



The Bay Area Affordable Housing Bond: Regional Funding for Local Solutions

In April, the Association of Bay Area Governments voted to authorize placement of a \$20 billion regional housing bond on the November ballot. The Bay Area Housing Finance Authority board must make the final decision about placing it on the ballot by the end of June.

A \$20 billion dollar bond could build and preserve approximately 72,000 new affordable homes — doubling the number that would be possible without a bond.

Currently, the Bay Area doesn't have enough affordable homes for the people who live here. As a result of our housing shortage:

- In 2022, **37,000 people were unhoused** in the Bay Area.
- 1.4 million people — 23% of Bay Area renters — spend over **half their income on rent**.
- High rents and home prices force people to live far from work, making **congestion and pollution** much worse, and putting a major strain on working families.

The regional bond would address these critical housing challenges.

Funding Local Solutions

A Regional Housing Bond will help fund local solutions to meet the needs of our communities.

Money from the housing bond will be used to **build new affordable homes and preserve existing housing** to help protect vulnerable tenants across the Bay Area.

80% of the bond revenue will go directly to the nine counties and four cities — San José, Oakland, Santa Rosa, and Napa — letting local governments determine how best to produce and preserve affordable housing for their own communities.

BAHFA will invest 20% of the bond revenue in affordable developments throughout the region, while also generating new housing resources to support affordable housing development long after the bonds are fully spent.

Each of the nine Bay Area counties and the four cities will adopt an expenditure plan for how they propose to spend the money. BAHFA is responsible for ensuring those plans are consistent with what voters approve.

The majority of all bond funds (at least 52%) must be used to produce new housing, and most of that new housing should be affordable to low- and extremely low-income residents.



Photo Credit: Bruce Damonte, courtesy of NPH.



Photo Credit: Frank Domin, courtesy of NPH.

How will the bond be funded?

The bond will be funded by property taxes on businesses and homes. The amount a business or individual household will pay will vary depending on the assessed value of their property (not the market value). A \$20 billion bond would require an estimated tax of \$19 per \$100,000 — or about \$190 per year for a home with an assessed value of \$1 million.

Who will manage the funds?

The Bay Area Housing Finance Authority (BAHFA) will manage the funds. BAHFA was established by the State Legislature in 2019 to support the construction of new affordable housing and preservation of existing housing across the nine-county region. It is governed by a board composed of the same members as the Metropolitan Transportation Commission and by the Association of Bay Area Governments' Executive Board. These governing bodies provide local elected representation from across the Bay Area.

Accountability

State law requires BAHFA to be subject to regular, independent audits and annual financial reporting, including submitting an annual report to the California Legislature. Cities and counties receiving direct allocations must also submit annual reports on their expenditures and progress to BAHFA.

Expected Proceeds for Counties & Cities from a \$20 Billion Bond

80% of bond revenue will go directly to the nine Bay Area counties and to the four cities whose housing element accommodates at least 30% of their county's low-income housing need: San José, Oakland, Santa Rosa, and Napa. Each county's share is proportional to the share of property taxes paid by its residents.



Note: The amounts shown on map for Sonoma, Napa, Alameda and Santa Clara counties **exclude** the funds going to the cities of Santa Rosa, Napa, Oakland and San José, respectively.

Pilot Projects Demonstrate BAHFA's Potential

Creatively combining \$20 million in state seed money with other funding sources, BAHFA has launched 10 innovative pilot programs and projects in just two years.



Production

1. Doorway Housing Portal is an online search and application site for deed-restricted affordable housing, designed to reduce the challenges of finding and applying for an affordable place to live anywhere in the nine counties.

2. Priority Sites Program provides scarce predevelopment funding for affordable housing developments on public and underutilized land, including aging malls, office parks and other large capacity sites in transit-rich areas.



Photo Credit: ©Noah Berger.

3. Affordable Housing Pipeline is an inventory of more than 430 developments with almost 41,000 affordable homes in various stages of pre-development. It measures the scope of financial need relative to available resources and helps localities quantify their shovel-ready projects.



Preservation

4. Welfare Tax Exemption Program provides the \$5,000 in public sector support that developers need to qualify for property tax relief under state law. The program has already preserved the affordability of nearly 500 apartments and established permanent deed restrictions that protect existing residents from displacement.

5. Preservation Pilot Program provides funding to acquire unrestricted housing sold on the private market and convert it to permanently affordable housing. This is a key strategy to expand housing security in divested geographies.

6. Preservation Ecosystem Map highlights locations where new preservation investments could be the most impactful in addressing housing needs and reducing displacement.



Protections for Tenants

7. Evictions and Legal Services Study is analyzing Bay Area data to better understand causes, household characteristics, and ancillary conditions of evictions. The research will guide development of displacement prevention strategies tailored for the region.

8. Rental Assistance Pilot Program helps prevent homelessness among lower income seniors and people with disabilities in Napa County by providing shallow rent subsidies and supportive services.



Technical Assistance

9. Tribal Notification Toolkit helps local governments and developers implement best practices for the tribal notification required by SB 35 (Wiener, 2017).

10. Regional Housing Bond Preparation: BAHFA hosts monthly peer-to-peer sessions and offers templates for counties and cities preparing their required expenditure plans for a regional bond.

Federal Partnership Vital: Modify Tax Credits

While our region is developing innovative tools to increase housing supply, struggling Californians also need expanded federal government engagement. Bay Area voters and the state have approved billions of dollars of bonds and invested unprecedented amounts through the state budget. But the Bay Area's housing funding gap is too big to close without a stronger federal partner.

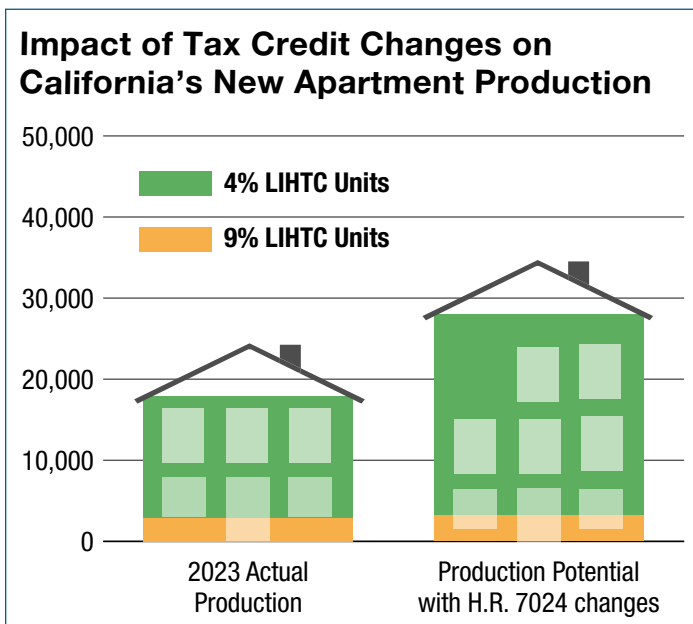
Small Changes to Housing Tax Credits Can Boost Production by 55%

The Low-Income Housing Tax Credit (LIHTC) program is California's most important affordable housing financing tool, with more than 440,000 apartments built and preserved over the past three decades. Unfortunately, the 2017 corporate tax cuts devalued the credits, cutting the number of homes produced by more than 20% or 5,000 annually.

To offset this drop and further expand production, our top federal housing priority is enactment of the provisions in H.R. 7024 to:

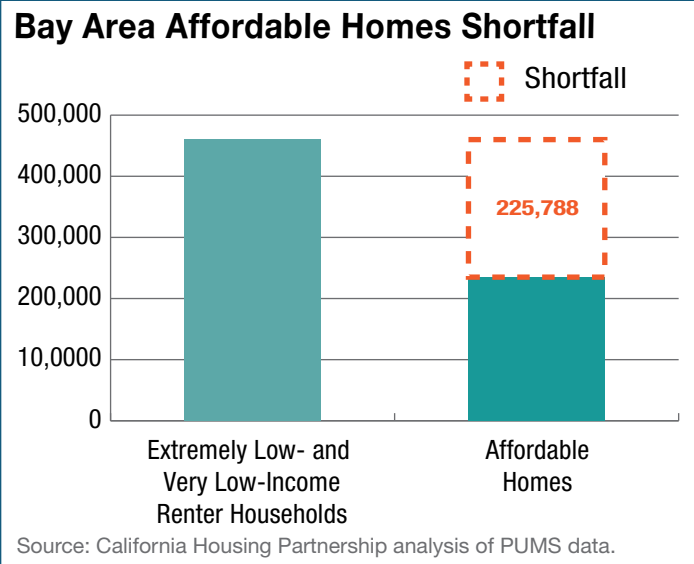
1. Lower the four percent credit's bond financing threshold from 50% to 30%, and
2. Temporarily restore a 12.5% increase in the nine percent credit.

Enacting these provisions would boost California's production of new affordable apartments by 10,000 per year at a total cost of \$6.3 billion through 2033, according to the California Housing Partnership.



Demand Far Outstrips Supply

Since the 1970s, California communities – like many across the country – haven't built enough homes to accommodate population growth. The gap in the Bay Area is especially acute for homes affordable to existing lower income households: we are short 225,788 homes they can afford. This is in addition to the new homes needed to accommodate future growth. Building deed-restricted homes faster is a key strategy to reverse this trend.



Rent Increases Outpace Wage Growth

Compounding the situation are stagnant wages, leading to a growing gap between market-rate rents and income. Since 2001, inflation-adjusted median rent in California has increased 36% while the inflation-adjusted median income of renters has only increased 19%.

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