

Bay Area Housing Finance Authority (BAHFA)

November 20, 2024

Agenda Item 4.a.

BAHFA Updates and Next Steps

Subject

Update about BAHFA and the broader regional housing portfolio following removal of Regional Measure 4 (RM4) from the November 2024 ballot and discussion of next steps

Background: Withdrawal of Regional Measure 4

On August 14, 2024, the BAHFA Board voted unanimously to remove RM4 from the November 2024 ballot. The decision came in the wake of requests from speakers during public comment to withdraw RM4 to focus efforts on Proposition 5. RM4 campaign leaders advised the BAHFA Board that they no longer saw a path to success by pursuing two campaigns at the same time – one regional and one statewide – and directly asked BAHFA leadership to remove RM4 from the ballot.

RM 4's success hinged on the success of Proposition 5, and thus the affordable housing sector pivoted resources to passing that measure; the ABAG Executive Board and the Commission voted to endorse it. As of the time of production of these materials, it appeared that Proposition 5 would not succeed. Assuming Proposition 5 is defeated, any future general obligation bond BAHFA may pursue will require approval from two-thirds of voters.

BAHFA, ABAG, and MTC retain their commitment to producing and preserving the affordable housing millions of Bay Area residents need and advancing tenant protections for millions more vulnerable Bay Area residents, despite the setback of RM4's removal from the November 2024 ballot. This item begins discussion of next steps for BAHFA and proceeds in three parts. First, the memo focuses on "level setting" by situating BAHFA within the broader regional housing portfolio shared with ABAG and MTC, emphasizing the significant body of existing programs that can deliver near-term impact despite the removal of RM4. Second, the memo offers a preliminary set of potential new activities to expand BAHFA's near-term impact in the current resource-constrained environment. Third, the memo ends with considerations for a future housing measure, proposing to kick off those discussions in early 2025 once more information about key external factors is known.

Level Setting: Current Housing Activities within Regional Housing Portfolio of ABAG, MTC, and BAHFA

Before considering next steps for BAHFA, it is important to recognize the broader housing portfolio shared by ABAG, MTC, and BAHFA. This is important in two key respects. First, while BAHFA may have received the most public attention, both ABAG and MTC have enhanced their regional housing activities during the last four years. The consolidated staff have made strides to integrate activities across all three agencies, and the current resource-constrained environment underscores the need to continue doing so to efficiently maximize impact. Second, despite the removal of RM4, there is a robust body of ongoing regional housing work across the 3 Ps (Protection of existing residents from displacement, Preservation of affordable housing, and Production of new homes).

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An overview of the current housing portfolio shared by ABAG, MTC, and BAHFA is included as **Attachment B**. Considerable attention is given to BAHFA's Pilot Programs, all of which are ongoing. The list of housing projects awarded funding by BAHFA and MTC as part of the current portfolio of programs is included as **Attachment C**. These projects, once completed, will add nearly 1,700 new affordable homes and preserve an estimated 865 homes, while also developing a longer-term pipeline for an additional 12,800 homes that will need funding in the future to bring to fruition. An illustrative example of the power of the Priority Sites Program is included as **Attachment D**, MTC's news story of the recent Priority Sites loan closing for Chinatown TOD Senior Housing, a 97-unit affordable development that will serve low-income seniors at the reimagined Lake Merritt BART station, including 44 homes for formerly homeless seniors.

The primary near-term focus for ABAG, MTC, and BAHFA is to deliver the current portfolio of programs and projects to achieve immediate impacts on housing affordability and stability in the Bay Area and to pave a path for success for any future housing revenue measure.

BAHFA's Staffing and Budget Capacity

In 2021, BAHFA received a \$20 million start-up grant from the State Legislature that launched the pilot projects described in Attachment B and enabled the hiring of a small staff for a four-year period set to expire in June 2026. Several other grants, including one from Google.org, allowed BAHFA to hire several more time-limited staff whose terms also expire in June 2026. The BAHFA-funded staff are complemented by additional MTC staff who bring a variety of housing-related expertise, a handful of whom are also time-limited.

Given the time-limited nature of all BAFHA staff, a medium-term priority will be identifying funding to ensure the operational sustainability of ongoing and future work. While current funding offers a good runway, and careful management of resources may extend BAHFA's budget for staffing and program expenses beyond June 2026, contingency planning is a necessity. Upon receipt of invoices from county assessors' offices for ballot work on RM4 completed prior to its removal, as well as additional costs associated with RM4, BAHFA will conduct a full budget reconciliation. BAHFA's isolated annual staffing expense, including overhead and benefits, is approximately \$3 million.

Potential New BAHFA Program and Policy Proposals

As described above and in Attachments B and C, BAHFA is fully engaged on multiple 3P fronts with staff managing full workloads related to Pilot Program implementation and integrating within other housing initiatives at ABAG and MTC. As BAHFA carries out this existing workload and considers new funding opportunities (as further described below, with multiple, inherent challenges), RM4's removal provides guiding lessons. Keeping those lessons paramount in BAHFA's new pursuits will be essential to meeting the region's economic moment and regional housing needs. BAHFA, MTC and ABAG should also continue their full integration of programs and policies, so that, first, ongoing staffing costs are covered as effectively as possible by leveraging expertise and funding availability across all work streams. More importantly, the full

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integration of housing, mobility and environmental goals is key to fulfilling the agencies' broader regional mission, as articulated in Plan Bay Area 2050.

Proposed initial approaches for new housing programs are described in **Attachment E**. Staff expect to build upon these initial ideas during the coming months based on feedback from the BAHFA Advisory Committee, this Joint Housing Committee, and BAHFA's Boards.

Future Regional Housing Revenue Measure

A series of questions that surfaced during preliminary staff discussions with stakeholders relate to a future regional housing revenue measure, including possible timing (2026 versus 2028), the mechanism (general obligation bond versus some other option authorized by BAHFA's statute), and the scale (how much funding can be raised).

There are several external factors that will influence a future housing revenue measure:

1. **Proposition 5:** As noted above, this statewide constitutional amendment on the November 2024 ballot that would have established a 55% voter threshold for affordable housing and infrastructure bonds appears to have been rejected by voters. Planning for a future general obligation bond must assume a supermajority voter approval threshold.
2. **Transportation Revenue Measure:** This summer and fall, MTC convened a Select Committee to evaluate options for a potential future regional transportation revenue measure. The final meeting of the Select Committee occurred on October 21, 2024. The Select Committee developed several scenarios that will be forwarded to the full Commission. The Commission is slated to consider the scenarios and determine whether to forward a recommendation (or set of recommendations) to the state legislature later this year. A regional transportation revenue measure requires authorizing legislation, and thus ultimately the parameters of such a measure rest with the state government.

One of the considerations for a regional transportation revenue measure will be its intersection with a future housing measure in terms of timing and, if the transportation authorizing legislation is property-based, the type of tax mechanism (e.g., parcel tax). Authorizing legislation for a transportation revenue measure would likely be resolved by early fall 2025, if at all.

An additional complication is that a potential alternative to an MTC-led regional measure is that transit agencies and/or counties may instead pursue their own independent measures to avert the transit fiscal cliff. Some of the potential measures currently under discussion would require state authorizing legislation (e.g., a multicounty BART measure). This could lead to a scenario with no MTC-led regional transportation measure on the 2026 ballot, yet one or several transportation measures still on the ballot in some sub-regional geographies.

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3. **County and Local Revenue Measures:** In preliminary conversations with local officials, staff have received information that some counties are considering their own housing measures in 2026. Staff's understanding is that these conversations are in very nascent stages. Furthermore, local housing revenue measures must be weighed against the same requirements described above related to Proposition 5's apparent defeat at the polls and the variety of potential transportation-related revenue measures.

Given these uncertainties, staff believe that detailed discussions of a future housing revenue measure are not yet ripe. Staff propose to return to the BAHFA Advisory Committee and Joint Housing Committees in early 2025 when more information is available. In the meantime, staff recommend continued outreach to stakeholders to discuss the relationship between a regional housing measure and the transportation funding scenarios. The primary objective of this work would be to navigate funding option possibilities and trade-offs for these two critically necessary public investments in the lives of Bay Area residents. Eventually, this may involve a sequencing strategy that acknowledges acuity of need while also realistically evaluating viability, financial resources available to plan for a ballot measure, and voter sentiment.

Issues:

None

Recommended Action:

Information

Attachments:

- A. Presentation
- B. Existing Regional Housing Portfolio Shared by ABAG, MTC, and BAHFA
- C. List of Affordable Housing Projects Awarded Funds by BAHFA and MTC
- D. Chinatown TOD Senior Housing Press
- E. Initial Set of Potential New BAHFA Activities



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