
October 11, 2023

Agenda Item 7.a.

Planning for 2024 Regional Housing Bond:

Program Design for BAHFA's Regional Expenditure Plan

Subject:

Report on and request for Committee direction regarding BAHFA's Regional Housing Revenue allocation options, including "Step 1" and "Step 2" decision points discussed at prior meetings, to inform drafting of BAHFA's Regional Expenditure Plan for potential bond funds, slated for adoption in 2024

Background:

On June 16th and June 22nd, 2022, the ABAG 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").

Between June 22nd and September 28th, 2023, BAHFA staff provided information at a total of eight meetings to the BAHFA Advisory Committee; BAHFA Oversight/ABAG Housing Joint Committees; BAHFA Board; and ABAG Executive Board regarding "Step 1" and "Step 2" policy decisions for BAHFA's expenditure plan for regional housing revenue ("Regional Expenditure Plan"). The Regional Expenditure Plan establishes an investment framework to allocate the 20% of funds retained by BAHFA from the 2024 Ballot Measure. Investment priorities for the 80% of funds directly administered by the counties and several cities will be set by separate expenditure plans developed by the local governments and are not subject to the Regional Expenditure Plan.

Prior Recommendations:

The Regional Expenditure Plan "Step 1" and "Step 2" decision points and corresponding staff recommendations included:

1. Focusing on Programming for First Bond Issuance: Given the fluidity of market conditions and other external factors, staff recommended limiting most regional revenue programming decisions to the first issuance of bonds only. Staff anticipate 3-5 issuances, incorporating lessons learned and adjusting for changed circumstances when recommending expenditure priorities for each successive issuance.

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2. Devote First Bond Issuance of Flexible Funds to Production : To advance the robust Bay Area pipeline of affordable housing projects already in predevelopment and given the region’s severe housing shortage and urgent need for more new housing, staff recommended allocating the 18% of “flexible funds” from the first bond issuance towards Production (as opposed to Preservation).

3. Set Priorities for Production Spending that Elevate Equity and Collaboration: To implement BAHFA’s Equity Framework and to underscore BAHFA’s collaborative (as opposed to competitive) relationship with local governments, staff recommended a three-point prioritization strategy for earmarked Production funds from the first bond issuance:
 - a. *First*: Prioritize permanent supportive housing (PSH) and extremely low-income (ELI) investments whenever possible, but only in collaboration with the local government and subject to the availability of longer-term, renewable operating subsidies and services funding.
 - b. *Second*: Prioritize low-income housing development that does not require tax-exempt bonds (from the California Debt Limit Allocation Committee, “CDLAC”) and tax credit funding, if this funding is over-subscribed.
 - c. *Third*: Retain flexibility in funding approaches. If CDLAC and tax credit funding are readily available, BAHFA investments should rely on those sources of funds to make BAHFA resources go as far as possible.

4. Create “Return to Source” Production Funding Investment Targets for Every County: Staff recommended establishing county-level investment goals for BAHFA’s total Production funds over the life of the bond (not just the first issuance). The investment targets would be set according to a “return to source” framework based on each county’s relative contribution to the bond. The benefits of this model, as opposed to many others studied, include:
 - a. Each county is “made whole” for its tax contribution
 - b. Administration of the funding and articulation of the policy are relatively straightforward
 - c. The perception of “winners and losers” that arises when tax contributions are redistributed among the region is eliminated
 - d. Each county receives a meaningful investment value from BAHFA

The table below shows the potential investment goals for each county as a share of BAHFA’s regional Production funds:

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County	BAHFA Production Distribution: Estimated “Return to Source” Percentage
Alameda	17.1%
Contra Costa	11.6%
Marin	4.4%
Napa	2.2%
San Francisco	15.2%
San Mateo	13.1%
Santa Clara	28.3%
Solano	3.1%
Sonoma	5.0%

5. Set Preservation Funding Investment Priorities that Elevate Equity and Innovation: Staff recommended prioritizing the first tranche of regional Preservation funds with four criteria:
 - a. *Anti-Displacement Best Practices:* Within the Notice of Funding Availability (“NOFA”), BAHFA will incorporate anti-displacement best practice requirements that protect tenants, such as rent increase caps.
 - b. *Prioritize Historically Disinvested Areas:* To implement BAHFA’s Equity Framework, BAHFA will seek first to invest in areas such as Equity Priority Communities, Displacement Risk Areas, and Low/Moderate Resource Areas, while ensuring that all counties contain some prioritized geographies.
 - c. *Prioritize Investments to Protect Tenants at Immediate Risk of Eviction or Affordability Loss:* BAHFA will prioritize projects with the highest acuity of displacement risk. e.g., buildings subject to Ellis Act evictions, projects with imminent affordability restriction expirations, and/or properties with indicia of high displacement risk.
 - d. *Support Community Controlled Models:* BAHFA will establish a 20% target in the first bond issuance for community land trusts, community-based organizations, and co-ops, with a preference for projects that enable tenant wealth-building, and with the overall goal of supporting successful alternatives to traditional ownership models.

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7. Local Government Grant Program: Staff recommended three principles to guide distribution of Local Government Grants:
- a. *First*: Prioritize housing-related amenities that enhance benefits for the overall community as well as the residents of affordable housing. This can include parks, infrastructure, school improvements, etc. The need for such amenities is often an obstacle to delivering new affordable housing, especially since they otherwise often have very limited funding options.
 - b. *Second*: Retain flexibility to invest in housing programs that directly serve households, especially if general obligation bond rules change to enable non-capital expenditures.
 - c. *Third*: Aim to fund at least one project in each county over the life of the bond.

Next Steps and Decision-Making Timeline

Subject to direction from the Joint Housing Committees and the Boards, staff anticipate scheduling presentations for additional information gathering throughout the fall, culminating in spring 2024 with Committee and Board action on a resolution to place the regional affordable housing bond on the November 2024 ballot.

November-December 2023

- Informational presentation on BAHFA's draft Operations and Sustainability Plan – part 3 of the Business Plan
- Protection Program priorities, subject to additional analysis of potentially eligible uses given limitations on bond funds under California's Constitution
- Informational presentation on BAHFA's Regional Expenditure labor standards

January – June 2024

- Approval of BAHFA's full Business Plan
- Approval of BAHFA's Regional Expenditure Plan
- Resolution to place bond on county ballots

Post-Bond (2025)

- Loan Term Sheets and Underwriting Guidelines

Issues:

None

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Recommended Action:

Information

Attachments:

- A. Presentation

Reviewed:



Andrew Fremier