Investing in the Future of Bay Area Housing

August 24, 2023
Agenda:

- The Affordable Housing Challenge
- Overview of BAHFA
- Q+A
- Moving Forward: Regional Housing Bond Measure
- Q+A
- Next Steps / Closing

Presenter:
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Bay Area Housing Finance Authority (BAHFA)
Poll
Why are we here?

Land use rules that make building housing difficult and expensive

Affordable Housing Shortage

Wages aren't keeping up with cost of housing

The Affordable Housing Challenge
What are the consequences?

- **High rate of homelessness**: Approximately 37,000 unhoused people in the Bay Area in 2022, a 10% increase since 2019

- **Instability for low-wage workers**: 57% of the Bay Area’s 3.5M low-income residents are rent-burdened; 575,000 people at risk of homelessness

- **Unaffordability drives worse housing options**:
  - Rise in **super commuting** (more than 90-minute commute to job)
  - People of all income levels **moving out of region** due to high cost
  - Bay Area among **lowest rates of homeownership** for people under 35 nationally

- **Difficulty hiring and retaining workforce**: Struggle to **hire and retain sufficient workforce**, especially essential workers like teachers, healthcare staff and restaurant workers due to high costs
Regional Role

Plan for 180,000 New Affordable Homes by 2031

Generate new resources to build and preserve affordable housing

Build Partnerships and Support Local Jurisdictions
The Bay Area Housing Finance Authority was created to solve funding challenges

**How we Work:**

- Guided by State Legislation and our Equity Framework
- Core power is to raise new revenue for housing subject to voter approval across the region
- Collaborate with cities and counties, improve systems and fund housing across the whole Bay Area
- BAHFA is currently conducting pilot programs to advance affordable housing goals across the 3Ps

**Mission:**
to address systemic challenges in affordable housing and housing stability across the 3Ps

1. **Production** of new affordable housing
2. **Preservation** of existing affordable housing
3. **Protections** for low-income tenants and people at risk of homelessness
How does market rate rental housing get built?

- City or county **zoning** plan says where and what kind of housing can be built
- Developer buys land and submits a building permit application
- Developer puts together construction and longer-term funding
- Developer constructs housing
- Tenants pay market-rate rent
- Developer pays back lender and investor and pays off longer-term debt and ongoing operations
How does **affordable rental housing** get built?

City or county **zoning** plan says where and what kind of housing can be built.

Developer **applies for construction**, and longer-term funding:

- Federal Tax Credits and Tax-Exempt Bonds
- City or County Money
- State money, philanthropic funds, federal grants or loans

Developer secures financing to buy land and submits a building permit.

Rents are set below market based on funding program rules.

Sometimes public subsidies are available to cover building operations and bank debt, otherwise must be covered by tenant rent.

Banks and tax credit investors earn a return on investment.

Developer constructs housing if sufficient funding secured.
Questions
BAHFA’s Proposed Regional Housing Bond

- $10-20 billion to invest in affordable housing
- Requires voter approval
- Funds disbursed over 10+ years
What is a general obligation bond?

- General Obligation (GO) Bonds are issued by the government, purchased by investors, and repaid by property tax owners for purpose of providing essential public needs, like schools and affordable housing.

- Property owners pay for the bond with an increase in annual property tax, based on assessed value.

- Voters must approve GO Bonds, currently by 2/3.

**Key Benefits:**

- Proven method for public investment.

- Robust funding levels align with scale of affordable housing needs.
Bond revenue allocations

SONOMA COUNTY
$10 B GO Bond $403 Million
$20 B GO Bond $806 Million

MARIN COUNTY
$10 B GO Bond $352 Million
$20 B GO Bond $704 Million

SAN FRANCISCO COUNTY
$10 B GO Bond $1.2 Billion
$20 B GO Bond $2.4 Billion

SAN MATEO COUNTY
$10 B GO Bond $1 Billion
$20 B GO Bond $2 Billion

NAPA COUNTY
$10 B GO Bond $179 Million
$20 B GO Bond $358 Million

SOLANO COUNTY
$10 B GO Bond $248 Million
$20 B GO Bond $496 Million

CONTRA COSTA COUNTY
$10 B GO Bond $925 Million
$20 B GO Bond $1.85 Billion

ALAMEDA COUNTY
$10 B GO Bond $1.4 Billion
$20 B GO Bond $2.8 Billion

SANTA CLARA COUNTY
$10 B GO Bond $2.2 Billion
$20 B GO Bond $4.4 Billion

BAHFA
$10 B GO Bond $2 Billion
$20 B GO Bond $4 Billion

Note: Some dollar amounts rounded for purposes of chart.
Dollar amounts based on FY2020-2021 assessed values.
How would the bond money be spent?

• 80% of funding goes back to the counties of origin, according to assessed value.

• BAHFA retains 20% for investments throughout the region.
How would the bond money be spent?

Production

At least 52% of funds at both the local and regional level must produce new affordable housing.
How would the bond money be spent?

**Preservation**

At least 15% of funds must be used for deed-restricted, affordable housing preservation.
How would the bond money be spent?

Protection

At least 5% required to be spent on tenant protection.

Exception for GO Bonds:

• Currently, state law does not allow bond proceeds to be spent on service-related costs.

• A constitutional amendment is under development for November 2024 to remove this restriction.
How would the bond money be spent?

**Flexible**

Cities and counties: 28% of funds may be spent on housing and housing-related uses.

Regional: 18% of funds must be spent on either production, preservation or protection (if protection spending is constitutional).
How would the bond money be spent?

Local Government Incentive Grant Program

Regional only: 10% of funds may be spent for local government incentive grants. These may include homelessness interventions, homeownership programs and infrastructure that supports housing, like parks.
Regional coordination and oversight

Oversight of BAHFA

- BAHFA is governed by a board consisting of elected officials from across the Bay Area.
- The Association of Bay Area Governments’ (ABAG) Executive Board and BAHFA Board approve regional expenditure plans.
- BAHFA is currently working closely with each county and city that will get bond money directly to assist in development of local expenditure plans.

Oversight of Cities and Counties

- Each city and county receiving funds will submit an expenditure plan to BAHFA for approval.
- Cities and counties must conduct public outreach, and counties must engage with all their cities to complete their plans.
Investment goals for the region

- **Support Innovative, Diverse and Cost-Efficient Housing:**
  - Build more types of housing to meet different needs in population and geography
  - Build housing at lower costs – by shortening construction times, using innovative construction methods and designs, free and low-cost land, and more.

- **Financial Sustainability:** Over time, BAHFA will generate money from its loan programs, which can go back into communities and provide housing subsidies *without* additional taxpayer support.

- **Environmental Sustainability:** BAHFA will pursue social and environmental justice goals by investing in projects that serve those who are most in need and help address climate change.
How much affordable housing is expected to be produced over the next 15 years?
Questions
Poll
What’s next?

▪ Public meetings to fine-tune and ultimately determine whether to put bond measure on the ballot.
  ▪ Your participation is encouraged!
  ▪ View meeting schedule: mtc.ca.gov/housingbond

▪ Sign up for the BAHFA mailing list.

▪ Visit our website to learn more.

▪ Reach out with any further questions or feedback via email: BAHFA@bayareametro.gov
Thank you.

For more information contact:

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