Association of Bay Area Governments   **Bay Area Housing Finance Authority**

ABAG Housing Committee   **Oversight Committee**

May 8, 2024   Agenda Item 9.a.

Bay Area Affordable Housing Pipeline

Subject:

Presentation of the Bay Area Affordable Housing Pipeline database, which inventories the region's affordable housing developments in various stages of predevelopment.

Background:

The Bay Area Affordable Housing Pipeline (Pipeline) is a database that inventories affordable housing across the region that is in various stages of predevelopment. Predevelopment ranges from early-stage planning, to entitlements, to permitting, to securing all necessary financing.

In August 2020, Enterprise Community Partners (Enterprise) created the first iteration of the Pipeline. Using both publicly available and proprietary data, it was a point-in-time database of the region's forthcoming affordable housing. In 2022, the Bay Area Housing Finance Authority (BAHFA) commissioned a Pipeline database update as one of BAHFA's five pilot projects. This summary sheet features analysis from the second and most recent Pipeline update commissioned by BAHFA and completed by the Enterprise team in November of 2023.

As the Bay Area works to meet its affordable housing needs, the Pipeline provides both guidance and urgency. While illustrating excellent progress around the Bay Area in advancing affordable housing production, it also highlights the significant resources needed at the state, regional, and local level to move these affordable homes from predevelopment to construction.

Bay Area Housing in Predevelopment, 2023

There are a total of 433 affordable housing developments comprised of 40,896 affordable units in some stage of predevelopment in the Bay Area and for which developers have not yet secured all funding necessary to start construction. The table below breaks down the pipeline projects and units by county.

May 8, 2024   Agenda Item 9.a.

Bay Area Affordable Housing Pipeline

County	Affordable Housing Projects in Predevelopment	Affordable Homes in Predevelopment
Alameda	115	10,086
Contra Costa	32	2,513
Marin	22	1,173
Napa	15	1,496
San Francisco	86	8,448
San Mateo	37	3,099
Santa Clara	86	10,367
Solano	4	310
Sonoma	36	3,404
Regional Total	**433**	**40,896**

Total Development Costs Per Unit

County	All Developments	All Developments	25% Lowest-Cost Developments	25% Lowest-Cost Developments
	Average Cost Per Unit	Estimated Subsidy Need Per Unit (Local + State, Assumed 35%)	Average Cost Per Unit	Estimated Subsidy Need Per Unit (Local + State, Assumed 35%)
Alameda	$825,000	$289,000	$472k	$165k
Contra Costa	$798,000	$280,000	$598k	$209k
Marin	$794,000	$279,000	$654k	$229k
Napa	$553,000	$193,000	$495k	$173k
San Francisco	$873,000	$305,000	$568k	$199k
San Mateo	$874,000	$306,000	$624k	$218k
Santa Clara	$868,000	$304,000	$751k	$263k
Solano	$671,000	$235,000	$491k	$172k
Sonoma	$634,000	$222,000	$582k	$204k
Regional Total	**$817,000**	**$286,000**	**$530k**	**$185k**

The table above shows average cost per unit for all 433 developments in the Pipeline, regardless of their construction type (i.e. new construction or acquisition and rehab) or principal funding source (4% or 9% low-income housing tax credits [LIHTC]). The Pipeline's total

May 8, 2024   Agenda Item 9.a.

Bay Area Affordable Housing Pipeline

development cost per unit varies significantly across counties. The cost also widely varies within counties, given the range of housing types, populations served, and site contexts. Urban infill developments serving people with more acute needs, for example, tend to be more expensive on a per-unit basis, but these developments do advance other key climate and equity goals. Higher per-unit costs also lead to a higher subsidy need per unit, requiring developer teams to find additional funding sources either at the local or state level to make the project feasible.

On average, local subsidies covered approximately 20% of total development costs (TDC) for projects that secured LIHTC allocations between 2021 and 2023 and that also receiving local funding. Another 15% of TDC for these projects came from state subsidies. These averages inform the assumption presented in the Pipeline brief, that projects need public subsidies to cover 35% of their costs.

Funding Needed to Unlock the Pipeline

Most affordable housing projects layer multiple funding sources to achieve financial feasibility, as follows:

- Tax-exempt bonds
- 4% (and sometimes 9%) LIHTC equity
- Conventional bank mortgages
- Local (and sometimes state) subsidies, also known as "gap financing"

The funding sources listed above, with the exception of conventional mortgages, are all currently over-subscribed in California.

The funding needed to unlock the pipeline's approximately almost 41,000 homes is estimated to be:

- $9.7 billion in tax-exempt bonds
- $11 billion in 4% LIHTC equity
- $1.3 billion in 9% LIHTC equity
- $1.4 billion in state tax credit equity
- $9.7 billion in gap financing

May 8, 2024   Agenda Item 9.a.

Bay Area Affordable Housing Pipeline

Methodology:

To create the Pipeline, Enterprise collected data from several sources:
- Public data on applications for state programs, regardless of award status (e.g., 4% and 9% LIHTC, the California Housing and Community Development Department's Multifamily Housing Program).
- Local public data from city and county housing departments and public housing authorities.
- Proprietary data from affordable housing developers and financial partners.

The Pipeline is likely an underestimate of developments in predevelopment. For example, this dataset does not include developments that do not seek local funding (often built by for-profit affordable housing developers), developments that have yet to seek public funding, and developments that were not reported by jurisdictions or developers.

To calculate the funding needed to unlock the Pipeline of affordable homes, Enterprise relied on both actual cost projections reported directly from affordable housing developers and estimates derived from historical data (using standard cost inflation metrics). This historical data included:

- Average per-unit cost by county for projects receiving local subsidy and 2021-2023 LIHTC allocations.
- Average tax credit equity for 4% and 9% LIHTC projects receiving local subsidy and 2021-2023 LIHTC allocations.
- For projects receiving 2021-2023 LIHTC allocations that also received local subsidies, the percentage of total costs attributable to each funding source.

Next Steps:

Enterprise will publish a brief on the analysis and continue to update the Bay Area Affordable Housing Pipeline, with ongoing collection of data. BAHFA will continue to use the Pipeline to facilitate technical assistance for jurisdictions preparing their bond expenditure plans and to focus on its own investment opportunities around the region. Finally, Enterprise plans to publish a pipeline study of all affordable housing in predevelopment throughout the state, in an effort to highlight the need for housing resources statewide.

Issues:

None

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May 8, 2024

Agenda Item 9.a.

Bay Area Affordable Housing Pipeline

Recommended Action:

Information

Attachment:

A. Bay Area Affordable Housing Pipeline Presentation

B. Bay Area Affordable Housing Pipeline Brief

Reviewed:

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