



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Rosalynn Hughey

SUBJECT: SEE BELOW

DATE: November 17, 2023

Approved

Date

11/20/23

INFORMATION

SUBJECT: AFFORDABLE HOUSING REGIONAL BOND MEASURE

The purpose of this memorandum is to provide information on the Bay Area Housing Finance Authority's Affordable Housing Regional Bond Measure.

BACKGROUND

In 2019, Assembly Bill 1487 established the Bay Area Housing Finance Authority (BAHFA) to support the production and preservation of affordable housing. BAHFA's governing board is comprised of the 21 members of the Metropolitan Transportation Commission.

BAHFA is focused on supporting a comprehensive regional strategy to address the Bay Area's housing shortage by raising, allocating, and administering funding for affordable housing; it is empowered to "place a measure on the ballot to raise revenue and allocate funds throughout the San Francisco Bay area" (California Government Code, Section 64520).

BAHFA is considering placing a general obligation bond measure on the November 2024 ballot for all nine Bay Area counties. The bond proceeds would be secured by a levy on property taxes. To pass, the measure would need the approval of an aggregated two-thirds majority of voters from the nine counties. However, a constitutional amendment (ACA 1) may also appear on the November 2024 statewide ballot. The current language for ACA 1 would lower the necessary voter threshold from a two-thirds supermajority to a 55% majority to approve local general obligation bonds and special taxes for affordable or supportive housing and public infrastructure projects. If ACA 1 passes, the lower voter threshold may apply to the BAHFA bond.

Details of Potential Bond Measure

BAHFA is currently considering a bond measure that would generate \$10 billion to \$20 billion for affordable housing. The San Francisco Bay Area Regional Housing Finance Act, California Government Code Section 64500 *et seq*, specifies how bond proceeds would be distributed, administered, and expended if a bond measure is approved by voters. A detailed description of funding allocations and eligible uses is included in the **Attachment: Bay Area Finance Authority Regional Bond Funding and AB 1487 Expenditure Plan Requirements**.

The following are key provisions of the potential bond measure:

- 80% of bond proceeds would return to the county of origin based on assessed property value. This money would be administered by the counties;
- Oakland, San Francisco, and San José would receive and administer direct allocations;
- If a \$10 billion bond is approved, the City of San José would receive approximately \$1 billion and the County of Santa Clara (County) would receive approximately \$1.2 billion;
- 20% of total bond proceeds would be administered by BAHFA for eligible activities;
- At least 52% of bond proceeds would be used to produce affordable housing and at least 15% of bond proceeds would be used to preserve affordable housing (whether through conversion of market-rate buildings to permanent affordability or the extension of existing expiring restrictions);
- 28% of bond proceeds are considered “flexible” and may be used for housing or housing-related uses so long as they comply with the California Constitution and the San Francisco Bay Area Regional Housing Finance Act;
- Up to 5% of bond proceeds received by counties, cities, and BAHFA may be used for project and program administration; and,
- After committing funds to a specific project, counties and cities will have access to the funds for three to five years. Extensions are possible.

Staff Approach to Potential Bond Measure

Given the scale of this unique opportunity, staff is working closely with the County’s Office of Supportive Housing to ensure that our respective implementation plans complement one another.

Staff’s goal is to ensure the City’s expenditure of bond funds aligns with the City Council’s housing policy priorities. Since 2019, with the approval of the Affordable Housing Investment Plan, City Council policy is to allocate 45% of funding for affordable housing construction to extremely low-income housing. As such, Housing Department staff will prioritize extremely low-income developments for funding from the City’s direct bond allocation.

Staff will also ensure that funds from the bond measure support existing plans, including the Community Plan to End Homelessness and Housing Element, which have production, preservation, and tenant protection strategies. This approach will also ensure that City and

County expenditures are in alignment. This approach may also include joint Notices of Funding Availability and pipeline coordination.

Work Plan and Timeline

Currently, BAHFA is convening cities, counties, and other partners to explain the regional bond measure. BAHFA staff expects to receive key policy direction from the BAHFA and Association of Bay Area Governments boards in fall 2023. Between January and May 2024, the BAHFA and Association of Bay Area Governments boards will consider the final ballot question and ballot language and are expected to approve a resolution placing the bond measure on the nine counties’ ballots.

Below is a summary of the work plan and timeline staff has developed for the City to prepare for the potential passage of the regional bond measure:

Activity	Timeline
Staff-level discussions with the County to develop a strategy for a joint approach to prioritizing projects and spending.	June 2023 and ongoing
Develop a community engagement plan in collaboration with the County.	December 2023
City Council study session to provide education on the regional bond measure.	January 2024
Execution of community engagement plan.	February – April 2024
Presentation of draft expenditure plan to City Council.	October 2024
Bond measure goes to voters in all nine Bay Area counties.	November 5, 2024
If the measure passes, the expenditure plan will be brought to the City Council for consideration and approval.	January 2025
Earliest date Expenditure Plan is due to BAHFA.	February 3, 2025

EVALUATION AND FOLLOW-UP

In addition to partnering with the County Office of Supportive Housing, the Housing Department is collaborating with the City Manager’s Office on preparations for this regional bond measure. Staff will provide periodic updates to the City Council as preparations continue, and staff is always available to answer questions.

COORDINATION

Preparation of this memorandum was coordinated with the City Attorney's Office and the City Manager’s Office of Administration, Policy, and Intergovernmental Relations.

HONORABLE MAYOR AND CITY COUNCIL

November 17, 2023

Subject: Affordable Housing Regional Bond Measure

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/s/

ROSALYNN HUGHEY
Deputy City Manager and
Acting Housing Director

For questions, please contact Rachel VanderVeen, Assistant Director of Housing, at rachel.vanderveen@sanjoseca.gov or 408-535-8231.

ATTACHMENT: Bay Area Finance Authority Regional Bond Funding and AB 1487 Expenditure Plan Requirements

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Bay Area Finance Authority Regional Bond Funding and AB 1487 Expenditure Plan Requirements



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

A Regional Problem to Solve Together



At least **36,810 people experiencing homelessness** in 2022 in the region and as of 2019, **575,000 were at risk** of homelessness



The Bay Area has consistently fallen short of its housing targets: Between 2015-2020, **the region built only 25%** of the homes needed



Regionwide, we need to build **180,334 more affordable homes** to meet the number of homes required under the 2023-2031 Regional Housing Needs Allocation (RHNA)



Significant funding is needed: As of 2023, there are 32,944 affordable homes in predevelopment that **require financing**

BAHFA is a Key Part of the Solution

Our Mandate: BAHFA was created by state legislation AB 1487 in 2019 to address systemic challenges in affordable housing and housing stability across the 3Ps – **Production, Preservation, and Protections**

- BAHFA can **raise revenue for housing** through ballot measures such as general obligation bonds
- BAHFA works in **collaboration** with Bay Area cities and counties and 80% of bond revenue generated returns to the county of origin.

Governance: The ABAG and BAHFA boards work together: MTC Commissioners comprise the BAHFA Board, and a nine-member Advisory Committee, all with 3P experience, provides program guidance



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Potential 2024 Measures

1

An advocate-led **statewide constitutional amendment** to enable affordable housing general obligation bonds be approved by a majority of voters instead of the current two thirds requirement

This also would allow bond proceeds to be used to protect tenants at affordable housing sites through rental assistance reserves, tenant services, and more.

2

A **BAHFA General Obligation Bond** to raise **\$10-\$20 billion** – which could provide between 35,000 and 80,000 new homes across the nine-county region.

Significant funding to every community

County & Direct City Allocations	\$10B GO Bond	\$20B GO Bond
Alameda County (excluding Oakland)	\$984 M	\$2.0 B
Oakland	\$383 M	\$765 M
Contra Costa County	\$925 M	\$1.9 B
Marin County	\$352 M	\$704 M
Napa County (excluding City of Napa)	\$100 M	\$200 M
City of Napa	\$79 M	\$158 M
San Francisco	\$1.2 B	\$2.4 B
San Mateo County	\$1.0 B	\$2.1 B
Santa Clara County (excluding San Jose)	\$1.2 B	\$2.4 B
San Jose	\$1.0 B	\$2.1 B
Solano County	\$248 M	\$497 M
Sonoma County (excluding Santa Rosa)	\$282 M	\$564 M
Santa Rosa	\$121 M	\$242 M
BAHFA	\$2.0 B	\$4.0 B



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AB 1487: Distribution Basics

80% to County of Origin

- Based on assessed value
- Counties decide which entity shall distribute (e.g., a housing department)

San Jose, Oakland and San Francisco Receive Direct Allocation

- Big cities create their own Expenditure Plans and submit to their counties

Counties Without a Big City Must Provide Direct Allocation Option For Their Cities with 30%+ of County's Lower Income RHNA Obligation

- Those cities may take the direct allocation (e.g., Santa Rosa, City of Napa)

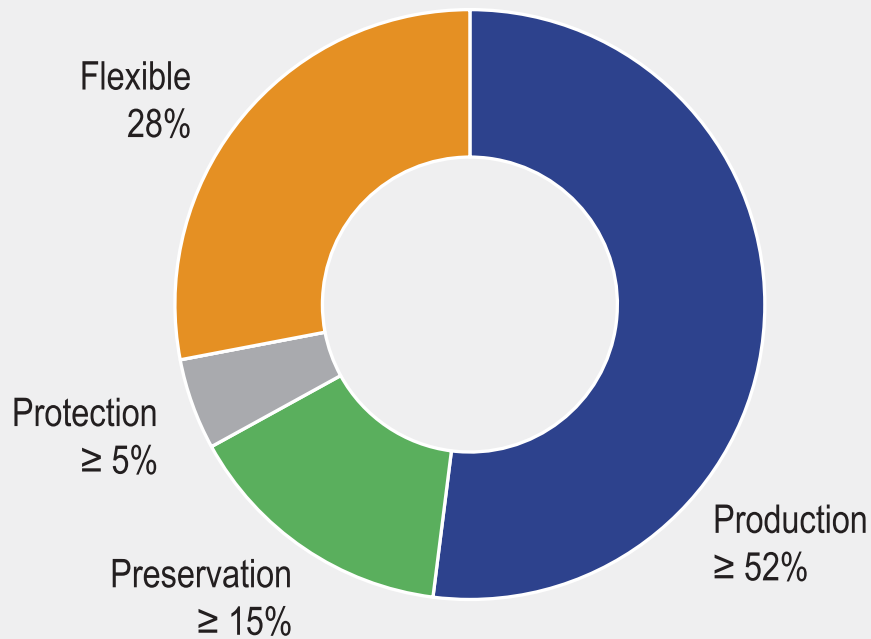
Cities, Counties and BAHFA may use 5% of funds for admin costs



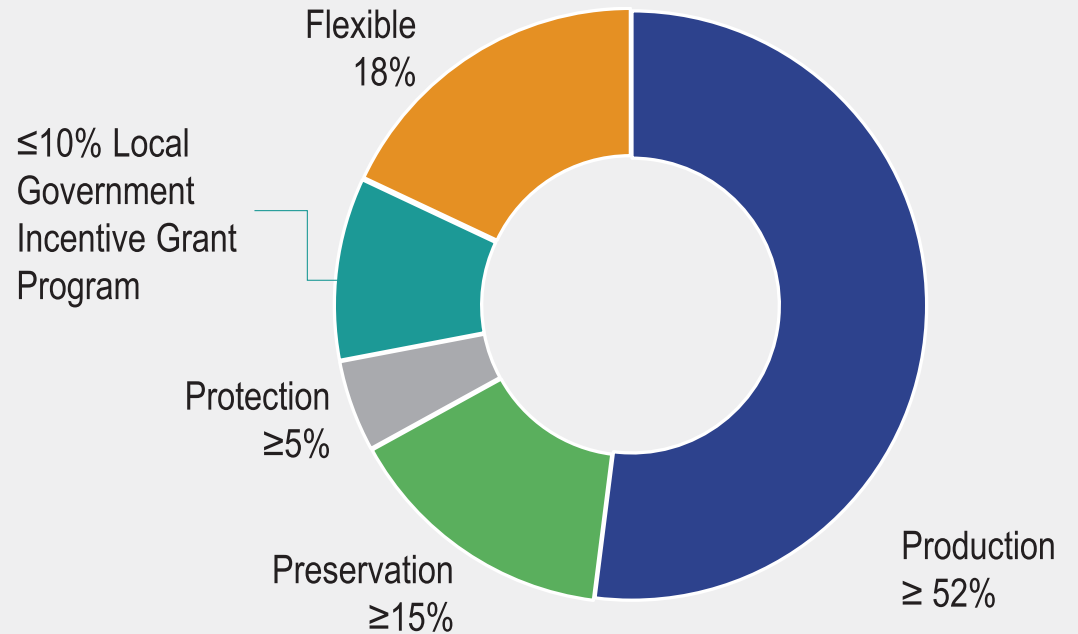
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How Funds May be Spent

County and City: $\geq 80\%$



Regional Program $\leq 20\%$



1487: General Rules for Cities and Counties

General Rules

- ✓ All housing must be deed-restricted, but term of restriction is not defined
- ✓ All housing must be affordable, with cap of 120% AMI
- ✓ Rental, ownership and interim housing all eligible
- ✓ Everything must conform to Expenditure Plan



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1487: Cities' and Counties' Expenditure Plans

Expenditure Plans

- ✓ County governing boards must approve Plans at a noticed hearing
- ✓ Must include minimum 52% for production, 15% for preservation, 5% for protections
- ✓ Production should “prioritize” projects that help meet ELI, VLI, and LI RHNA targets
- ✓ 28% Flexible Funds can be for housing and “housing-related uses”
- ✓ If Expenditure Plan meets these criteria, ABAG Exec and BAHFA Board must approve as a matter of law
- ✓ If ABAG Exec and BAHFA Boards vote that a Plan is incomplete, funding is withheld



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1487: Spending Timeline

Counties

- After committing funds to a specific project, they remain available for 3 years
- Funds can remain available beyond 3 years if pursuant to guidelines reviewed and adopted by the ABAG and BAHFA Boards, in consultation with Advisory Committee
- Counties can request that BAHFA administer their funds for the county

Cities

- Allocations must be committed to a specific project within 5 years
- Once committed, funds remain available for an additional 5 years
- If still not spent after 5 years, counties may extend deadline by 2 years if adequate progress is demonstrated; if not, funds return to county



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1487: BAHFA Rules

Production

- Rental only
- 55-year deed restriction
- 80% AMI Affordability Cap

Preservation

- Rental or ownership
- 55-year deed restriction
- 120% AMI Affordability Cap

Flexible Funds: 18%

- Production
- Preservation
- Protections

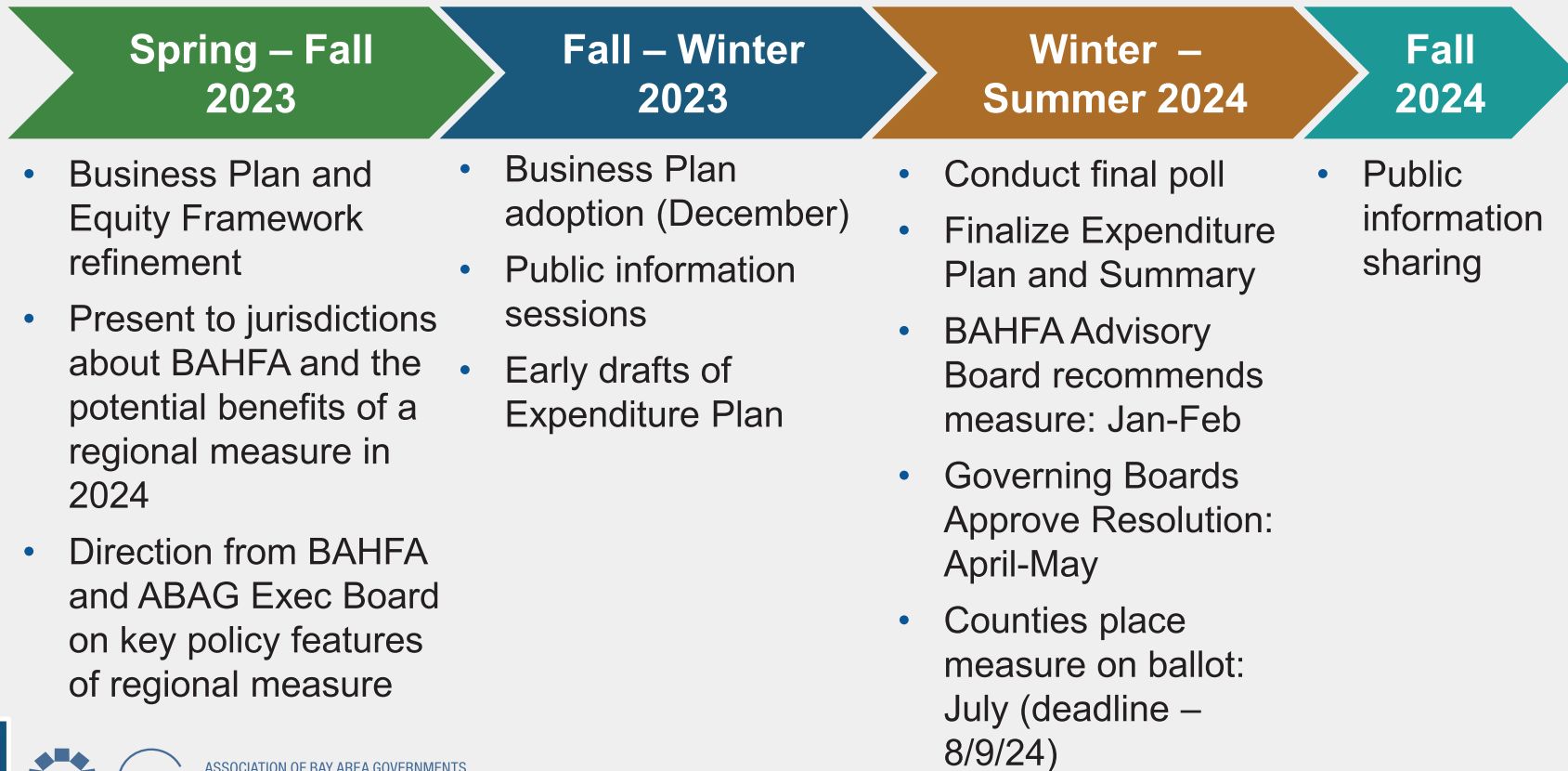
Tenant Protections

- Pre-eviction and eviction legal services, counseling, training and renter education
- Emergency rental assistance
- Relocation assistance
- Displacement tracking and data collection

Local Government Incentive Grant

- Housing and housing-related uses
- Technical assistance
- Infrastructure to support housing, like parks
- One-time homelessness assistance
- Affordable homeownership assistance

2024 BAHFA Regional Housing Measure Timeline



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Key Expenditure Plan Dates

Regional Expenditure Plan

- **January-February, 2024:** BAHFA Advisory Committee recommends Regional Expenditure Plan and Ballot Measure
- **March-April:** Joint Housing Committees recommend approval of the Regional Expenditure Plan and Ballot Measure
- **April-May:** ABAG Executive Board resolves to support the issuance of GO Bonds and approves Regional Expenditure Plan
- **May-June:** BAHFA Board initiates proceedings to issue GO Bonds and approves Regional Expenditure Plan
- **July 2024 County BOS Meetings:** Effective last date for counties to place measure on ballots (8/9/24 is actual)

Local Expenditure Plans

- **Monday, 2/3/25 – earliest date Expenditure Plans due to BAHFA**
- **Actual date decided by ABAG Exec and BAHFA Boards**
- **Thoughts?**



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