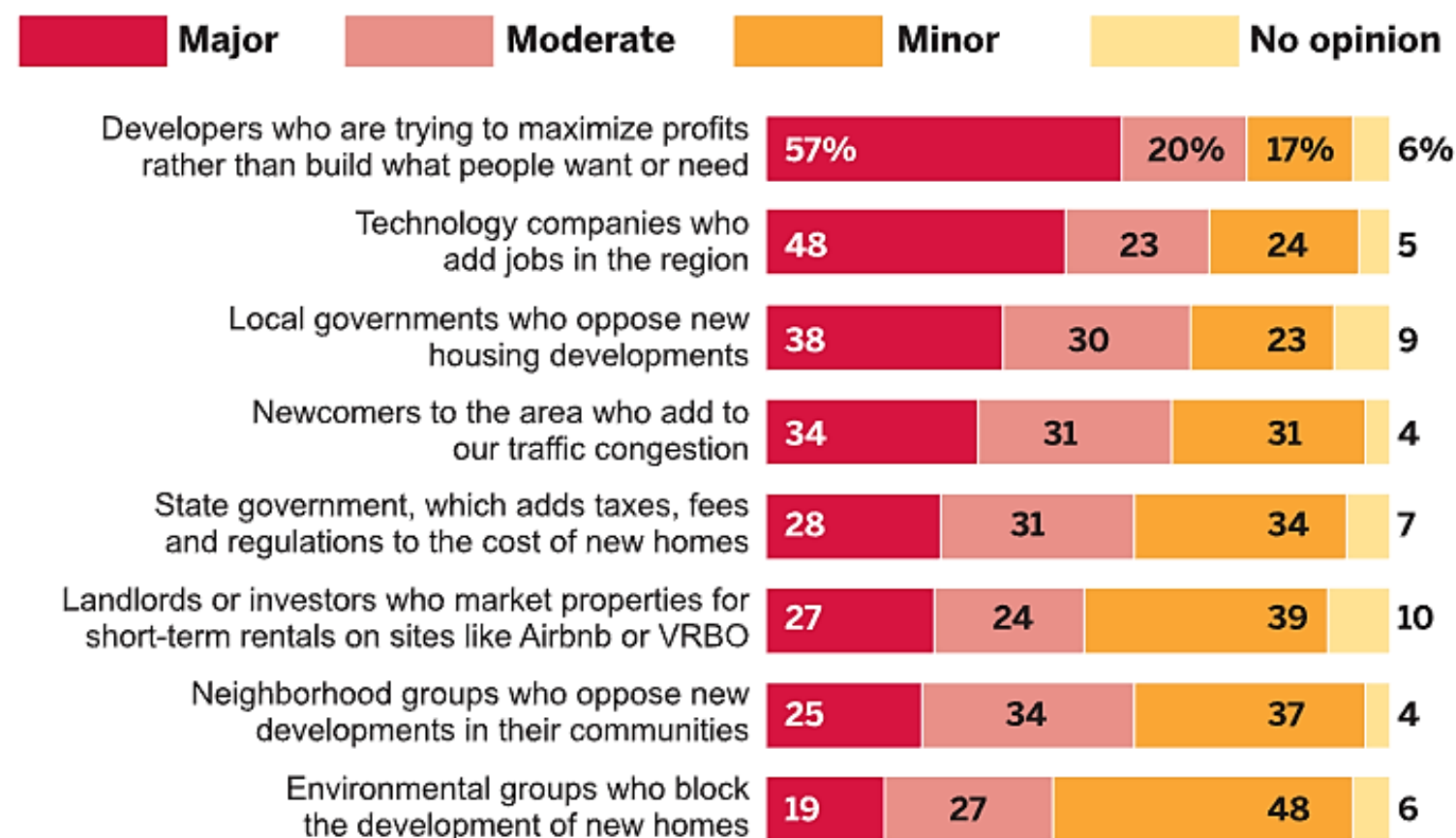
For Affordable Housing and Transportation
 Source: Financial Assumptions Report, Plan Bay Area 2040; Funding Affordable Housing Near Transit, May 2017, Great Communities Collaborative





WHO'S TO BLAME FOR THE HOUSING CRISIS?

Respondents were asked if the following were a major, moderate or minor reason for Bay Area housing problems.



Source: The poll of 900 registered voters in Alameda, Contra Costa, San Mateo, Santa Clara and San Francisco counties was conducted by J. Moore Methods Inc. Public Opinion Research for the Silicon Valley Leadership Group and the Bay Area News Group. The poll, conducted from Dec. 27 to Jan. 9, has a margin of error of +/- 3.3 percentage points.

JEFF DURHAM/BAY AREA NEWS GROUP

CASA Funding/Financing Compact

Potential New Sources of Revenue

Note: tax and fee rates are arbitrarily set to raise \$100 million annually for each proposal

Property Owners

\$100 million
3.35 percent
Inflation-Indexed Windfall Tax
 on home value appreciation at
 point of sale, region-wide

\$100 million
\$48 per year
Parcel Tax, region-wide

\$100 million
\$1.35 per \$1,000
Real Estate Transfer Tax,
 paid by the seller at point of sale,
 region-wide

\$100 million
1 percent
Vacant Homes Tax, region-wide

\$100 million
25 percent
Short-Term Rental Tax on peer-
 to-peer rentals, region-wide

Developers

\$100 million
\$2-4 per sq. ft.
 For development **inside** TPAs
\$4-8 per sq. ft.
 For development **outside** TPAs
Commercial Linkage Fee
 on new construction; variable
 rates based on the number of
 new workers at the location, and
 jobs-housing ratio of host
 jurisdiction, region-wide

\$100 million
\$5 per sq. ft.
Flat Commercial Linkage Fee
 on new construction, region-wide

Key

Voters

State Legislature

Threshold
 For Approval
 2/3 50+1



Employers

\$100 million
\$8-32 per job
 For employers **inside** TPAs
\$16-64 per job
 For employers **outside** TPAs
Annual Head Tax;
 variable rates based on the
 number of employees, and jobs-
 housing ratio of host jurisdiction,
 region-wide (with no exemptions
 for middle-wage jobs)

\$100 million
\$30 per job
Flat Annual Head Tax,
 region-wide

\$100 million
1/12-cent
Gross Receipts Tax,
 variable rates based on sector
 and firm size, region-wide

\$100 million
1 cent per mile
Commuter VMT Fee, paid by the
 employer, region-wide

Local Governments

\$100 million
17.5 percent
Revenue Sharing Contribution
 from future property tax growth,
 region-wide, starting in 2020

\$100 million
27.5 percent
*Redevelopment Revenue Set-
 Aside* for affordable housing (for
 city/county portion of property tax
 revenue), **statewide**

\$100 million
20 acres
Public Land Set-Aside
 annually for affordable housing,
 region-wide

Taxpayers

\$100 million
1/16-cent
Sales Tax, region-wide

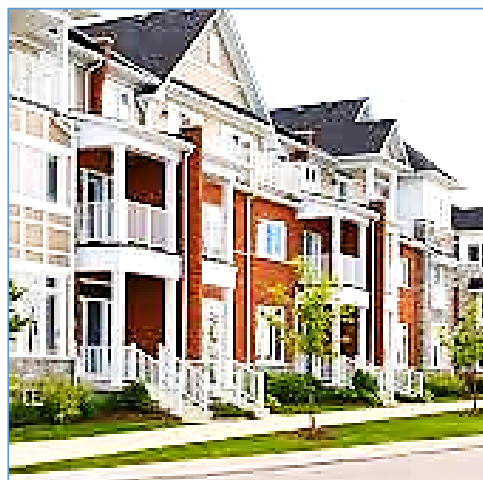
\$100 million
5-Yr. Term
General Obligation Bonds,
 issued by a regional housing
 entity created through state
 legislation, renewed every five
 years, region-wide

Philanthropy

CZI-TSFF Initiative
 Policy and Infrastructure Fund

CASA Funding/Financing Compact

Potential Allocation of New Revenue



Local Jurisdiction Incentives 10 percent
Partial payments to local jurisdictions to make up for lost revenue due to proposed cap on impact fees.

Tenant Protection Services 10 percent
Short-term rental assistance and access to legal counsel for low- and moderate-income households.

Affordable Housing Preservation 20 percent
Grants and financing, including for seismic retrofitting and energy efficiency upgrades. Priority to projects in low-income neighborhoods facing displacement.

Affordable Housing Production 60 percent
Grants and financing. Priority to projects in TPAs and HOAs. Construction training programs. Land acquisition program.

Regional Infrastructure Bank

(subject to BATA approval)

Loans for Infrastructure to Support Housing

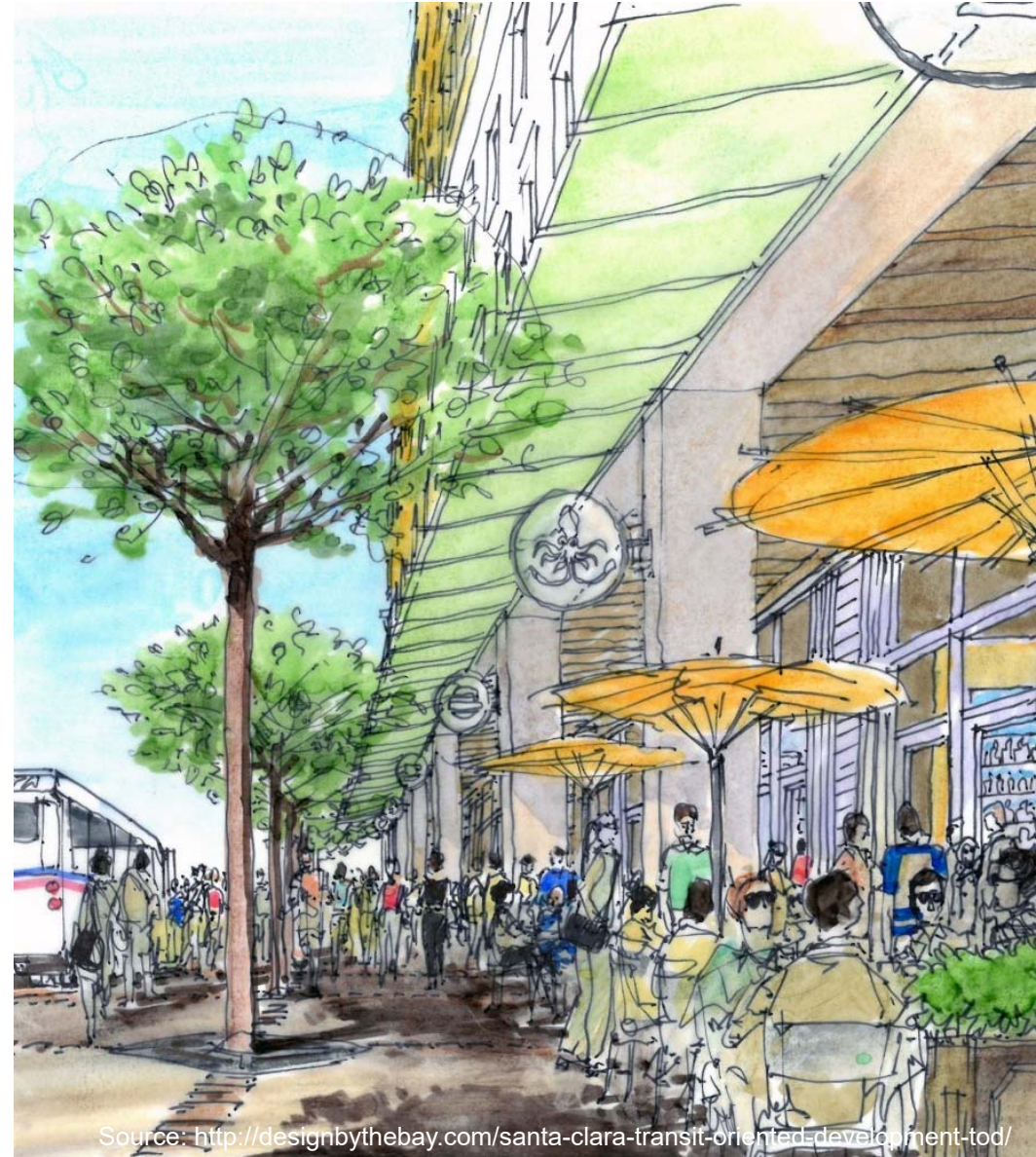
- Streets/sidewalks, water/sewer, parking, etc.
- Transit agency replacement parking / infrastructure
- Roughly **8 to 10 percent** of total project cost

Value-Added by an Infrastructure Bank

- Potentially **lower financing costs** with favorable terms
- **Accelerate implementation** (which also lowers costs)
- **Leverage additional resources** (such as match for other funding sources like AHSC)

Additional Policy Outcomes

- **Deeper affordability** – cost savings that translate to higher inclusionary
- **More affordable units** – for e.g., when coupled with 1:1 replacement, relocation assistance, right-to-return requirements



Source: <http://designbythebay.com/santa-clara-transit-oriented-development-tod/>

Next Steps for Revenue Ideas

September

First Look at Proposals

October

**Further Analysis and Refinement
Tie with Regional Housing Entity**

November

**Transportation Conditioning
Regional Infrastructure Bank**

November/December

Telephone Poll





September 2018

Recommendation: Create an Regional Housing Trust Fund that collects revenue, creates programs, and disburses funding -all at a regional level. Pair it with the incentive and capacity building work of a proposed regional housing entity.

Introduction and Case for A Trust Fund

The Bay Area is woefully behind in meeting its Regional Housing Needs Allocation (RHNA), the targets set by state and regional agencies to accommodate our growing population. Rarely has any city met its RHNA, largely due to a lack of gap financing available to nonprofit affordable housing developers and the high cost of development throughout the region for all developers. This poor performance is most egregious when it comes to providing homes for low-income households. When redevelopment and its tax increment financing were available for affordable housing development, Bay Area redevelopment agencies garnered an average of \$220 million¹ per year to feed the construction and rehabilitation of affordable homes. In the absence of this source of funding and capacity, the gap in our ability to meet the region's affordable housing production needs has only grown. A 2017 study by Strategic Economics conservatively estimates that the region would need an additional \$1.45 billion *annually* to meet our RHNA targets for units affordable to low- and very-low-income households.² By now, this price tag has undoubtedly increased due to rising construction costs for all housing types and the devaluation of low income housing tax credits. In any case, the local bonds cannot meet this need. The overall loss is startling to our housing affordability delivery system, including all three Ps -protection, preservation and production. It is time to seriously consider a bold new strategy for generating and disbursing funds to meet the Bay Area's dynamic housing needs: forming and capitalizing a Regional Housing Trust Fund (RHTF).

What are housing trust funds?

Housing trust funds are distinct entities that may be established by legislation, ordinance or resolution to receive public revenues, which can only be spent on housing-related uses within defined geographic limits, with oversight provided by a public agency or publicly-appointed board. The key characteristic of a housing trust fund is that it receives ongoing revenue from dedicated sources of public funding, such as fees, tax levies, or loan repayments. While housing trust funds can also be a repository for private donations, typically they are not public/private partnerships, nor are they endowed funds operating from interest and other earnings. Oftentimes an existing revenue source is increased, and that increase is committed to a housing trust fund. The key benefit to a housing trust is that it provides a secure, reliable, and low-cost source of funds to address local housing needs.

What are the big questions that will need to be answered while pursuing the notion?

1. If we needed to go to the ballot for a key source, what would be entailed?
2. What is possible to create a regional source of funding that doesn't necessarily have to go to the ballot?
3. How would resources be deployed throughout the region to support affordable housing outcomes?
4. Who would administer it and what is needed to set that up?

¹ 2011, *Community Redevelopment Agencies Annual Report*, Nonprofit Housing Association of Northern California

² "Funding Affordable Housing Near Transit in the Bay Area Region,"

https://www.bart.gov/sites/default/files/docs/Funding-Affordable-Housing-Near-Transit-in-the-Bay-Area-Region_5917.pdf

Potential sources and considerations

MTC has generated a list of potential sources that would anchor a RHTF. At a recent forum hosted by Enterprise Community Partners and Nonprofit Housing Association of Northern California, a forum of practitioners that included MTC and ABAG staff, as well as Michael Anderson from the Center for Community Change (an organization that hosts the national initiative to help track the challenges and successes of HTFs), the following key points emerged:

1. **Emphasize the primacy of creating a regional fund rather than different sub-regional ones.** This was largely due to the recognition that there needs to be some mechanism to carefully allow for some resources to be shared across the region. A regional mechanism would simplify the monitoring of funds and their uses as well as facilitate nimbleness when a natural disaster hits.
2. **The source of funds should be public.** There are many funds in the region, including ones hatched at MTC, which take advantage of the potential for leveraging and creating capital stacks. The types of sources needed are gap funds, not necessarily additional acquisition loan funds.
3. **There are examples of HTFs wherein some of the resources are held back, invested and grown to be available later.** This approach will serve the region well, especially when markets are down, unexpected opportunities arise, or emergencies occur.
4. **A regional HTF would need to be designed in a way that balances these competing geographic priorities.** There will inevitably be a call for funds to return to sources, which may conflict with the goal of ensuring affordable housing is more equitably distributed throughout the region. Localities contributing funds to the regional pot will likely want some assurance that they can access a comparable share of these funds sometime in the future.

Next Steps

While the parameters and scope of a regional housing trust fund can seem daunting, the region has made bold, common-interest investments and initiatives in the past, such as BART and the creation of the Air Quality Management District. We can bring the same ingenuity and proactive thinking to addressing our regional housing crisis. The following actions are necessary to properly scope, plan, and resource the creation of a RHTF:

1. Generate conversation in CASA, the MTC and ABAG Commissions, and other stakeholders about the possibilities and constraints;
2. Do the math. Test the amount of potential resources possible using different sources;
3. Evaluate the advantages and disadvantages of most promising sources -based on polling, known political feasibility, and other challenges and opportunities;
4. Present a RHTF and scenarios broadly and beyond CASA to gauge interest and direction;
5. Evaluate the options for governance -joint powers authority, quasi public new entity, etc.
6. Assuming existing regional housing funds would be part of the RHTF, catalogue and prepare to rebrand them;
7. Establish a small workgroup of stakeholders and technical practitioners to explore the key questions further -sources, administration and governance- and lay out the specific steps that would be needed to advance into preferred versions;
8. Work closely with the Center for Community Change to mine their wisdom and expertise about campaigns and setting up HTFs³;
9. Seek legal counsel to determine precisely what authorities need to be established for a RHTF;
10. Work with the relevant government entities who will play a role in contributing to or making use of a HTF. Determine their specific interests;
11. Workshop what has been learned about sources, administration and governance thus far; and
12. Regroup and determine the best path forward.

³ Center for Community Change - www.communitychange.org/publications/housingtrust.htm