



COMMUNITY DEVELOPMENT AGENCY
HOUSING AND FEDERAL GRANTS DIVISION

November 28, 2023

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Board of Supervisors
County of Marin
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SUBJECT: Bay Area Housing Finance Authority (BAHFA) and 2024 Regional Affordable Housing Bond

Dear Board Members:

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RECOMMENDATION:

Accept a presentation about Bay Area Housing Finance Authority (BAHFA) and 2024 Regional Affordable Housing Bond.

SUMMARY:

This report provides an overview of the Bay Area Housing Finance Authority (BAHFA), a regional entity created by state law, and its preparation for a \$10-20 billion Regional General Obligation Affordable Housing Bond under consideration for the November 2024 election ("regional housing bond"). If the regional housing bond passes, Marin County will receive funds which will be directly administered by the Board of Supervisors, and for which Marin County must prepare and adopt a plan by early 2025.

BACKGROUND:

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. BAHFA's purpose is to raise, administer and allocate funding and provide technical assistance at a regional level for tenant **protections**, affordable housing **preservation**, and new affordable housing **production**, commonly referred to as the "3Ps." 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").

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. The BAHFA Board (which is comprised of the same members as the MTC Commission) and the ABAG Executive Board share governing responsibilities for BAHFA. In addition, a nine-member Advisory Committee provides consultation to BAHFA and the ABAG Executive Board to assist their decision-making. 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 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.

Both the BAHFA Board and the ABAG Executive Board are comprised of local elected officials. For Marin County, Supervisor Moulton-Peters is a member of the BAHFA Board, while Supervisor Sackett and Novato Councilmember Pat Eklund are members of the ABAG Executive Board. These officials will participate in votes about the 2024 regional housing bond.

BAHFA's Pilot Programs

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 in some jurisdictions and will continue to add features and listings in the coming months, including Marin County.
- 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 by supporting planning and infrastructure improvement.
- 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.

These pilot programs are aimed at unmet areas of need in the Bay Area. They demonstrate the importance of adequately funding a range of programs and solutions across the regional.

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 \$10-20 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. This action would occur in winter 2024.

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% for funding of infrastructure or affordable housing. 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 a “return to source” basis as determined by 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. No cities in Marin met this criteria. 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.

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.

Generally, 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> .

Marin County’s Local Expenditure Planning

Anticipated Funding and Requirements

As a jurisdiction receiving a direct allocation from the regional housing bond, Marin County will be required to produce a local expenditure plan for our portion of funds if the regional housing bond is approved. February 2025 would be the earliest date BAHFA could set for submittal of the plan. However, the County intends to conduct an extensive community engagement, including working closely with the cities and towns before the plan is submitted. The Act establishes a set of investment categories with minimum investment targets that correspond to the 3Ps: 52% of funds must be used for production, 15% for preservation, and 5% for tenant protections,¹ with the remaining 28% designed 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). Given the anticipated revenue and investment categories, Marin County’s local expenditure plan will have the following structure and approximate amounts and could range from approximately \$352 - \$704 million dollars, depending on whether a bond for \$10-20 is placed on the ballot.

Total Bond Allocation Estimate for Marin County*

Bond Allocation	Estimated Share Amount	Approximate Bond Allocation
Total GO Bond Allocation	100%	\$352 million
Balance to Disperse	95%	\$334 million

Balance to Disperse	Level	\$334 million
Production	52% min.	\$174 million
Preservation	15% min.	\$50 million
Tenant Protections**	5% min.	\$17 million
Flexible Funding	28%	\$94 million
County Administration	5%	\$18 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 Act establishes basic parameters for Marin County’s local expenditure plan, though it allows for significant flexibility within those parameters for Marin County

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).

to prioritize investments that best meet local needs. Specifically, Marin County's expenditure plan must satisfy the following criteria:

- Production investments in new housing (minimum 52% of expenditures):
 - 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) goals;
- Preservation investments in existing housing (minimum 15% of expenditures):
 - 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, for example, housing-related parks and infrastructure; and
- Be considered at a public meeting prior to its adoption by the Board of Supervisors.

Once Marin County adopts the expenditure plan in early 2025, it submits the plan to BAHFA. If the expenditure plan meets the foregoing criteria, the plan is deemed approved and will be posted to BAHFA's website.

DISCUSSION: To develop Marin County's expenditure plan, staff recommends a robust engagement and outreach process to solicit input from local governments, stakeholders, and members of the public. The BAHFA expenditure plan will be developed as a countywide effort involving residents of all cities and towns and unincorporated areas of Marin. The Community Development Agency serves a countywide role in the area of housing funding, and will lead and staff the development of Marin County's BAHFA expenditure plan. The Housing Working Group (HWG) is essential to outreach and development of the expenditure plan. The Housing Working Group, established in 2019, is composed of every city and town in Marin and Planning Directors and housing staff from each jurisdiction. The HWG is staffed by CDA staff and meet once monthly and have worked together on Countywide housing projects collaboratively for years. The HWG will discuss effective outreach tools for BAHFA and priorities for expenditure planning.

Extensive countywide public outreach is both a critical component of BAHFA and an important goal for the County. Engaging people of color, lower income and special needs community members is especially important since they are most at risk of being affected by the current housing crisis and have historically not been engaged in planning processes in the County such that many local plans and policies might not be fully responsive to and reflective of these populations' needs. Staff is seeking to build on successful outreach efforts and will work to involve all members of the community. To accomplish this, the Community Development Agency is recommending that we supplement staff resources to help facilitate the

outreach process, and to improve the access to and quality of information provided to the public with a focus on empirical data through surveys, focus groups and other online and in-person outreach.

Staff is working to provide a variety of opportunities for the community to contribute ideas and is seeking new ways to reach those less likely to participate in the process. The methods of outreach could include:

- Scheduling Listening Sessions for each supervisorial district, in person and online.
- Encouraging community members to participate in upcoming survey(s) and sign up for email updates through a website that will be established in 2024.
- Conduct stakeholder meetings with city/town staff, affordable housing developers, homeless service providers, and other public agencies.
- Have individual meetings with city/town staff and assist city/town staff with presentations to their councils.
- Conduct focus groups with community-based organizations and community members.
- Communicate and coordinate outreach with all jurisdictions through the Housing Working Group² and City Managers Group at their monthly meetings.

With the necessary scope of this work combined with the ongoing responsibilities of the Community Development Agency Housing & Federal Grants division and the requirements for implementation of the Housing Element, staff anticipates that this work will exceed current capacity and is recommending further resources as described below.

A timeline for local outreach is included in Attachment 1. Staff will work with the housing subcommittee to refine the outreach plan. Please visit: <https://www.marincounty.org/depts/cd/divisions/housing> for updates and information about Marin County's BAHFA outreach.

EQUITY IMPACT:

The County believes in equitable communities, where all community members have access to healthy affordable housing. Evidence shows that access to stable, affordable housing in communities of opportunity has broad, positive impacts. It can lead to better health and education outcomes and higher lifetime earnings, especially for children.

Throughout Marin jurisdictions Housing Element outreach process, including the needs assessment and constraint analysis, data and public comments confirmed that people with moderate and lower incomes face housing challenges due to inadequate high-quality affordable rental and ownership opportunities. This was particularly true for households of color, who also have experienced residential segregation. These conditions have wide-ranging impacts for Marin residents, workers, businesses, services, and institutions.

² The Housing Working Group is composed of all Marin County City and Town Planning Directors and housing staff.

The BAHFA funding will specifically address existing inequities in housing access and insecurity throughout Marin County. Staff plans to design the outreach strategy for development of the expenditure plan consistent with the findings of each city and town's as well as unincorporated Marin County's Housing Element work and will be guided by the needs of lower income communities.

FISCAL/STAFFING IMPACT:

There is no fiscal impact at this time. Staff has assessed the need to add additional staffing and consultant resources to oversee the expenditure plan and community engagement for this effort. Staff proposes personnel changes and a contract for outreach and engagement and estimates a cost of approximately \$80,000. CDA will return to your Board on a later date to make personnel adjustments and identify funds if required. If the Bond passes additional staff would be needed and there is a 5% administration cost to cover all costs of the program, including salaries.

REVIEWED BY:

- | | |
|---|---|
| <input checked="" type="checkbox"/> County Administrator's Office | <input type="checkbox"/> N/A |
| <input checked="" type="checkbox"/> County Counsel | <input type="checkbox"/> N/A |
| <input type="checkbox"/> Department of Finance | <input checked="" type="checkbox"/> N/A |
| <input type="checkbox"/> Human Resources | <input checked="" type="checkbox"/> N/A |

Respectfully Submitted,


 Leelee Thomas
 Deputy Director


 Sarah Jones
 Director

1. BAHFA Local Outreach Timeline

Recommended Local Outreach Timeline

