

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

May 18, 2020

Item 4.b.

### AB 1487 Housing Revenue Measure

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**Subject:** Decision on Pursuit of November 2020 Revenue Measure

Key considerations to inform a decision regarding whether or not to pursue a general obligation bond on the November 2020 ballot to fund affordable housing.

**Background:** Assembly Bill 1487 (Chiu, 2019) established the BAHFA as a separate legal entity comprised of the same governing board as MTC and authorized BAHFA, subject to prior approval of the ABAG Executive Board, to place a funding measure on the ballot to fund affordable housing. The bill authorized four distinct funding mechanisms subject to voter approval, including a general obligation bond backed by a property tax assessment, an employee head tax, a parcel tax, and a gross receipts tax. The bill also authorized the ABAG Executive Board and BAHFA to impose a commercial linkage fee up to \$10/square ft. without voter approval but only *after* voters have already approved a parcel tax or a general obligation bond. This condition was added during the legislative process as a way to ensure that taxpayers (not just employers) are contributing towards affordable housing before a fee is imposed on commercial development.

Since last spring, the sponsors of AB 1487—Nonprofit Housing Association of Northern California (NPH) and Enterprise Community Partners (Enterprise)—have been exploring Bay Area voter sentiment about a regional role in affordable housing. An April 2019 poll commissioned by NPH and conducted by EMC Research found strong support (74 percent) for taking a regional approach to housing in the Bay Area versus city by city policies. NPH focused its revenue-related polling efforts on a general obligation bond, judging it the most feasible revenue mechanism to attract a two-thirds vote that could also generate *significant* funding in the near term. Notably, under AB 1487, any of the revenue mechanisms authorized may be put to a subsequent vote at any point in the future after other mechanisms have been approved.

**Recommendation:** Defer placement of a regional housing funding measure to a future election.

**Discussion:** **Summary of Polling Results to Date**

Over the last year, NPH has sponsored three polls exploring Bay Area voters' opinions regarding a potential general obligation bond of \$10 billion, with an estimated property tax levy of 35 cents per \$1,000 of assessed value, or \$350/year for a home valued at \$1 million. This included polls in April 2019, November 2019, and most recently, early May of this year. The Committee will receive an

update on the most recent poll at your meeting. This is a long-anticipated piece of information to inform your decision about whether to place a measure on the November 2020 ballot. If the polling is favorable and the joint Committee recommends the ABAG Executive Board and BAHFA place a measure on the ballot, BAHFA would need to adopt a resolution approving the ballot question by the end of July to meet the statutorily required election deadlines.

In 2019, polling showed Bay Area voter support for a regionwide affordable housing bond hovered right around the two-thirds vote threshold. Specifically, in April and November 2019, EMC Research conducted two separate polls testing a \$10 billion affordable housing bond with the following question:

Shall an ordinance to provide: affordable housing for Bay Area residents including low income families, veterans, seniors, persons with disabilities and those experiencing homelessness, and affordable housing near transit to shorten commutes and help working families like teachers and first responders afford local housing by issuing \$10,000,000,000 in general obligation bonds with an estimated levy of 35 cent per \$1,000 of assessed value, generating \$670,000,000 annually for approximately 30 years, with oversight and audits, be adopted?

Both polls found approximately the same level of support with a slight increase in November (63% in April and 67% in November). While these results were encouraging, given how close they were to the two-thirds margin they were by no means persuasive. First, the survey size was quite small for a regional measure (484 in April and 421 in November). Additionally, the results indicated that an organized opposition campaign could easily defeat a regionwide housing measure and that affirmative arguments were ineffective.

To provide more detail at the sub-regional level the most recent poll conducted from April 26-May 6<sup>th</sup> had a total survey size of 2,491 likely voters for a split two-way sample testing different questions related to a \$10 billion general obligation bond. Unfortunately, the COVID-19 pandemic has clearly weakened voter support for a housing bond at this time; the question that polled more favorably found that only 60 percent of voters would vote “yes” or “lean yes,” well below the required two-thirds vote. Staff from EMC Research will present more details on the poll at your meeting.

### **Election Costs**

As has been discussed over the last few months, if the boards decide to place a measure on the ballot, BAHFA is required to reimburse the counties for the incremental cost of placing a measure on the ballot. If the measure passes, this is not a concern as the statute makes clear that the proceeds of the measure are to be used for this purpose. If the measure fails, however, BAHFA is still required to reimburse the counties for their incremental costs and must do so out of any funds

transferred to BAHFA from MTC, ABAG, or another public or private entity. While we understand that there may be some interest among private entities to help defray this cost, staff is unaware of any formal offer at this time.

The most recent experience with a nine-county measure is the June 2018 election for Regional Measure 3, for which counties charged the Bay Area Toll Authority \$3.2 million. We have been in contact with the election offices in each county and have specifically asked them how the costs would change if we were to reduce the number of pages of the ballot summary, which was 20 pages in the case of RM 3. In some cases, responses made clear that costs would be reduced by a smaller page count, while in others they noted costs would be about 10-15% higher. Based on the responses provided to date, staff believes an estimate of \$3 million is reasonable since the vast majority of the costs are tied to printing and assessed on a per-page basis. (Note that Alameda County Registrar of Voters, which had earlier indicated their costs would be \$4.5 million has clarified that their “billing model” would be the same as RM 3, for which BATA was billed \$720,140.)

In addition to the direct reimbursement of each county’s incremental election costs, the agency should expect to incur other election-related expenses including translation of the ballot summary, public information materials, and legal expenses. In the case of translations, AB 1487 assigns responsibility for translations to the county that contains the largest population among those that are required to translate ballots unless it chooses to delegate this responsibility to BAHFA. Santa Clara County fits this criterion and its Office of Registrar has notified us that they prefer to conduct the translations themselves and provided a cost estimate of approximately \$25,000. With regard to public information materials, this is variable. To the extent that most of the work is digital, rather than print, the work would likely be done in house and the only cost is staff time producing materials. In the case of RM 3, MTC did produce a trifold brochure, but the printing costs were modest—totaling less than \$2,000. Lastly, placement of a measure on the ballot does require expert legal advice with regard to details such as the impartial analysis and the ballot question. In RM 3, we spent \$43,000 on outside counsel for such purposes. Therefore, in summary we can expect approximately \$100,000 in direct election-related expenses as well as expenses of 2-3 full time equivalent (FTEs) for 3-6 months.

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**Conclusion:**

The outbreak of COVID-19 has significantly changed the landscape since prior ABAG and MTC conversations on this topic. The most recent polling results demonstrate a high risk that voters would reject the measure, with significantly less support for a regional tax measure than in previously polling. This also poses a substantial budget risk as there are no funds available in the MTC or ABAG budgets to cover election related costs if the measure fails. In light of these circumstances, staff recommends we not pursue a ballot measure at this time.



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