



## *Memorandum*

TO: ABAG Housing and MTC Executive Committees

DATE: October 15, 2020

FR: Executive Director

RE: Update on Expanded Regional Housing Portfolio

### **Background**

In June, the ABAG Executive Board and the Commission approved an initial strategic framework for an Expanded Regional Housing Portfolio (see attachment). This emerging regional initiative will provide a comprehensive, data-driven regional housing strategy to support local jurisdictions and other partners in addressing the Bay Area's chronic housing affordability crisis across all "3 Ps": protection of tenants from displacement, preservation of existing housing, and production of new homes. As a collaboration between ABAG, MTC, and the recently formed Bay Area Housing Finance Authority (BAHFA),<sup>1</sup> the Expanded Regional Housing Portfolio will draw upon the full range of authorities and tools available at the regional level to pursue solutions at scale.

The initial strategic framework included a three-phase implementation plan. Phase 1 focused on planning for future activities, establishing components of the governance infrastructure for the portfolio, and identifying funding opportunities to resource anticipated work. This memo reports on the progress achieved during Phase 1 and proposes an approach for Phase 2, which is oriented towards developing and launching several pilot projects.

### **Phase 1 Progress Report**

Phase 1 of the Expanded Regional Housing Portfolio included a three-month work plan. During this period, all key tasks have been completed or substantially advanced, including the following:

#### *Support Regional Housing Committees*

- Formed the new ABAG Housing Committee, which held its inaugural meeting in July.
- Activated the BAHFA Board, which held its first meeting in late June.
- Engaged with members of the BAHFA Interim Advisory Committee for feedback and technical assistance related to research on potential pilot activities.

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<sup>1</sup> By statute, the governing board for BAHFA is comprised of the same members as the MTC Commission, and MTC/ABAG staff serve as staff for BAHFA. References to "BAHFA" in the balance of this memo reflect this relationship between BAHFA and MTC.

*Expanded Regional Housing Portfolio Business Plan*

- Secured \$500,000 to support development of the Business Plan through a public-private partnership model, including an ABAG contribution of up to \$400,000 from the Regional Early Action Planning Grants (REAP) allocation from HCD.
- Developed the scope of work for the Business Plan with input from a variety of stakeholders across the 3Ps.
- In the near future, staff will release a Request for Proposals to secure consultant support for the Business Plan. Staff anticipates selecting a consultant in early 2021.

*Track Federal and State Housing Efforts*

- Monitored state and federal legislation and budget processes for housing-related issues.
- Staff provided housing briefings to joint ABAG/MTC Legislative Committees as needed. Due to COVID-related budget challenges and Congressional stalemate, no new funding opportunities advanced at the state or federal levels over the summer.
- Staff will collaborate with key regional and statewide stakeholders to identify potential priorities for the next state legislative session.

*Explore and Pursue Partnership Opportunities*

- Engaged with a range of philanthropic and private sector entities. One potential opportunity is the “Partnership for the Bay’s Future,<sup>2</sup>” a regional collaborative launched with the support of the San Francisco Foundation, the Chan Zuckerberg Initiative, the Ford Foundation, Local Initiatives Support Corporation, Facebook, Genentech, Kaiser Permanente, the William and Flora Hewlett Foundation, the David and Lucile Packard Foundation, the Stupski Foundation, and Silicon Valley Community Foundation.
- Engaged with staff at other public agencies and stakeholders across the Bay Area to understand the needs of local jurisdictions and explore potential partnerships.
- Identified five new value-add initiatives that could serve as pilot projects to launch Phase 2 of the implementation plan (more detail on the pilots provided below).

**Transition to Phase 2: Strengthen Regional 3Ps Capacity to Successfully Implement Future Capital Resources**

Based on the research conducted during the last three months, staff has developed a proposed approach to transition to Phase 2. The approach seeks to secure new revenue to invest in pilot projects that will strengthen regional capacity across the 3Ps. As such, Phase 2 will lay the foundation for the ultimate goal of the Expanded Regional Housing Portfolio to be achieved in Phase 3, once significant new capital resources are secured: transformative, systems-level change in housing supply and stability across the Bay Area.

As an intermediary step, Phase 2 activities are designed to achieve three near-term goals:

1. Make a meaningful impact on housing and homelessness in the Bay Area;

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<sup>2</sup> More information available at [www.baysfuture.org](http://www.baysfuture.org).

2. Establish a proof of concept for a coordinated regional housing strategy that will inspire investment in more ambitious future programs, such as a future regional ballot measure; and
3. Incrementally build capacity and expertise – both within the regional agencies as well as in local housing departments – to ensure that significant future capital resources can be deployed efficiently and effectively.

*Expanded Regional Housing Portfolio and Local Governments: Complement and Fortify*

As the regional housing portfolio is expanded with new activities, it is critical to recognize the indispensable role of local governments, especially given their ground-level view of housing instability and their authority over land use decisions. However, many local governments struggle with significant capacity challenges in the housing sector. With the loss of redevelopment, most jurisdictions in the Bay Area do not have a housing department at all. The role of the Expanded Regional Housing Portfolio vis-à-vis local governments is to **complement and fortify** their efforts, supporting increased access to technical expertise and attracting new resources to advance local projects and programs that further regional goals.

To facilitate relationship-building across jurisdictions and develop a space for shared learning, ABAG and BAHFA staff will begin to convene local housing staff on a quarterly basis. The convenings can also serve to identify longer-term technical assistance needs that the regional agencies could deliver once new resources are secured. The regular convenings will aim for participation from all relevant local staff, with particular attention to counties and cities that would receive a direct allocation of funds from a regional ballot measure.

This activity could yield multiple benefits across the region, including:

- Strengthen cross-jurisdictional relationships
- Identify and disseminate best practices and decrease duplicative work
- Increase regional understanding of local housing decisions and programs
- Develop the foundation for a strong partnership between BAHFA and local housing staff to ensure swift and impactful deployment of future regional housing funds

*Launch Pilots that Build Regional Capacity*

The Expanded Regional Housing Portfolio presents a critical opportunity to increase capacity and grow housing implementation expertise at ABAG and BAHFA. The early-stage pilot projects could enable the regional agencies to build in-house capacity across all 3Ps, including affordable housing finance, regulatory compliance, affordable housing preservation, and tenant protection programs. The pilots also present an opportunity to expand new data systems to track and analyze housing data at a regional level to enable data-driven policy and funding decisions. The pilot projects described below are designed to incrementally build regional staffing capacity and expertise, as well as technological infrastructure, so that BAHFA is ready to allocate transformative capital resources with the speed and scale that the problem merits.

Pilot 1: Regional Affordable Housing Application Platform (“Doorway”)

**Need:** The process for lower-income residents to access deed-restricted affordable homes is complex and uncoordinated. Time-strapped residents must submit separate (usually paper)

applications to each individual housing development. Jurisdictions seeking to develop local preferences in tenant selection typically do not have the technology to swiftly implement policies in accordance with fair housing rules.

**Approach:** San Francisco launched a city-wide, coordinated affordable housing search and application platform (DAHLIA) that centralizes all available affordable housing opportunities. This platform is widely recognized as a success. Several jurisdictions have begun to expand the platform to other parts of the region through an initiative called “Doorway.” Bay Metro could partner with Doorway to further expand this platform.

**Impacts:**

- Ease the administrative burden on housing-seekers and property managers.
- Overcome persistent equity barriers to affordable housing that favor those with time and skills to navigate the complex existing system.
- Facilitate development and deployment of local preference policies that can target available housing resources to achieve racial equity goals.
- Develop robust data on the housing needs of various populations and geographies to inform regional funding priorities.

Pilot 2: Affordable Housing Pipeline Database

**Need:** To comprehensively address the regional affordable housing crisis, it is critical to develop a reliable pipeline of affordable housing projects and identify the funding gap for projects. Moreover, the current financing system for affordable housing is complex and uncoordinated and requires developers to piece together financing from many sources.

**Approach:** Create an affordable housing pipeline that includes units in all stages of development. This will require primary data collection from public and private sources, including state funding programs, local jurisdictions, community development finance institutions, and developers.

**Impacts:**

- Case making for new affordable housing funding by quantifying the financing gap.
- Increase the impact of existing affordable housing funding by improving efficiencies in the affordable housing finance system.
- Inform funding priorities for future capital resources.
- Greater coordination and management of regional affordable housing developments, which may lead to a regional queue for tax credits and bonds that could further increase efficiencies and cost-savings.

Pilot 3: Strengthen Regional Acquisition and Preservation Programs

**Need:** Preservation strategies are critical tools to break a displacement pattern all too common in the Bay Area: speculative acquisition of an aging building, eviction of the existing residents, renovation of the units, and then renting or selling the property to higher-income

new residents. This pattern simultaneously displaces primarily black, indigenous, and people of color while also reducing the housing stock affordable to lower-income people. The threat of speculative displacement has only increased during COVID -- threatening a repeat of the 2008 foreclosure crisis, now in the multifamily sector.

**Approach:** Explore a potential restructure of the Bay Area Preservation Pilot (BAPP). This revolving loan fund seeded by \$10 million in capital from MTC has achieved limited impact due to shifting market conditions. Successfully redesigning this fund could serve as a proof of concept for BAHFA's regional preservation mandate. Additionally, staff will leverage ABAG's Bay Area Regional Energy Network (BayREN), which offers rebates, grants, and technical assistance to lower utility costs in aging apartments, potentially resulting in economic feasibility of some preservation projects that otherwise may not pencil.

**Impacts:**

- Stabilize communities, especially lower-income communities and communities of color, by ensuring that the existing housing stock remains permanently affordable.
- Build capacity so that preservation becomes a more common strategy among affordable housing practitioners and agencies.
- Provide opportunities for lower-income communities and communities of color to build wealth through innovative models (land trusts, limited equity coops, etc.).

Pilot 4: Regional Homelessness Prevention System Design

**Need:** Roughly 850,000 households in the Bay Area with extremely low incomes are just one emergency away from losing their homes and eventually ending up on the streets. While every Bay Area County faces homelessness, there is no regional, coordinated homelessness prevention system in the Bay Area. Instead, homelessness prevention as well as homelessness services are typically operated at the county or city level -- and most city/county offices are so overwhelmed responding to their existing unhoused population that they do not have a comprehensive local homelessness prevention system.

**Approach:** The Regional Impact Council, convened by All Home with participation by nearly a dozen ABAG and BAHFA Board and staff members, is engaged in a multi-year, "blue-ribbon" effort to advance bold solutions for homelessness. This multi-sector effort presents a partnership opportunity to help build regional consensus and identify appropriate roles and responsibilities. One concept that is being considered in this process is to design the model for a regional homelessness prevention system. This could include a standardized assessment tool as well as uniform data collection and system evaluation, which could be woven into the existing homelessness services ecosystems in several pilot jurisdictions.

**Impacts:**

- A coordinated, regional homelessness prevention system that can efficiently deploy flexible resources and inspire the investment of significant new public and private resources that match the scale of the problem.

- Create a pathway towards ending homelessness in the Bay Area, rather than just managing it. Build towards a future where homelessness is a rare, brief, and non-recurring condition.

Pilot 5: Strengthen Rental Assistance Network and Disseminate Best Practices

**Need:** Tenant protection programs are an upstream, cost-effective strategy to enable residents to remain in their homes. Currently, there is acute need for enhanced tenant protection programs as pre-COVID displacement pressures are exacerbated by the economic fallout from the pandemic, with thousands of renters in the Bay Area at risk of immediate displacement upon the expiration of eviction moratoria. There are few regional initiatives that address the problem at scale or that can provide standardized data across jurisdictions. For example, while many jurisdictions and organizations have rental and mortgage assistance funds, there is no regional network that can facilitate development of best practices nor are there regional standards for eligibility criteria, data tracking, or outcome evaluation.

**Approach:** Develop a regional network of rental and mortgage assistance providers to ensure efficient deployment of eligible local, state, and federal COVID relief funds. This could involve regular convenings of local government and nonprofit providers, developing standardized regional best practices, and facilitating region-wide data collection and evaluation. This approach would dovetail with the regional homelessness prevention system (see above).

**Impacts:**

- Maximize the impact of public and private resources to prevent displacement of Bay Area residents, especially people of color and other systematically marginalized groups that bear the brunt of the dual threats posed by COVID-19 and the displacement crisis.
- Case making for significant new federal COVID-relief funding by developing region-wide data that quantifies the need.

**Next Steps**

Staff anticipates publishing a “Concept Paper” for the Expanded Regional Housing Portfolio in November to package the content in this report for a public audience. Throughout the fall and winter, staff will support ABAG and BAHFA leadership in fundraising efforts alongside other public and private sector partners. In early 2021, staff expects to recommend a consultant for the Business Plan for approval, to initiate the convenings of local housing staff, and to soft launch several of the pilot projects pending fundraising outcomes. As an ongoing task, staff will collaborate with stakeholders to monitor state and federal legislative and funding opportunities and brief the Committees as appropriate.



Therese W. McMillan

Attachment:

Memo on Initial Strategic Framework for Expanded Regional Housing Portfolio (approved by the Executive Board on June 18, 2020 and the Commission on June 24, 2020)