

**Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC Executive Committee and ABAG Administrative Committee**

May 18, 2020

Agenda Item 4.c.

Direction on Future Regional Housing Work Plan

Subject: Discussion of Bay Area Regional Housing Portfolio and Range of Activities for Potential Future Regional Housing Work Plan.

Preliminary overview of options and strategies for Bay Area regional agencies to expand their existing housing portfolio and seek new funding to support tenant protections, preservation of existing housing, and production of new affordable housing.

Overview: If the ABAG Executive Board and the MTC Commission decide against placing an affordable housing revenue measure on the November 2020 ballot, BAHFA nonetheless presents an opportunity to explore expanding the regional housing portfolio to address the Bay Area's ongoing housing challenges. AB 1487 confers powers on BAHFA to advance the "3 Ps" in ways that extend beyond the existing capacities of ABAG and MTC. However, the current fiscally constrained environment renders it infeasible for ABAG and MTC to underwrite entirely new housing programs without corresponding new revenue sources.

As described in Agenda Item 4a, this situation presents two options for consideration by the Joint Committee. "Option 2" would direct staff to explore expanding the regional housing portfolio through a variety of potential non-ballot activities, including a discussion of when to activate BAHFA. As part of this option, staff suggests integrating consideration of potential new activities with discussion of potential new revenue opportunities to ensure that any expansion of activities have dedicated funding. Alternatively, "Option 3" would direct staff to focus on housing activities in ABAG and MTC's existing housing portfolios, rather than seeking an expansion. Option 3 would involve holding BAHFA in hibernation unless and until the governing boards instruct staff otherwise.

On balance, staff recommends Option 2 to enable a balanced path forward that recognizes the need to address the Bay Area's ongoing housing challenges, which have only been exacerbated by the coronavirus pandemic, while doing so in a fiscally prudent, stepwise fashion that accounts for the agencies' constrained budget realities.

The attached memo provides a preliminary landscape analysis of the range of potential alternative revenue sources and potential future activities for BAHFA, in addition to a brief description of the existing housing portfolios of ABAG and MTC. If the Joint Committee members wish to pursue Option 2 to examine

potential expansion of the regional housing portfolio, including through the activation of BAHFA, staff seeks direction to develop a proposed strategy that identifies realistic funding opportunities and prioritizes the highest-value activities that can be accomplished with the resources available in several funding scenarios. Staff would prepare to return in June with such a proposal.

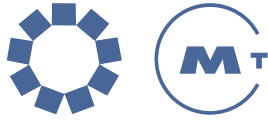
Recommendation: ABAG Administrative Committee recommends to the ABAG Executive Board to direct staff to return in June with proposed strategies; MTC Executive Committee recommends to the MTC Commission to direct staff to return in June with proposed strategies.

Attachments:

- A. Memo on Potential Future BAHFA Activities and Expanded Regional Housing Portfolio
- B. Letter from Bay Area Housing for All



Therese W. McMillan



Memorandum

TO: Joint MTC Executive and ABAG Administrative
Committee

DATE: May 18, 2020

FR: Executive Director

RE: Potential Future BAHFA Activities and Expanded Regional Housing Portfolio

Overview & Background

This memo provides an overview of the range of potential funding opportunities and related housing activities available to the Bay Area Housing Finance Authority (BAHFA). The purpose of the memo is to inform discussion of “Option 2” and “Option 3” as described in Agenda Item 4a, wherein ABAG and MTC can decide whether to explore expanding the regional housing portfolio absent a revenue measure on the November 2020 ballot (Option 2) versus focusing on the existing housing portfolios of the agencies rather than expanding (Option 3). This memo provides a preliminary landscape analysis to inform discussion.

The authority granted to BAHFA by AB 1487 is broad and enables a variety of housing-related activities even without a regional housing funding initiative. AB 1487 affords BAHFA the power to advance the “3 Ps” across the Bay Area in a capacity extending beyond what MTC and ABAG can currently deploy. While not legally required to activate BAHFA on any specific timeline absent a ballot measure, MTC and ABAG may find it desirable to do so to take advantage of the extended housing capacity of BAHFA, especially as the current public health crisis brings into sharper relief the importance of adequately housing all of the Bay Area’s residents. However, in the current budget environment, the additional powers contained within BAHFA can only be fully realized with additional resources to support the new activities; it is not feasible for MTC or ABAG to finance these activities due to fiscal constraints caused by COVID-19’s impact on the economy. Consequently, the exploration of potential new activities of BAHFA is inextricably linked with exploration of new revenue opportunities.

On balance, staff recommends Option 2. If the Joint Committee wishes to pursue Option 2, staff seeks direction to return in June with a strategic proposal that prioritizes the most viable potential revenue sources and highest-value activities that could be pursued in various funding scenarios.

This memo will first review potential revenue sources for expanded housing activities absent a regional funding initiative. Next, the memo will outline a range of potential activities that BAHFA could undertake if it can secure additional funding. Finally, the memo situates these potential future activities in context of MTC and ABAG’s existing regional housing portfolio.

Potential Alternative Revenue Sources

Aside from a ballot measure, BAHFA has statutory authority to receive funding from external sources and develop its own internal revenue streams. Potential revenue sources could include:

- ***State & Federal Funding Opportunities.*** Even prior to COVID-19, the State was considering several funding opportunities that could be coordinated through BAHFA. Several pre-existing conversations include potential funding to address homelessness and to protect renters. There could be additional funding programs developed as part of state and federal COVID-19 response packages, though importantly at the state level options may be limited due to unprecedented budget shortfalls. Staff expects to have more information about potential state funding in June, after the May revise.
- ***Private-Sector Funding Collaborations.*** During the past year, several tech companies and philanthropies have announced significant new investments for affordable housing, yet much of this funding remains untapped. BAHFA could serve as a vehicle to deploy these funds or otherwise coordinate the disparate financing sources to maximize their impact.
- ***Private Donations.*** A critical capacity of BAHFA is its ability to accept private donations. Staff could explore potential fundraising opportunities with philanthropies and other stakeholders that supported AB 1487. On May 5, 2020, the Bay Area Housing for All coalition sent a letter to ABAG Executive Board and MTC members stating that they have identified \$100,000 in private assistance to support development of a business plan for BAHFA. The letter is included as Attachment B.
- ***Earned Revenue from New Financing Tools.*** There are potential alternative financing techniques that BAHFA may be able to deploy, and staff is in conversation with affordable housing finance partners including community development financial institutions (CDFIs) regarding potential products. If any products are viable, the fees and interest from such financing tools could potentially serve as an earned income funding stream. However, additional research is needed as several legal, practical, and financial questions remain to be resolved. Further discussion would be needed to harmonize any such BAHFA activities with those of the Advancing California Finance Authority (ACFA).
- ***Regional Early Action Planning Grants (REAP).*** ABAG is scheduled to receive approximately \$24 million of one-time funds from the state budget to enhance the RHNA process and otherwise accelerate housing production in the Bay Area. Staff is in the process of designing a regional housing technical assistance program to deploy these funds to help local jurisdictions implement their RHNA allocations and adopt compliant housing elements. ABAG expects to receive an advance of \$5.9 million shortly, but these funds are already earmarked for RHNA and housing element technical assistance. Staff have had preliminary conversations with HCD and received indication that some BAHFA activities could be eligible expenses for the remaining \$18 million of REAP funds, if the ABAG Executive Board chooses to allocate the funds for these purposes. Staff would need to engage with HCD in additional conversations to clarify precisely which BAHFA activities could be funded by REAP.

Potential Future BAHFA and Expanded Regional Housing Activities

Opportunities for Regional Leadership in COVID-19 Relief & Recovery

BAHFA could serve as a vehicle to provide regional leadership to address COVID-19 related impacts on housing and economic security for Bay Area residents. There are several opportunities for strategic intervention at the regional level that could add value to ongoing responses at the local level through collaborative resource-sharing and leveraging BAHFA's

potential convening power. Two broad categories of activities that relate to COVID-19 response and recovery include:

- ***Support Regional COVID-19 Housing Response.*** There is already a complex and overlapping patchwork of emergency responses to COVID-19 at the federal, state, and local levels, and BAHFA could facilitate regional collaboration to ensure efficient deployment of existing and newly appropriated resources. For example, there is significant new federal funding that is eligible for use as rental assistance, which will layer over existing local programs and could be supplemented by future state funding; BAHFA could convene a regional network of rental assistance providers, encourage adoption of regional standards for administering these funds, and develop comprehensive regional data. Additionally, BAHFA could provide technical assistance to local jurisdictions whose already limited capacity has been stretched even further by the crisis through development of best practices and effective knowledge-sharing on various housing policies and programs across jurisdictional boundaries.
- ***Pivot to Counter-Cyclical Approach.*** If the economy continues a downward trajectory, many costs associated with housing construction may be reduced, including land acquisition and labor costs that fluctuate with economic boom/bust cycles. To the extent BAHFA can access or leverage other sources of capital, the region will be positioned to invest in housing at a time when there is an opportunity to achieve greater impact per dollar spent in addition to creating thousands of well-paying construction jobs. This could include a robust private market acquisition and preservation strategy to simultaneously prevent displacement of residents and build towards long-term affordability in a vulnerable segment of the housing stock. BAHFA can serve as a regional advocacy vehicle to marshal resources from federal, state, and private sources to invest in affordable housing in the Bay Area

Additional Potential BAHFA Activities

In addition to urgent COVID-19 responses, staff could plan and pursue a range of additional activities to establish a foundation for BAHFA to grow into a world-class, multifaceted housing finance authority. Such activities could include:

- ***Comprehensive Business Plan.*** Staff had already begun to scope a preliminary, streamlined BAHFA Business Plan to provide strategic guidance as part of gearing up for substantial new housing responsibilities in a ‘go’ scenario for a housing measure. With the extra time provided by a delay in seeking a revenue measure, staff could develop a more detailed and methodical Business Plan that is responsive to the evolving situation and also establishes BAHFA as an effective, accountable, and sustainable authority with a pathway to draw upon the resources needed to address the Bay Area’s intractable housing challenges.
- ***Develop Housing Finance Capacity.*** As mentioned above, BAHFA has authority to facilitate financing of affordable housing projects through various mechanisms including potentially via project revenue bonds. While some larger jurisdictions already deploy similar financing tools, most smaller jurisdictions do not have capacity or the technical expertise to do so and will be even less likely to develop that capacity in the current fiscal climate. BAHFA, in partnership or coordination with ACFA, could provide this capacity and take advantage of economies of scale at the regional level.
- ***Regional Funding Coordination.*** The affordable housing finance system is notoriously complex and inefficient, with affordable housing projects frequently requiring half a dozen or more distinct financing streams to make projects viable. BAHFA can leverage its convening power to facilitate greater coordination of local, regional, and state

funding sources with the goal of aligning timeline and processes to reduce administrative burdens and inefficiencies.

- **Technical Assistance to Local Jurisdictions.** Preliminary outreach to local staff indicates that many smaller jurisdictions lack capacity to proactively assemble deals that would increase housing opportunities at a variety of income levels. BAHFA could develop a technical assistance program to support local housing staff to increase Bay Area jurisdictions' competitiveness for state and federal funding sources, and ultimately ensure that more projects get built. Additionally, as local governments face significant budget shortfalls, BAHFA could provide technical assistance to fill gaps in local staff capacity on a broad range of housing policies, such as impact fees, inclusionary housing, and community stabilization policies. Such activities could be integrated with the new regional housing technical assistance program funded by REAP.
- **Regional Affordable Housing Platform.** Just as the financing system for affordable housing is unnecessarily complex, so too is the process of applying for affordable housing; time-strapped, low-income residents are forced to submit separate applications for each housing complex resulting in dozens of applications just to land on several over-subscribed waiting lists. Several local jurisdictions and sub-regional collaborations have prototyped a centralized application platform to ease the administrative burden on both applicants and affordable housing managers. BAHFA could collaborate with local partners to scale up this innovative approach to the regional level.
- **Enhanced Data Gathering.** There is a surprising lack of publicly available data on a range of housing issues, such as rent increases, evictions rates, and displacement patterns. BAHFA could spearhead regional data-gathering and build out open source data management systems, all of which could enable more effective and tailored policymaking in the future.

Existing Regional Housing Portfolio

To provide context for the expanded housing activities, below staff briefly describe the current combined housing portfolio of ABAG and MTC. Regardless of the option selected by the governing boards, staff expects to execute existing work plans for these items. If ABAG and MTC wish to expand upon these activities, staff will evaluate how any of the new housing activities could be woven into a broader package of regional housing programs to ensure alignment, to leverage administrative efficiencies, and to maximize impact.

The existing combined regional housing portfolio of ABAG and MTC includes:

- **Regional Housing Needs Assessment (RHNA)** – ABAG is statutorily required to develop a RHNA Methodology that allocates state-mandated expected growth at the jurisdictional level.
- **Regional Early Action Planning Grants (REAP)** – As noted above, this is a new technical assistance program funded by an allocation from the state budget to enhance the RHNA process and assist local jurisdictions in implementing RHNA by adopting compliant Housing Elements. This program is in development.
- **Plan Bay Area** – Housing is a central focus of the region's long-range plan and a key ingredient in the first Action Plan developed for Plan Bay Area 2040. The Implementation Plan for the forthcoming Plan Bay Area 2050 will involve housing policy and programming considerations.
- **Housing Funding & Incentive Programs** – MTC has devoted significant resources directly into housing through the Transit Oriented Affordable Housing (TOAH) and Bay Area Preservation Pilot (BAPP) funds. Additionally, MTC has incentivized housing

outcomes through various transportation funding programs such as the One Bay Area Grants (OBAG) program and the Housing Incentive Pool (HIP).

- ***Housing Permit Data Gathering and Analysis*** – ABAG/MTC have created and maintained a regional database of housing permits, which has recently expanded to include tracking the number of units through various stages of the development process. HCD is replicating and expanding upon our model at the statewide level.

Recommendation:

If the MTC and ABAG Executive board determine not to proceed with a revenue measure on the November 2020 ballot, staff recommends Option 2 – strategic expansion of the regional housing portfolio. in lieu of a revenue measure on the November 2020 ballot. If the Joint Committee wishes to pursue Option 2, staff seeks direction to return in June with a strategic proposal that prioritizes the most viable potential revenue sources and highest-value activities that could be pursued in various funding scenarios.



Therese W. McMillan



May 5, 2020

MTC Commissioners and ABAG Executive Board
Bay Area Metro Center
375 Beale St
San Francisco, CA 94105

Dear MTC Commissioners and ABAG Executive Board:

As elected officials, we know you are on the frontlines of responding to the COVID pandemic ensuring the safety and health of our Bay Area communities, especially our most vulnerable residents. On behalf of the Bay Area Housing for All (BAHA) leadership team, we want to thank all of you for the work you're doing.

As we discussed in our meeting on April 8, we recognize the path to the ballot may change in response to the COVID pandemic and accompanying economic uncertainty. As has been our approach throughout this process, the decisions we make in partnership with the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG) will continue to be both data-driven and responsive to the needs of our region. We appreciate your leadership during this uncertain time.

This crisis, and our need to 'Shelter In Place' for the sake of our shared health and the world economy, only underscores the necessity for there to be sufficient and safe homes to do so.

Our region, using the authority and structure of BAHFA already created through AB 1487, can address the severe economic and health impacts of the COVID-19 pandemic while building a strong foundation for a lasting recovery. Immediately prior to the pandemic, California faced a shortage of 1.3 million affordable homes. As we respond to this crisis and plan for our long-term recovery, the guiding motivation of BAHA has become even more critical: it is essential for everyone to have a healthy, stable home. Therefore, the BAHA leadership team remains committed to working with MTC and ABAG in standing up BAHFA to provide the kind of regional coordination, technical assistance, and funding/financing for affordable housing -- both to meet the existing need and to play a role in our region's recovery. For example:

- BAHFA could receive and coordinate funds across the region, not just from a ballot measure, but also could directly receive and disburse funds from the state, federal stimulus, private funds, etc.;
- BAHFA could provide TA to jurisdictions who are trying to figure out how to use the new federal housing dollars coming to their jurisdictions; and
- BAHFA could be a direct lender/under-writer of affordable housing production and preservation deals, which could be especially beneficial to lower-capacity jurisdictions who were short staffed before this crisis and are now even more stretched for capacity.

We believe these steps can provide our region with the relief and resources needed to address the increase in homelessness and housing insecurity we're already seeing and will continue to see as a result of the COVID pandemic and economic fallout. There is a great opportunity to leverage the structure and authorities of BAHFA, as well as existing staff, to do this work. The first, and most foundational piece, of this work is to create a business plan for BAHFA. **We understand the financial constraints that accompany this new public health and economic crisis and the impact this will have on resources available to fund the work needed to launch a regional agency. We would like to extend the offer to engage in a partnership to ensure this critical work continues to move forward. We have identified \$100,000 in assistance.**

Please feel free to reach out to any of us with your questions and thoughts. Thank you all again for your partnership.

Sincerely,

Judith Bell, Chief Impact Officer, The San Francisco Foundation
Amie Fishman, Executive Director, Non-Profit Housing Association of Northern California
Heather Hood, Vice President, Enterprise Community Partners, Northern California
Tomiquia Moss, Founder and Chief Executive, All Home

Cc: Therese McMillan, Executive Director, MTC
Rebecca Long, Government Relations Manager, MTC/ABAG
Randy Rentschler, Director of Legislation and Public Affairs, MTC/ABAG