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September 13, 2023

Agenda Item 7.a.

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Planning for 2024 Regional Housing Bond

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**Subject:**

Overview of Local Expenditure Planning process required for the 80% of funding administered by Bay Area counties and direct-allocation cities from the anticipated 2024 Regional Housing Bond, and how the Bay Area Housing Finance Authority (BAHFA) is supporting jurisdictions throughout this process

**Background:**

The San Francisco Bay Area Regional Housing Finance Act (Gov. Code sec. 64500, et seq.) (the "Act") established BAHFA in 2019 and mandates certain aspects of the administration of revenues raised by BAHFA, including how bond proceeds shall be expended. If the anticipated Regional Housing Bond (the "Bond") passes in November 2024, 20% of the funds will be retained by BAHFA for a regional program and 80% of the funds will return to the county of origin. The Act states that counties and certain cities are entitled to receive a direct allocation. In 2024, four cities would qualify for direct allocation: San Jose and Oakland (based on population) and Santa Rosa and Napa (based on their share of regional housing needs assessment ("RHNA") for lower income households in their counties).

Each jurisdiction that receives a direct allocation will be required to submit an Expenditure Plan that meets specific requirements outlined by the Act to the Bay Area Housing Finance Authority to receive their proportion of funding. These Plans are expected to be due in the first quarter of 2025 pending a successful Bond measure.

The Act affords greater flexibility to county and local Expenditure Plans using the 80% return-to-source funds than for BAHFA's Expenditure Plan with the remaining 20% of Bond funds. For example, counties and cities have a larger share of flexible funding (28%) than the regional program (18%). While all bond-funded housing must be deed-restricted, the term of the restriction is undefined for local governments whereas BAHFA's investments must carry a minimum 55-year affordability covenant. Local governments' Production and Preservation funds must be affordable with a cap of 120% of Area Median Income ("AMI"), whereas BAHFA's Production funds are capped at 80% of AMI. For local Expenditure Plans, rental, homeownership, and interim housing are all eligible uses of Production funds, while BAHFA's Production funds are limited to rental housing (though for BAHFA ownership units and interim housing are permitted uses of the flexible funding and local government grant program).

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The Act requires local Expenditure Plans to fulfill the following additional requirements:

- Local governing boards and councils must approve plans at a noticed hearing;
- Must include minimum 52% for Production, 15% for Preservation, and 5% for Protections, though eligibility of Protection programs for bond funding is contingent on the language and passage of an anticipated voter-initiated measure to amend the California Constitution to expand eligible uses of bond funds;
- Production should “prioritize” projects that help meet extremely low income, very low income, and low income RHNA targets; and
- 28% Flexible Funds can be for housing and “housing-related uses.”

If the Expenditure Plan meets all required criteria, the plan is deemed approved. If the ABAG Executive Board and the BAHFA Board vote that a Plan is incomplete, funding could be withheld until a completed Plan is submitted. To create a complete and compliant local Expenditure Plan, BAHFA anticipates that counties will need to conduct outreach and information-sharing sessions with all cities within each county as well as members of the public.

**Support to Jurisdictions:**

BAHFA is providing technical assistance to inform jurisdictions of these requirements, and to provide data, informational materials, and other support to local agency staff to complete their Expenditure Plans over the coming 18 months.

Over the past three months, BAHFA has held convenings, met with local jurisdiction staff and elected leadership across each county, and distributed materials to assist with the first steps of this process. These activities have included:

- A convening of all housing department leadership from each county (including the direct-allocation cites) to discuss and review the requirements of local Expenditure Plans;
- A convening of all housing department leadership, homeless service leadership, and public housing authority leadership to discuss the challenges of producing and maintaining deeply affordable and permanent supportive housing;
- The distribution of BAHFA- and MTC-created technical assistance materials, including a local expenditure planning template and jurisdiction-specific data packets, as well as guides to equitable engagement and housing-related communications.

BAHFA will continue to provide support to counties and cities creating local Expenditure Plans through public engagement support and sample staff reports and PowerPoint decks. These materials will be designed in partnership with the MTC-ABAG’s Regional Planning Program, which is responsible for the award-winning Regional Housing Technical Assistance program.

At the request of local agency leadership, BAHFA will also be hosting several meetings for local housing staff in fall 2023 to provide an informal space to discuss the expenditure planning process, to problem-solve across jurisdictions, and to share success stories and progress. BAHFA will also provide on-call support.

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**Issues:**

None

**Recommended Action:**

Information

**Attachment:**

A. Presentation

**Reviewed:**



Andrew Fremier