

May 8, 2024

Agenda Item 8.a.

Bay Area Preservation Initiatives

Subject:

Presentation to update committee members on BAHFA's preservation pilot programs and spotlight project examples from Bay Area preservation practitioners.

Background:

The Bay Area Housing Finance Authority (BAHFA) is guided by the 3Ps framework: protection of tenants, production of new affordable housing, and preservation of existing affordable housing. Housing preservation is the process of mission-driven organizations or residents buying and/or renovating homes where people with low and moderate incomes already live. Preservation projects take on diverse property typologies and ownership structures, and can include the following activities:

1. Acquiring market properties often referred to as "unsubsidized affordable housing" or "naturally occurring affordable housing (NOAH)" and converting them to deed-restricted affordable housing.
2. Renewing restrictions on existing deed-restricted affordable housing before they expire, often referred to as "expiring-use affordable housing."
3. Rehabilitating any type of affordable housing to address habitability issues and extend the life of the property.

Such preservation activities provide invaluable benefits to low- and moderate-income residents and communities at large. Preservation prevents displacement of existing residents, ensures long-term affordability for future residents, improves building conditions and resident quality of life, and supports the stability, diversity, and vitality of communities. Additionally, some preservation projects, particularly those carried out by community land trusts (CLTs), focus on transitioning tenants into homeownership or cooperative ownership, offering opportunities for low- and moderate-income residents to build equity.

BAHFA's current pilot stage is primarily focused on assisting mission-driven developers with the acquisition and conversion of unsubsidized affordable housing. BAHFA's long term goal is to support the full range of preservation activities listed above as more significant resources become available. If passed by voters in November 2024, 15% of the proposed Bay Affordable Housing Bond must be used for preservation, generating up to \$3 billion for preservation activities throughout the region.

The accompanying presentation (Attachment A) provides an overview and update on the following BAHFA preservation pilots and showcases illustrative project examples from development partners in the preservation field.

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Welfare Tax Exemption Preservation Pilot:

The [Welfare Tax Exemption Preservation Program](#), launched by BAHFA in 2022, provides the public sector support that private developers need to qualify for property tax relief under state laws. Eliminating property taxes from a building's operating budget enables the owner to offer lower rents to tenants. The program's assistance includes a recorded deed restriction on the property that ensures that rents remain affordable to low-income residents, as well as a \$5,000 grant, which is the minimum local financing required to apply for a welfare tax exemption.

Bay Area Preservation Pilot:

BAHFA staff helps administer the [Bay Area Preservation Pilot](#), a revolving preservation loan fund launched by MTC in 2018 and revised in 2021 to address deployment issues. The fund is managed externally by the community development financing institutions (CDFIs), the Low Income Investment Fund (LIIF) and Enterprise Community Loan Fund (ECLF). This fund is designed to assist mission-driven developers and community-based organizations with the acquisition and preservation of unsubsidized affordable housing in areas with high-frequency transit service.

REAP 2 Housing Preservation Pilot:

The Housing Preservation Pilot was [established by BAHFA in 2023](#) and is slated for launch in 2024, pending receipt of Regional Early Action Planning Grant (REAP 2) funds from the state. This pilot will be the first in-house capital program managed by BAHFA staff focused on preservation of unrestricted affordable housing in systemically marginalized communities. The program will provide over-the-counter financing to non-profit developers and CLTs for acquisition and rehabilitation of occupied properties to establish long-term affordability.

Partnership for the Bay's Future Grant:

In 2022, BAHFA received a [Partnership for the Bay's Future Policy Grant](#) to help accelerate policies that preserve affordable housing. As part of the grant, BAHFA has partnered with a 2-year housing policy fellow and community organizations, Urban Habitat, Bay Area Community Land Trust, and The Unity Council. The cross-sector group has collaborated to identify policy needs within the Bay Area preservation landscape, and BAHFA has taken on the following projects to begin to address them:

- Convening the Alameda County Assessor's Office, affordable housing developers, and community land trusts to streamline welfare tax exemption approval process
- Researching current law and interviewing stakeholders to explore ways to increase Regional Housing Needs Allocation Credit for preservation projects
- Developing a [Preservation Ecosystem Map](#) that visualizes the need, opportunity, and capacity for preservation across building scales throughout the region

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Issues:

None

Recommended Action:

Information

Attachment:

- A. Bay Area Affordable Presentation Initiatives Presentation

Reviewed:



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