
February 14, 2024

Agenda Item 9.a.

BAHFA's Regional Expenditure Plan

Subject:

Referral to the ABAG Executive Board as the Executive Board to the Bay Area Housing Finance Authority (Executive Board) and to the Bay Area Housing Finance Authority (BAHFA Board) to adopt BAHFA's Regional Expenditure Plan; CEQA Determination Exempt Pursuant to Public Resources Code § 21065; Government Code § 64523

Background:

On June 16th and June 22nd, 2022, the Executive Board and the BAHFA Board ("Boards"), respectively, requested that the BAHFA Oversight Committee and ABAG Housing Committee ("Joint Housing Committees") undertake preparatory work necessary to enable consideration of an affordable housing general obligation bond measure in November 2024 ("2024 Ballot Measure"). Specifically, the Boards directed staff to explore a \$10-20 billion bond pursuant to the authority granted to BAHFA and ABAG in the San Francisco Bay Area Regional Housing Finance Act (Gov. Code § 64500, et seq.) (the "Act").

Since the time the Boards provided their direction, the following work ensued:

- BAHFA staff provided ten total briefings for the BAHFA Advisory Committee, Joint Housing Committees, BAHFA Board, and Executive Board to solicit feedback and guidance on key policy decisions and recommendations for how BAHFA should spend regional housing revenue, which is 20% of funds from the 2024 Ballot Measure ("Regional Housing Revenue"; "RHR"). The Committees and Boards indicated agreement with the recommendations proposed.
- On October 25, 2023, and November 16, 2023, the BAHFA Board and Executive Board, respectively, unanimously approved BAHFA's *Equity Framework* and *Funding Programs*, two planning documents that set forth guiding principles for BAHFA's implementation of the Regional Expenditure Plan.
- BAHFA Staff provided briefings to the BAHFA Advisory Committee and BAHFA Oversight/ABAG Housing Joint Committees on October 26, 2023, and November 8, 2023, respectively, to solicit feedback and guidance on the final principal element of BAHFA's business plan, its *Operations and Sustainability Program*.
- BAHFA Staff conducted extensive outreach and public engagement throughout the nine-county Bay Area, including:
 - Over 70 presentations to elected bodies, civic organizations, and housing stakeholder groups.

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- Convening two "town hall" public meetings attended by approximately 550 people.

The Regional Expenditure Plan must comply with specified requirements set forth in the Act. Its content is further informed by BAHFA's outreach and engagement process, as well as guidance and input received from BAHFA's Boards, Advisory Committee, and the broader Bay Area constituency, as described above.

Legal Framework

The Act gives BAHFA the authority to raise, administer, and allocate funding for affordable housing in the San Francisco Bay Area.

BAHFA's Regional Housing Revenue must be spent according to a Regional Expenditure Plan adopted by the Executive and BAHFA Boards, with consultation from the BAHFA Advisory Committee.

The Act requires the Regional Expenditure Plan to include very specific content, as follows:

- 1) The share of Regional Housing Revenue and estimated funding values to be spent for each spending category defined in the Act:
 - a. Production
 - b. Preservation
 - c. Tenant Protections
 - d. Local Government Grant Program
- 2) The number of households served by income category
- 3) The estimated number of homes expected to be produced and preserved with RHR
- 4) Specific housing programs or projects, to the extent feasible
- 5) Demonstration of how BAHFA will achieve specific spending requirements set forth in the Act for each spending category over a 5-year period (e.g., at least 52% of 2/3rds of RHR for production).

While this initial Regional Expenditure Plan is presented in concert with other documents related to the 2024 Ballot Measure, the Act requires BAHFA to submit a Regional Expenditure Plan on July 1st every year following. Subsequent Regional Expenditure Plans submitted shall include reporting on allocations and expenditures made and progress to date meeting the required minimum funding levels for each spending category.

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Regional Expenditure Plan Goals

Goals for the Regional Expenditure Plan are shaped by the guiding principles included in BAHFA’s *Equity Framework* and *Funding Programs* for each spending category. For example, as set forth in the *Equity Framework*, BAHFA will prioritize investments for households with the greatest needs in its production and preservation investments.

Regional Expenditure Plan Implementation

BAHFA’s implementation strategies set forth in the Regional Expenditure Plan similarly reflect the key decision points and recommendations presented and accepted by the Advisory Committee and Boards. For example, for its production investments, BAHFA will set RHR spending targets for each county based on a “return to source” calculation.

Regional Expenditure Plan Assumptions

- 1) The Boards will determine the value of the bonds at a later date, but it is anticipated that it will be either \$10 billion or \$20 billion.
- 2) Bonds will be disbursed in 5 separate issuances (the actual number may vary, and counties and direct-allocation cities may request issuances at their own speed after the initial disbursement).
- 3) For the initial 5-year expenditure period, 2025-2030, a total of two bond issuances shall occur, totaling 40% of the RHR.

The chart below shows relevant values for these assumptions:

Category / Activity	\$10 Billion Bond	\$20 Billion Bond
BAHFA’s Total Regional Housing Revenue (20%)	\$2 billion	\$4 billion
First Regional Expenditure Plan Value Assumes 2 issuances, or 40% of RHR	\$800 million	\$1.6 billion
Production Spending, Minimum (61%)	\$488 million	\$976 million
Production Spending, Maximum (70%)	\$560 million	\$1.12 billion
Preservation Spending, Minimum (15%)	\$120 million	\$240 million
Preservation Spending, Maximum (24%)	\$192 million	\$384 million

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Protections Spending, if Constitutional (5%)	\$40 million	\$80 million
Local Government Grants (10%)	\$80 million	\$160 million
Homes Produced or Preserved	Approx. 1,665	Approx. 3,330
Percentage of Homes Produced Serving ELI/VLI Households	Approx. 44%	Approx. 44%
Percentage of Homes Produced Serving LI Households	Approx. 56%	Approx. 56%
<i>TOTAL Number of Homes Produced or Preserved with Full RHR Funding</i>	<i>Approx. 3,700-4000</i>	<i>Approx. 7,400-8000</i>

Next Steps

On January 25, 2024, the BAHFA Advisory Committee unanimously approved a recommendation of adoption of the BAHFA Expenditure Plan. BAHFA staff will make the following presentations and requests (*dates subject to change*):

- 1) Executive Board – April 18th, 2024: Approval of BAHFA’s Business Plan; adoption of BAHFA’s Expenditure Plan; adoption of a resolution approving the BAHFA Board’s submission of a \$__ billion affordable housing general obligation bond measure to the qualified electors of the San Francisco Bay Area.
- 2) BAHFA Board – May 22, 2024: Discussion of BAHFA’s Business Plan; Discussion of BAHFA’s Expenditure Plan; discussion of a resolution to submit a \$__ billion affordable housing general obligation bond measure to the qualified electors of the San Francisco Bay Area
- 3) BAHFA Board – June 26, 2024: Approval of BAHFA’s Business Plan; adoption of BAHFA’s Expenditure Plan; approval of a resolution to submit a \$__ billion affordable housing general obligation bond measure to the qualified electors and calling of a bond election in each of the nine San Francisco Bay Area counties.

Issues:

Final resolution of the proposed bond value is required before finalizing the Regional Expenditure Plan.

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Recommended Action:

Referral to the ABAG Executive Board as the Executive Board to the Bay Area Housing Finance Authority and to the Bay Area Housing Finance Authority Board to adopt BAHFA's Regional Expenditure Plan.

Attachments:

- A. Presentation
- B. Regional Expenditure Plan Draft
- C. Draft Regional Expenditure Plan Approval BAHFA Resolution
- D. Draft Regional Expenditure Plan Approval ABAG Executive Board Resolution

Reviewed:



Andrew Fremier