



Office of the City Manager

INFORMATION CALENDAR
February 13, 2024

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Lisa Warhuus, Director, Health, Housing, and Community Services

Subject: Bay Area Housing Finance Authority and 2024 Regional Affordable Housing Bond

INTRODUCTION

Alameda County is preparing an expenditure plan for the Bay Area Housing Finance Authority's (BAHFA) \$10 to 20 billion Regional General Obligation Affordable Housing Bond. The bond is under consideration for the November 2024 election. Berkeley is not eligible for a direct allocation and must participate in Alameda County's expenditure planning, and its preparation for.

SUMMARY

The San Francisco Bay Area Regional Housing Finance Act (California Government Code § 64500, et seq.) (the "Act") created the Bay Area Housing Finance Authority (BAHFA) in 2019. Alameda County is coordinating with local jurisdictions to prepare for the potential Regional General Obligation Affordable Housing Bond under consideration for the November 2024 election ("regional housing bond") put forth by the BAFHA.

All nine Bay Area counties and four cities (Oakland, San Jose, Santa Rosa, and Napa) will receive 80% of bond funding. BAFHA will retain the remaining 20% of bond funding to use throughout the region. Berkeley will be able to apply for funding from Alameda County's share and the BAFHA regional fund.

All jurisdictions that receive funding must adopt local expenditure plans to outline how their funding will be spent. BAFHA will set an official date for submitting expenditure plans, which may be as soon as February 3, 2025. Alameda County is conducting preliminary outreach to inform local jurisdictions of the bond's requirements and the plan's spending priorities.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

No costs are associated with receiving a presentation. The proposed structure of the bond does not include an allocation specifically for Berkeley. Funds for this area will go to Alameda County. Alameda County will receive approximately \$984 million if the regional housing bond is approved by voters. The County must prepare and adopt a funding plan by early 2025. No action is needed at this time.

CURRENT SITUATION AND ITS EFFECTS

BAHFA's purpose is to raise, administer and allocate funding and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production, commonly referred to as the "3P's" housing strategy. BAHFA's jurisdiction is the entire area within the boundaries of the counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma, and the city and county of San Francisco ("San Francisco Bay Area").

The 2024 Regional Housing Bond

In the summer of 2022, the BAHFA Board and the ABAG Executive Board began the process to consider placing a \$10 to 20 billion general obligation bond on the November 2024 ballot. Both the ABAG Executive Board and the BAHFA Board must authorize the regional housing bond to be submitted to Bay Area voters; if they do so, counties are required to place the measure upon the ballot.

The current threshold for passing the regional housing bond is a 2/3 supermajority of all Bay Area voters (not county-by-county). However, the State Legislature recently approved ACA 1, which will place a statewide constitutional amendment on the November 2024 ballot that would reduce the threshold to 55%. If ACA 1 is approved, the reduced threshold would apply to bond measures on the same ballot.

If the regional housing bond passes, eighty percent (80%) of the net revenue will be returned to counties based on each county's share of assessed property values. This portion of the funds is referred to as "County Housing Revenue". The region's large cities and the cities that have been assigned more than 30% of their county's low-income RHNA obligation can elect to receive a direct allocation from the County Housing Revenue. In 2024, the cities that could receive a direct allocation are Oakland, San Jose, Santa Rosa and the City of Napa. The remaining twenty percent (20%) of the net revenue, referred to as "Regional Housing Revenue", will be available to BAHFA for distribution anywhere in the region.

Berkeley is under the umbrella of Alameda County's funding. The City will also be eligible for funds from BAHFA's regional pool.

BAHFA's Regional Expenditure Planning

BAHFA and localities receiving a direct allocation from a regional housing bond are required to adopt an expenditure plan for their share of the funds ([Government Code Sections 64650-64652.](#)) BAHFA's regional expenditure plan is due in summer 2024 (prior to the election), whereas local expenditure plans will not be due until after the election (likely in early 2025). The BAHFA Board and the ABAG Executive Board are actively developing the regional expenditure plan in consultation with local governments, housing stakeholders, and members of the public.

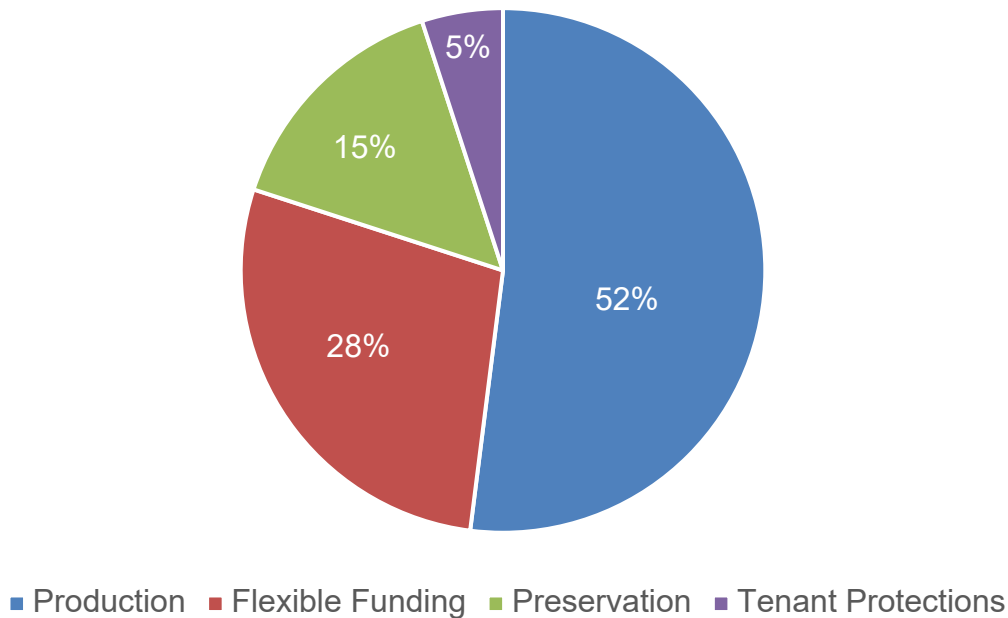
BAHFA’s goals for its investments are to prioritize projects that serve those with the greatest need; achieve scale; control construction costs; and advance innovative construction and design approaches that will help the region deliver the housing it needs. More information about the regional expenditure planning process is available on the BAHFA webpage: <https://mtc.ca.gov/about-mtc/authorities/bay-area-housing-finance-authority-bahfa>.

Alameda County’s Local Expenditure Planning

Alameda County will be required to produce a local expenditure plan for its County Housing Revenue if the bond is approved by voters. February 2025 would be the earliest date BAHFA could set for submittal of the plan.

The Act establishes a set of investment categories with minimum investment targets that correspond to the 3P’s: 52% for production, 15% for preservation, and 5% for tenant protections,¹ with the remaining 28% designated as “flexible” funding that may be used for housing or housing-related uses as defined in the ballot measure (for example, infrastructure necessary to support housing development).

Figure 1. BAFHA Funding Categories



¹ Currently, Section 1 of Article XIII A of the California Constitution provides that general obligation bonds can only be used for the acquisition or improvement of real property; tenant protection programs and services are generally ineligible uses of bond funds. Unless this changes, BAHFA staff plan to recommend that the BAHFA Board and the ABAG Executive Board allow for deviation from the 5% minimum allocation for tenant protections (as allowed by the Act).

The Act establishes parameters for Alameda County’s local expenditure plan and allows for flexibility within those parameters for the County to prioritize investments that best meet local needs. Alameda County’s expenditure plan must satisfy the following criteria:

- Include minimum investment targets noted above (52% for production, 15% for preservation, 5% for tenant protections);
- Production investments:
 - Can include rental and/or ownership housing;
 - Must carry a deed restriction to ensure affordability;
 - Can serve residents with incomes up to 120% of the Area Median Income (AMI), though must prioritize projects that help meet extremely low-income, very low-income and low-income Regional Housing Needs Allocation (RHNA) targets;
- Preservation investments:
 - Can include rental and/or ownership housing;
 - Must carry a deed restriction to ensure affordability for households earning up to 120% of AMI;
 - Cannot cause the displacement of any current residents or result in a net-loss of units;
- Include a plan for spending the 28% of funding that is “flexible” and can be used for housing and/or housing-related uses as may be allowed by the ballot measure (such as housing-related parks and infrastructure); and
- Be considered at a public meeting at least 30 days prior to its adoption.

Counties will submit their adopted plans to BAHFA. If the expenditure plan meets the foregoing criteria, the plan is deemed approved and will be posted to BAHFA’s website. Table 1 outlines the structure and approximate amounts of Alameda County’s local expenditure plan within these criteria.

Table 1. BAFHA Bond Allocation Estimate for Alameda County (excluding Oakland)

Bond Allocation	Estimated Share Amount	Approximate Bond Allocation
Total GO Bond Allocation	100%	\$984 million
County Admin	5%	\$49 million
Balance to Disperse	95%	\$935 million
Balance to Disperse	Level	\$935 million
Production	52% min.	\$486 million
Preservation	15% min.	\$140 million

Tenant Protections**	5% min.	\$47 million
Flexible Funding	28%	\$262 million

* Bond allocation amounts will change when updated with 2023-2024 Assessed Values from the California State Board of Equalization. The figures above are based on 2020 Assessed Values.

** State law does not allow bond proceeds to be spent for non-capital (i.e., services) costs so funds assigned to tenant protection must be reassigned absent a change in law.

The County will work with local jurisdictions, stakeholders, and the public throughout 2024 to shape its expenditure plan. Information on upcoming public workshops and other opportunities for participation are available on the Alameda County Department of Housing and Community Development’s website: <https://housingneedsac.org/equity-framework-process/>

BACKGROUND

BAHFA is a joint effort of the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG). MTC was created by the state Legislature in 1970 (California Government Code § 66500 et seq.) to serve as the transportation planning, coordinating, and financing agency for the nine-county San Francisco Bay Area. BAHFA is governed by the same board as MTC. ABAG was formed in 1961 by a joint powers agreement among Bay Area local governments and serves as the comprehensive regional planning agency and Council of Governments for the nine counties and 101 cities and towns of the San Francisco Bay Area. Some actions related to the placement of a measure on the ballot and approval of a regional expenditure plan require action by both the BAHFA Board and the ABAG Executive Board in its role as required by the Act.

The BAHFA Board and the ABAG Executive Board are comprised of local elected officials. For Alameda County, Carol Dutra-Vernaci and Nathan Miley are members of the BAHFA Board, and Mayor Jesse Arreguín and Nathan Miley are members of the ABAG Executive Board. These officials will participate in regional votes about the 2024 regional housing bond.

Additional Background

In 2021, BAHFA secured a \$20 million allocation from the state budget to begin operation and implement pilot projects across the “3Ps.” BAHFA has since received or been awarded additional funds from the state’s Regional Early Action Planning (REAP) Grant 2.0 funding, philanthropic donations, as well as in-kind and financial support from private industry and from MTC. With these initial investments, BAHFA is poised to deliver over \$50 million in financing, programs, and technical assistance to spur innovation and advance housing solutions across the nine-county Bay Area. Specifically, this seed funding has supported the creation of programs that set the stage for BAHFA’s role as a regional affordable housing lender and provider of new housing resources, including:

- Creation of the Doorway Housing Portal, a one-stop shop for Bay Area residents to search for and apply to affordable housing listings. The Doorway Housing Portal was soft launched in summer 2023 and will continue to add features and listings in the coming months.
- The Welfare Tax Exemption Preservation Program, through which BAHFA has already assisted five developments that preserve the affordability of 325 units and prevented displacement of tenants. Preservation of another 330 apartments is currently in progress.
- A \$15 million Preservation Pilot Program to support the acquisition and rehabilitation of apartments occupied by lower-income residents, creating a guarantee of long-term affordability and preventing displacement of existing residents.
- Collaboration with MTC and ABAG to create a \$28 million Priority Sites Pilot Program that will catalyze affordable housing in transit-proximate locations that leverage public land or redevelop underutilized malls and office parks.
- Completion of an affordable housing “pipeline” study, which identified approximately 33,000 affordable homes that are currently in predevelopment across the region and in need of funding.
- A \$5 million Rental Assistance Pilot Program to offer five-year housing subsidies to extremely rent-burdened seniors, people with disabilities, and other at-risk tenants to prevent homelessness.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Funding from a potential regional housing bond can support infill development and rehabilitation of existing housing stock. Both of these activities are generally accepted to mitigate greenhouse gas emissions.

POSSIBLE FUTURE ACTION

The regional housing bond can potentially provide critical funding to Berkeley’s affordable housing initiatives. Berkeley is not eligible for a direct allocation and must participate in Alameda County’s expenditure planning.

This presentation will provide the City Council with the opportunity to understand the planning process and opportunities for the proposed bond. Staff will continue to engage with Alameda County, local stakeholders, and the public to inform the priorities for the County’s expenditure plan.

CONTACT PERSON

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