

ABAG Report to MCCMC¹

May 2024

EXECUTIVE SUMMARY: This report includes a synopsis of a new database that lists the housing developments that are in the “pipeline” throughout the Bay Area; request to ABAG delegates (or their alternates) to register for the ABAG General Assembly to be held on June 21, 2024 to approve FY 2024-24 budget and workplan; information on a NEW Bay Area affordable housing pipeline database; latest changes to the Regional Bond Measure and the Final Expenditure Plan for housing; Priority Conservation Areas Refresh; RHNA Cycle 7 reforms; and proposed state legislation.

GENERAL ASSEMBLY – ABAG DELEGATES: RESERVE JUNE 21, 2024: All ABAG delegates and/or their alternate need to register for the ABAG General Assembly scheduled for June 21 2024 at the Oakland Museum from 9:00 am to 2:00 pm. Here is the link to register: [General Assembly Event & Roster | Association of Bay Area Governments \(ca.gov\)](#)

The business meeting will begin at 10:00 am where the General Assembly will be voting on the Draft 2024-2025 Budget and Workplan that was adopted by the ABAG Executive Board on April 18, 2024. There will be lunch then a discussion on *Resilience: Innovative Governance for Regional Challenges* featuring a panel discussion and keynote speaker **Shalini Vajjhala**.

The proposed ABAG Work Program for FY 2024-25 includes a description of the ABAG programs and projects, including highlights of work completed in FY 2023-24 and plans for FY 2024-25. The FY 2024-25 work program describes the continued work in the Regional Planning Program, Local Government Services, Regional Trails, and Legislation and Public Affairs. The proposed ABAG Budget for FY 2024-25 includes allocation of revenue and expenses for all ABAG operating funds, including ABAG Administration, ABAG Grants, ABAG Bay Area Regional Energy Network), San Francisco Estuary Partnership and the San Francisco Bay Trail.

BAY AREA AFFORDABLE HOUSING PIPELINE: ABAG and BAHFA developed (through a contract) a new database called the Bay Area Affordable Housing Pipeline that inventories affordable housing in the region that are in various stages of predevelopment. Predevelopment ranges from early-stage planning, to entitlements, to permitting and to securing all necessary financing.

The following table shows the number of affordable housing projects and number of homes in some stage of predevelopment in the Bay Area for which developers have not yet secured all funding necessary to start construction.

| County | Affordable Housing Projects in Predevelopment | Affordable Homes in Predevelopment |
|-----------------------|---|------------------------------------|
| Alameda | 115 | 10,086 |
| Contra Costa | 32 | 2,513 |
| Marin | 22 | 1,173 |
| Napa | 15 | 1,496 |
| San Francisco | 86 | 8,448 |
| San Mateo | 37 | 3,099 |
| Santa Clara | 86 | 10,367 |
| Solano | 4 | 310 |
| Sonoma | 36 | 3,404 |
| Regional Total | 433 | 40,896 |

¹ Marin County Council of Mayors and Councilmembers (MCCMC). For questions, please contact Councilmember Pat Eklund at: 415-336-9913.

The table below shows average cost per unit for all 433 developments in the Pipeline, regardless of their construction type (i.e. new construction or acquisition and rehab) or principal funding source. On average, local subsidies covered about 20% of total development costs for projects that secured LIHTC allocations

| | All Developments | All Developments | 25% Lowest-Cost Developments | 25% Lowest-Cost Developments |
|-----------------------|-----------------------|--|------------------------------|--|
| County | Average Cost Per Unit | Estimated Subsidy Need Per Unit (Local + State, Assumed 35%) | Average Cost Per Unit | Estimated Subsidy Need Per Unit (Local + State, Assumed 35%) |
| Alameda | \$825,000 | \$289,000 | \$472k | \$165k |
| Contra Costa | \$798,000 | \$280,000 | \$598k | \$209k |
| Marin | \$794,000 | \$279,000 | \$654k | \$229k |
| Napa | \$553,000 | \$193,000 | \$495k | \$173k |
| San Francisco | \$873,000 | \$305,000 | \$568k | \$199k |
| San Mateo | \$874,000 | \$306,000 | \$624k | \$218k |
| Santa Clara | \$868,000 | \$304,000 | \$751k | \$263k |
| Solano | \$671,000 | \$235,000 | \$491k | \$172k |
| Sonoma | \$634,000 | \$222,000 | \$582k | \$204k |
| Regional Total | \$817,000 | \$286,000 | \$530k | \$185k |

between 2021 - 2023 and also received local funding. Another 15% came from state subsidies. This confirms that affordable housing projects **need public subsidies to cover 35% of their costs. It is noted that Marin County has the second highest average cost per unit next to Santa Clara County!**

Most affordable housing projects use multiple funding sources including: 1) Tax-exempt bonds; 2) LIHTC equity at either 4% and sometimes at 9%; 3) Conventional bank mortgages; 4) Local (and sometimes state) subsidies, also known as “gap financing”. The funding sources listed above, with the exception of conventional mortgages, are all currently over-subscribed in California. The funding needed to unlock the pipeline’s approximately almost 41,000 homes is estimated to be: 1) \$9.7 billion in tax-exempt bonds; 2) \$11 billion in 4% LIHTC equity; 3) \$1.3 billion in 9% LIHTC equity; 4) \$1.4 billion in state tax credit equity; and 5) \$9.7 billion in gap financing.

UPDATE ON THE REGIONAL BOND MEASURE AND EXPENDITURE PLAN FOR HOUSING: In April, ABAG and BAHFA (Bay Area Housing Finance Authority) voted to adopt the Regional Expenditure Plan and to place a housing bond measure on the November 2024 ballot up to \$20B within the 9-county Bay Area as allowed by AB 1657 – The Affordable Housing Bond Act of 2024. This approval was subject to several unresolved issues (e.g. labor standards).

In May, ABAG and BAHFA voted to change the bond value to \$20B. In addition, ABAG agreed to seek legislation that would allow BAHFA to include labor standards which includes prevailing wages, health care payments and training to be applied to 100% of the bond funds including the 80% that will be administered directly by counties (and cities) along with the direct-allocation cities.

As noted in prior reports, if voters in the Bay Area support the housing bond measure, it would authorize the issuance of bonds for housing pursuant to the State General Obligation Bond Law. The Final Regional Expenditure Plan will govern the expenditures of the Regional Housing Revenue. The initial Regional Expenditure Plan assumes that the initial Expenditure Plan covers the 5-year period of 2025-2030 and that BAHFA will issue between 5 and 7 bonds depending on the value of the bonds and on the amount counties and direct allocation cities request.

As reported in last month's report, the Bay Area labor groups requested the Regional Expenditure Plan which is the basis for the bond measure include labor standards. After much discussion, both ABAG and BAHFA agreed to support legislation that imposes labor standards on 100% of bond funds, including the 80% that will be administered directly by counties and direct-allocation cities. This measure is intended to be placed on the November 2024 ballot in all 9 Counties in the Bay Area.

PRIORITY CONSERVATION AREA (PCA) FRAMEWORK REFRESH: PCA's are a set of geographies aimed to support broad conservation efforts. The PCA planning framework was originally developed in 2007 and received a minor update in 2014. During that time, 185 PCAs were nominated through a voluntary, locally driven process by cities, counties, and park/open space districts, and then designated by ABAG. As the growth framework and Priority Development Areas (PDAs) went through a significant update during Plan Bay Area 2050, many partners and stakeholders articulated a need to revamp the PCA planning framework as part of the Plan Bay Area 2050 Implementation Plan.

MTC/ABAG committed, in its adopted Implementation Plan to "engage with a variety of stakeholders and partners to provide guidelines and resources to support future conservation work, while also broadening the scope of the PCA program to promote climate resilience and equity." ABAG/MTC received a \$250,000 Sustainable Agricultural Lands Conservation (SALC) Program grant to identify the strengths and weaknesses of the current PCA framework, articulate a vision for next-generation PCAs, establish clear goals and objectives for PCAs, incorporate a wider range of policy concerns into the planning framework, and develop data and mapping tools available to program partners.

An interim memo entitled 'Priority Conservation Area Refresh' made several recommendations that were discussed at the ABAG Executive Board meeting on May 16, 2024. Following is the link: [Priority Conservation Area Refresh Interim Memo \(ca.gov\)](#). This report shows on Page 39 the existing PCA's previously designated while on page 15 the report identifies the areas that may be eligible for PCA designation in this next round. The suggested reforms aim to address challenges and add structure to the PCA Framework to enable their use in a greater array of future efforts, while still allowing local flexibility to raise local conservation priorities into the regional conservation framework. While the reforms are described individually, they are reliant on one another to create the desired structure to fully address the identified challenges. The six key reforms are: 1) Refine the PCA definition to be clearer and reflect how they are used in practice; 2) Add climate adaptation as a new PCA type and incorporate equity into each PCA type; 3) Ensure PCAs have accurate and verified geographic boundaries; 4) Ensure PCA type consistency with eligibility maps; 5) Incorporate Regionally-Identified PCAs into the framework that have been locally nominated outlined in the recent report; and, 6) Elevate PCAs for new funding with the refreshed Framework. **It is anticipated that nominations for new PCA's will begin in the Fall of 2024.**

RHNA CYCLE 7 REFORMS: The ABAG Executive Board began discussing the proposed recommendations from the Department of Housing and Community Development's recent report released on April 18, 2024 entitled "California's Housing Future 2040: The Next Regional Housing Needs Allocation initiative" which identifies recommendations for the upcoming RHNA -- Cycle 7 which is anticipated to start in 2027. Meanwhile, HCD and others will be initiating legislative changes to the RHNA process. Following is a link to this report: [Regional Housing Needs Allocation \(RHNA\) | California Department of Housing and Community Development](#).

The HCD recommendations propose significant changes to the methodology and process for the Regional Housing Needs Determination (RHND) and the RHNA (Regional Housing Needs Allocation). Some of the proposed changes include: 1) Account for housing needs of people experiencing homelessness; 2) Adjust how people in "group quarters" are accounted for in RHND and APRs; 3) Adjust income distribution to shift more of RHND toward lower-income housing needs; 4) Replace "comparable regions" process for overcrowding and cost burden adjustment factors with comparison to national average; 5) Technical revisions to RHND

adjustment factors for cost burden, overcrowding, vacancy rate, and jobs/housing relationship; 6) Account for housing lost to vacation homes and short-term rentals; 7) Use Department of Finance (DOF) household projections instead of population projections. Remove consultation process with COGs; 8) HCD to increase transparency during the RHND process, including offering methodology walkthroughs to COG boards.

On May 7, 2024, Governor Newsom announced his support to “Expand Local Governments’ Responsibility to plan for the housing needs of people experiencing and at risk of homelessness”. The legislation, AB 3093 (Ward), will ensure that local jurisdictions meaningfully account for the needs of their homeless populations and lowest income households as part of the Regional Housing Needs Allocation (RHNA) process and in local housing plans. We anticipate spot bills in the 2024 legislative session to address these recommendations.

STATE LEGISLATION:

Assembly Bill 2396 (Reyes) -- ABAG and MTC Support, if amended. State Partnership for Affordable Housing Registries in California Grant Program. This legislation is intended to fund the creation of local or regional online portals through which prospective renters can search for available deed-restricted apartments and submit applications. This bill would establish a state program to fund the creation of online search and application portals for deed-restricted apartments in communities throughout the state, subject to an appropriation by the legislature. Unfortunately, the State legislature placed this bill in suspense, but will come back next year.

Meanwhile, this bill was being co-sponsored by Housing California and its Residents United Network (RUN) comprised of renters living in deed restricted apartment complexes. The author and sponsor were attempting simplify the process of finding and applying for available deed-restricted apartments by requiring the State Department of Housing and Community Development establish a competitive funding program for cities, counties, regional housing finance agencies, public housing authorities and council of governments. The first phase of funding would focus on developing portals in geographies that do not currently have one; it would require the new portal to, at a minimum, provide listings of all deed-restricted apartments in the portal’s geography. Subsequent funding rounds would support portals in expanding to offer prospective renters the ability to submit online applications, receive automatic notifications of new vacancies and track their place on waiting lists.

Assuming the bill comes back next year, ABAG agreed to recommend the following changes: 1) Allow existing portals to apply for funding to maintain their systems; 2) Eliminate the requirement for portals to use a “pre-application” to identify apartments for a prospective renter to be eligible based on income; and 3) Limiting the required listings to available deed-restricted apartments in the portal’s geography rather than all deed-restricted apartments in the portal’s geography. The latter is a significantly larger universe of listings and doesn’t reflect Doorway’s current approach.

PROPOSED LEGISLATION: The ABAG Executive Board approved the recommendation that authorizes the Bay Area Housing Finance Authority (BAHFA) to seek legislation that would allow BAHFA to apply labor standards to regional housing bond proceeds directly allocated to counties and cities.

The Expenditure Plan already includes how BAHFA will deploy its 20% of the share of the Regional Housing Bond (assuming the bond measure passes in November 2024) which includes labor standards that require prevailing wages, health care payment and training in funding projects that increase the housing supply affordable to lower income Bay Area households. This proposed legislation would give BAHFA the authority to require the remaining 80% of the regional housing bond funds that would be distributed to counties and specific cities to require prevailing wages, health care payments and training when using the remaining portion (80%) of the regional housing bond funds. ABAG and BAHFA will be seeking an author for the legislation.