The Elephant in the Region:
Charting a Path for Bay Area Metro to Lead a Bold Regional Housing Agenda
By Heather Hood and Geeta Rao
January 2018
About Enterprise

The mission of Enterprise Community Partners (Enterprise) is to create opportunity for low- and moderate-income people through affordable housing in diverse, thriving communities. Central to our mission is Enterprise’s fundamental commitment to give people living in poverty an opportunity to move up and out. We believe that these opportunities are best provided in communities with a diverse mix of affordable and market housing options, access to jobs and social supports, and a strong commitment to the environment and civic participation.

To tackle our region’s affordable housing crisis, we advance a range of complementary and comprehensive affordable housing solutions that address the production, preservation, protection, and placement of homes. Enterprise’s priorities in Northern California include:

- Increasing the supply of housing affordable to households earning lower incomes
- Preserving the existing stock of subsidized and unsubsidized affordable housing
- Strengthening protections from displacement and loss of housing
- Ensuring equitable and integrated affordable housing opportunities for the lowest-income populations
- Aligning and increasing affordable housing resource
- Strengthening the sustainability and resiliency of low-income communities most vulnerable to climate change

Enterprise is a proven and powerful nonprofit that improves communities and people’s lives by making well-designed homes affordable. We bring together the nationwide know-how, partners, policy leadership and investments to multiply the impact of local affordable housing development. We have invested $2 billion in building affordable homes throughout the state. Our Northern California staff work with nonprofit and private partners, affordable housing developers and service providers, and public agencies and offices at the local, regional, and state level to build their capacity, deliver impactful policies and programs, and increase resources and funding.

To learn more about our work in the region and across the country, please visit www.EnterpriseCommunity.org/northern-california.

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Planning for Growth in the San Francisco Bay Area

Legend:
- Dark gray: Development Sites Identified Following 2015-2023 Regional Housing Needs Assessment
- Light purple: Priority Development Areas

Note: The 15 cities labeled on this map are projected to have the greatest housing unit growth between 2010 and 2040, according to Plan Bay Area 2040.
Executive Summary

Permanently affordable housing forms the foundation of a thriving San Francisco Bay Area. When the foundation of housing is stable, the Bay Area can continue to build a world-class region where all residents are connected to economic opportunity, reliable transit, vital retail, safe streets, healthy parks, and open space. Today, we find that foundation is cracking.

We have a boom of economic growth in terms of jobs and overall wealth creation; however, the region’s prosperity has not benefited everyone. Historic socioeconomic disparities and increased poverty contribute to a dramatic rise in homelessness. Our feverish housing market, marked by skyrocketing rents and homeownership prices, is exacerbated by the underproduction of housing, inadequate mobility options, and crumbling infrastructure. Most vulnerable to these forces are low-income communities of color who often find themselves priced out of the housing market, displaced to the corners of the region or beyond, and struggling to make ends meet between the rising costs of housing, transportation, and health care.

These challenges, alongside minimized federal and state funding for affordable housing and services, illustrate the impacts of the region’s housing crisis. These challenges are also a direct result of the inability of almost every jurisdiction in the nine-county Bay Area region to produce and preserve enough affordable housing and to protect their most vulnerable residents from being displaced. We are witnessing the consequences of a lack of coordination across jurisdictions; of the uneven housing finance and implementation capacity at every level to plan, develop, finance, and produce affordable housing; and of inconsistent execution of preservation and tenant protection strategies.

Local jurisdictions alone cannot solve the housing challenges we face, and when they fail to provide solutions within their own boundaries, they export the crisis to other parts of the region. Despite the legitimacy of local land use control, our housing market is regional, and regional solutions are needed. It is time to acknowledge the elephant in the region: the need for comprehensive housing functions consolidated at the regional level to advance a bold housing agenda.

The integration of the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) into Bay Area Metro provides a once-in-a-lifetime opportunity to create a stable foundation for regional housing solutions. In this report, we offer a bold solution for transforming the region’s ability to deliver affordable housing through the creation, resourcing, and staffing of a new regional housing entity at Bay Area Metro. Development, specifically creating a pipeline of projects—not planning, policy, or conditioning funding—is the driving force behind this proposed new entity. This new entity would expand and add to roles that Bay Area Metro already plays by working with and resourcing willing local partners to advance housing outcomes. In fact, Bay Area Metro can deploy the same capacity, authority, and acumen for delivering housing projects as it has for transportation projects.
In creating this new entity, three key actions are required:

**Action One: Build and Resource Regional Housing Capacity with a Focus on Local Implementation.** Cultivate the real estate, housing production, preservation, and tenant protection expertise necessary to ensure regional housing affordability and to develop a regional pipeline of affordable housing projects by deploying high-touch technical assistance to jurisdictions.

**Action Two: Establish, Capitalize, and Manage Regional Land Coordination.** Develop a comprehensive real estate strategy and create viable housing opportunities by working across sectors to activate public, surplus, and private land.

**Action Three: Develop and Implement New Regional Finance Tools.** Create new finance tools to complement existing tools with a focus on a new dedicated source of regional housing funding.

In this report, we outline specific steps for operationalizing these functions within the regional housing entity to ensure it provides the leadership, resources, and capacity necessary to allow local governments and stakeholders to succeed. Given Enterprise’s particular expertise, we focus on actions that directly support affordable housing *production and preservation*, but strongly encourage the new housing entity to include policy and capacity-building functions related to tenant protections as well.

As inspiration, this report showcases innovative practices used in other parts of the country, from a robust development-oriented technical assistance infrastructure found in Massachusetts to the suite of funding and financing tools that is creating thousands of homes for a broad spectrum of income levels in New York City. Together, these case studies provide solid models for our region as we advance a bold regional housing agenda.

Working together – across public, private, mission-oriented, and philanthropic sectors – we must seize the opportunity that Bay Area Metro offers to overcome one of the greatest threats ever to face our region. With this new regional housing entity, we can bring our internationally-recognized spirit of innovation and sustainability to write the next chapter of a complete Bay Area success.
Diagnosing the Problem

*Plan Bay Area 2040* sets out a bold vision for the San Francisco Bay Area to grow equitably and sustainably as our population increases from seven million to nine million by 2040. Excellent plans for this growth exist, yet the hard truth is that the Bay Area remains implementation-challenged. Our region is lacking the capacity and authority to tackle our pressing affordable housing crisis.

This housing affordability crisis has taken decades to create, and if left to run its current course, will undermine our future regional economic prosperity. The lack of housing options at all income levels limits our ability to attract companies looking to locate or grow here and contributes significantly to regional traffic congestion and greenhouse gas emissions. Our failures also limit our region’s ability to meet federal fair housing law and to ensure that the doors of opportunity remain open to everyone throughout the region.

Recently reaffirmed by the U.S. Supreme Court, federal housing laws and regulations require recipients of U.S. Department of Housing and Urban Development (HUD) funding to take “affirmative steps to dismantle historic patterns of segregation and eliminate disparities in access to opportunity regardless of protected class.” Yet development of new housing in the Bay Area is dramatically skewed toward wealthier residents, and the limited supply of housing that is affordable to low-income people of color predominantly ends up concentrated in less-resourced neighborhoods. From 2007 to 2014, the region permitted 99% of the Regional Housing Needs Allocation (RHNA) goals for above-moderate-income households, but less than a third of the housing needed for very low-, low-, and moderate-income households. Most jurisdictions (57%) permitted less than a quarter of the total housing units needed for such households. This distortion affects everyone, but low-income households are impacted the most.

How do we know we’re in a crisis?
There are too many people sleeping under freeways and too many people on freeways enduring long commutes.

- **Shortage of affordable and available homes.** Today, more than 165,000 very low-income households in the Bay Area do not have access to an affordable home.
- **Spread of gentrification and displacement.** The *Urban Displacement Project* at the University of California, Berkeley estimates that 53% of low-income Bay Area households live in
neighborhoods at risk of or already experiencing displacement and gentrification pressures. 7

- **Communities of color most impacted by displacement.** Oakland saw a 25% decline in its black population between 2000 and 2010, 8 and more recent trends show a net loss of the region’s black population and a dramatic shift in concentration towards the outermost jurisdictions. 9

- **Homelessness on the rise.** In San Francisco, the waiting list for shelter beds has grown by more than 20% between 2016 and 2017 10, and a recent point-in-time estimate for Alameda County revealed a 39% increase in the county’s homeless population since 2015. 11

- **Worsening commutes.** While record-long commutes affect all Bay Area residents, 12 low-income households, who spend a disproportionate amount of their income on transportation, 13 are most deeply impacted. Low-income workers commuting to jobs in downtown San Francisco have seen their median commute distance jump from around nine miles in 2008 to 15 miles in 2013, far surpassing the commuting distances of higher-wage workers. 14

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Bay Area’s Jobs-To-Housing Gap

<table>
<thead>
<tr>
<th>Region</th>
<th>Jobs added</th>
<th>Housing units added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contra Costa</td>
<td>25,633</td>
<td>8,336</td>
</tr>
<tr>
<td>Northern Counties*</td>
<td>45,118</td>
<td>8,313</td>
</tr>
<tr>
<td>San Mateo</td>
<td>64,531</td>
<td>3,844</td>
</tr>
<tr>
<td>Alameda</td>
<td>119,126</td>
<td>13,243</td>
</tr>
<tr>
<td>San Francisco</td>
<td>122,847</td>
<td>15,421</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>171,082</td>
<td>28,667</td>
</tr>
</tbody>
</table>

SPUR’s analysis demonstrates that over the last six years, housing production has significantly lagged behind job creation across the Bay Area. Source: Karlinsey, Szambelan, and Wang, “Room for More” (SPUR, August 2017), p. 15. Available at: www.spur.org/publications/spur-report/2017-08-24/room-more
How did the crisis grow?
Years of under-production have predictably led to the extreme shortage of affordable housing.

The cap on property tax rates created by California Proposition 13 continues to deal a severe blow to most cities. In response, local zoning and land use decisions consistently favor commercial, retail, and office land uses over residential. The reverberation of this inequitable taxing system is the decades-long under-production of housing relative to population growth. This is evident in the widening gap between jobs created and housing units permitted in core Bay Area cities. Between 2010 and 2015, the San Francisco and San Jose metro areas have the largest jobs-to-housing gap in the nation, with 6.8 and 5.5 jobs added for each housing permit issued over this period, respectively.

How have Bay Area localities responded?
Some communities have stepped up, but most have failed to build their fair share of affordable homes.

Under state-mandated RHNA housing production goals, every jurisdiction should build enough housing to provide the low-income housing needed to create and maintain inclusive communities while preventing poverty concentration and segregated housing patterns. While fair share is very much about increasing supply, it is also linked to regional access to opportunity. Currently there is no meaningful mechanism in place to help jurisdictions meet their RHNA goals and limited accountability mechanisms for those who fail to do so.

Why can’t cities just build more housing?
Localities often lack the resources and capacity and are burdened with circuitous permitting processes as well as NIMBYism (Not In My Back Yard).

- **Loss of local funds.** The shortfall in the development of affordable housing is partly due to the loss of redevelopment funds. Redevelopment agencies (RDAs) allowed local governments to capture a greater share of property taxes, which became a critical source of funding for new affordable housing development. In early 2012, the state’s approximately 400 RDAs were dissolved. Only a handful of larger cities had sufficient staff and financial resources within their city agencies to partially fill this gap. The loss of capacity for smaller and more financially-constrained communities was severe.
- **Inadequate capacity.** In most cities, no single department is responsible or accountable for how much housing is delivered,
preserved, or where it is located, let alone for developing inter-agency or cross-sector partnerships. Cities piece together housing strategies across various departments. Regarding tenant protections, most cities lack the capacity to track evictions, changes in rental units, or available subsidized housing.

- **Unpredictable permitting.** On average, it takes approximately two-and-a-half months longer to issue a building permit in coastal communities in California than the typical U.S. city (seven months compared to four-and-a-half months).\(^{18}\) The time spent by developers navigating through the permitting process costs money and drives up housing costs.

- **NIMBYism prevails.** The ever-present challenge of all kinds of NIMBYism continues to limit progress towards meeting affordable housing RHNA goals, especially in the most exclusive Bay Area communities. Recent examples include a lawsuit brought against the City of Lafayette for denying what would have been a 315-unit moderate-income development in favor of a significantly lower density proposal aimed at higher-income households, and the City of Brisbane’s rejection of any housing units as part of its proposal to accept eight million square feet of new commercial and industrial development.\(^{19,20}\)

Can’t we solve our housing crisis with just more funding?

***Funding is the linchpin to dramatically increasing development, but not the only factor.***

The recently-passed county bond measures totaling over $2 billion are a promising sign of voter support for real solutions, but they are only a down-payment on our affordable housing need. A recent report, *Funding Affordable Housing Near Transit in the Bay Area Region*, conservatively estimates the Bay Area’s affordable housing funding gap at $1.45 billion a year.\(^{21}\) Although the state Affordable Housing Sustainable Communities (AHSC) program is helpful for financing affordable housing, it only funds a handful of projects a year in the Bay Area. Furthermore, potential changes to federal tax policy are already undermining the value of the Low-Income Housing Tax Credit (LIHTC). Typically, local funding is paired with the LIHTC and other resources to finance new affordable housing developments. Given the volatility of state and federal resources, permanent regional and local sources are needed more than ever. Noticeably absent is the lack of a regional or city housing finance authority (HFA), which are critical in other regions. HFAs provide additional subsidy and financing that can break the LIHTC bottleneck and support mixed-income financing mechanisms and developments.
It’s Time to Address the Elephant in the Region

No locality on its own can solve the region’s housing crisis. Housing markets are regional in nature and require coordination across policies and funding tools, across jurisdictions, and across scales of government. The elephant in the region is the fact that we need comprehensive housing functions consolidated at the regional level.

We need a new, appropriately resourced regional housing entity specifically dedicated to addressing the Bay Area’s long-term housing needs.

Bay Area Metro is well-positioned to create the regional infrastructure necessary to deliver solutions by consolidating and expanding its housing functions. We have already seen the positive impact on transportation that comes from MTC coordinating planning, funding, and capacity-building at a regional scale across 27 transit operators. To improve housing outcomes across the entire region, we need an entity with the authority and acumen to lead a similarly well-coordinated, impactful, and holistic housing process. Moreover, this entity will be a place for the key actions and continual deliberations emerging from CASA (The Committee to House the Bay Area) to land and be implemented.

While government brings the largest amount of funding and resources, all sectors must play a role. Philanthropy, for example, can do more than fund advocates to push government. Philanthropy’s power to hold visions, frame, convene, and mediate can be much bolder and better coordinated in the housing arena in our region. In other regions, philanthropy is filling in the gaps in the affordable housing ecosystem by creating new resources, bolstering capacity, and making direct investments. The private sector, particularly our dynamic tech industry, can bring its propensity for innovation and risk-taking to guide capital in ways that bring not only economic but social returns as well. This new regional housing entity does not need to act alone in delivering affordable housing outcomes—it simply needs to be on point. Other sector partners can then step up and utilize their resources knowing there is a center to execute on a bold regional housing agenda.
What Would This Look Like?

We envision an entity with new capacities focused on housing production and on filling gaps in the housing delivery system, i.e. in funding, financing, land coordination, and staffing capacity. There is also the need to support capacity-building and performance on housing preservation and tenant protection issues. Some of these relate to policy issues that ABAG and MTC policy and planning staff are already working to address, but could be included in the overall capacity-building support this new entity provides, or more closely coordinated between departments.

There are various ways to structure this new regional housing entity. One option is to establish a department within Bay Area Metro, and another is to create a quasi-public entity housed at Bay Area Metro, similar to the Bay Area Toll Authority (BATA) and Resilient by Design (RBD).

In the first approach, Bay Area Metro could be authorized to create a new department with specific housing functions that include a significant expansion of the capacities outlined below. The head of this department would directly report to the executive director of Bay Area Metro. In the second approach, the quasi-public regional agency acts with the transparency and accountability of a public agency, but is empowered to play a strong role in administering additional housing resources, providing educational tools to local cities and other housing stakeholders, and intervening, when necessary, to advance affordable housing projects that may be facing financing, zoning, building code, or community hurdles.

MTC’s Track Record of Leadership on Housing

For 20 years, MTC has been a national leader on how a regional transportation agency can support housing in a myriad of ways beyond policy and planning. Early programs included the Transportation for Livable Communities (TLC Program), grants for transit-supportive infrastructure in housing, and the Housing Incentive Program (HIP), grants to jurisdictions that build housing. Capitalized at $50 million with $10 million in seed funding from MTC, the Bay Area Transit-Oriented Affordable Housing (TOAH) Fund provides acquisition loans for affordable housing development near transit and has helped to create 800 homes near transit thus far. More recently, MTC is on track to reward counties voting for new housing bonds in a new initiative called the Affordable Housing Jumpstart grant program. This two-decade evolution has culminated with the One Bay Area Grants (OBAG) and OBAG 2, the latter of which dedicates significant funds towards initiatives supporting Plan Bay Area, including the “80k by 2020 Challenge Grant” and the Bay Area Preservation Pilot, the region’s first program to acquire and preserve the affordability of homes on the speculative market.

3 For more information, see: http://mtc.ca.gov/our-work/fund-invest/federal-funding/obag-2
Expanding Bay Area Metro’s Current Capacities to Strengthen Housing

Below we outline Bay Area Metro’s current capacities and our suggestions for how they should expand to achieve more strategic and coordinated outcomes for delivering and preserving affordable homes:

**Innovation and Partnerships.** Serve as forum for generating ideas and strategies such as CASA. Expand to:

- Engender an open, transparent process for stakeholders to engage in shaping plans and projects—all with the end goal of delivering more housing in the region. Foster meaningful and constructive cross-sector partnerships to *implement* the key housing strategies.

**Capacity.** Provide grant programs to facilitate local planning and implementation and convene forums to share best practices across jurisdictions. Expand to:

- Deploy visionary housing expertise and real estate know-how to local jurisdictions to accelerate development by facilitating partnerships and providing predevelopment technical assistance on land assembly and financing opportunities.

**Data.** Conduct extensive research on housing, transportation, and land use trends and forecasts to inform sustainable communities strategies. Expand to:

- Create a robust real-time development tracking system that includes new development, public lands, vacant and underutilized parcels, and unsubsidized affordable housing units where residents are at risk of displacement. This tracking system will allow for a managed regional pipeline of housing projects.

**Authority.** Allocate RHNA goals to jurisdictions, review local plans for consistency in meeting RHNA goals, and provide technical assistance to achieve these goals. Expand to:

- Pursue a range of mechanisms to ensure more effective and equitable outcomes, such as new policies that identify funding that could be withheld from localities for not meeting their RHNA goals, or that prioritize development in areas that have historically not provided their fair share of affordable housing.
Funding and Finance. Provide seed funding for regional affordable housing finance tools like the Transit-Oriented Affordable Housing (TOAH) Fund and the Bay Area Preservation Pilot. Expand to:

- Apply Bay Area Metro’s financial authority and acumen to create new finance tools far beyond the region’s current development capacities, with a focus on a new dedicated source of regional housing funding.

The Checklist on page 34 details the core functions that a regional housing entity must provide and recommends a set of actions for staffing, funding, and structuring this work.

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**Advancing Regional Coordination at the State**

In the 2017 legislative session, Governor Jerry Brown signed a historic housing package with 19 housing bills including Senate Bill 3, which places a $4 billion housing bond on the November 2018 state ballot, and Senate Bill 2, which establishes a fee for certain real estate transactions that will generate a permanent source of funding for affordable housing at the state level. Here are a few other bills that could especially advance regional coordination, capacity, and financing of affordable housing:

- Assembly Bill 1598 authorizes certain local jurisdictions to create Affordable Housing Authorities to fund activities related to the promotion and development of affordable housing through local tax increment financing without raising taxes and without voter approval.
- Senate Bill 35 establishes streamlined approval for certain residential projects that conform to local plans and are located in jurisdictions that have not met their RHNA goals.
- Assembly Bill 1505 restores the authority of local jurisdictions to apply inclusionary housing requirements to rental housing.
The First Three Things a Regional Housing Entity Should Do

The newly integrated Bay Area Metro presents a unique opportunity to create the regional infrastructure needed to deliver a bold regional housing agenda with laser-focus on delivering a pipeline of affordable housing projects. In response to the identified challenges we face, this new regional housing entity needs to execute on the following:

**Action One: Build and Resource Regional Housing Capacity with a Focus on Local Implementation.** Cultivate the real estate, housing production, preservation, and tenant protection expertise necessary to ensure regional housing affordability and to develop a regional pipeline of affordable housing projects by deploying high-touch technical assistance to jurisdictions.

**Action Two: Establish, Capitalize, and Manage Regional Land Coordination.** Develop a comprehensive real estate strategy and create viable housing opportunities by working across sectors to activate public, surplus, and private land.

**Action Three: Develop and Implement New Regional Finance Tools.** Create new finance tools to complement existing tools with a focus on a new dedicated source of regional housing funding.

In establishing a regional housing entity, there are lessons to be learned and models to adapt from other regions where similar efforts have yielded real results. While no region experiencing economic and population growth can claim to have absolutely no affordable housing shortage, others are doing a much better job of increasing affordable housing production and preservation. How are they achieving this?

One essential step is finding creative ways to bring large amounts of capital to the table. Another step is creating incentives and requirements for local communities to act. This is happening in a variety of ways, in places with many different political and economic structures. In Minnesota, philanthropy has partnered with the public sector to create a rich ecosystem of affordable housing funders, developers, and service providers working at the state, regional, and local scales on production, preservation, and tenant protection issues. Massachusetts strategically cultivates a team with real estate expertise and deploys their staffing capacity, technical assistance, and finance tools to build a robust pipeline of development projects at the district scale. New York City has built a
suite of funding and finance tools that creates thousands of homes for a broad spectrum of income levels, while Seattle’s property owners step up to expand affordable housing funding through a series of tax increases that explicitly complement other tools. These regions nurture a broader community investment system that delivers housing outcomes.

In their capital absorption work with several regions including the Bay Area, the Kresge Foundation’s Initiative for Responsible Investment found that “concentrating on actions rather than institutions – verbs, not nouns – might open up discussion about the full range of actors – whether they considered themselves community investment actors or not and whether they were local, regional or national in scope – who could contribute to the community investment process.”

The core functions (i.e. verbs) that need to be addressed for any region to be successful are: defining its strategic priorities, generating a pipeline of projects, and creating an enabling environment (see figure below). In the examples we highlight from other regions, each has taken action to influence the community investment system, guided by a set of strategic priorities. This has resulted in new entities, policies, and funding tools. The following sections describe each of these recommended functions in more detail. We make the case for why such action is necessary and how the work could be structured, offer a quick snapshot of how other regions have created similar models, and suggest ways these models could be adapted for the Bay Area. Our intention is to inform and inspire the regional affordable housing discussions already underway to consider how these recommended actions could be implemented and how national best practices could be adapted for the Bay Area.

Community Investment as a Set of Functions

- **Strategic Priorities**: Ensure there is a coherent, community-endorsed vision to shape investments.
- **Pipeline**: Generate deals and projects that together add up to the realization of the community’s strategic priorities.
- **Enabling Environment**: Build the policies, processes, mechanisms and incentives that facilitate community investment.

Focusing on functions can help identify the gaps in the region's housing delivery system, so that regional and local actors can begin working in concert.

Action One: Build and Resource Regional Housing Capacity with a Focus on Local Implementation

Why this needs to be done
Across the region, progress in building new affordable homes was uneven and inadequate even when RDAs existed. Similarly, policies and political support for preservation and tenant protections are spotty at best. The lack of strategic coordination between planning, financial alignment, and production knowledge across the region has severely limited our ability to halt the escalating housing crisis.

There are many barriers to developing affordable housing at the local level. However, a locality’s decision to build affordable housing is not an isolated decision. Cities willing and able to build affordable housing are also affected by their neighboring jurisdictions’ unwillingness to do so. When localities do not build their fair share of affordable housing, they contribute to a greater concentration of poverty and reinforced racial segregation, often in communities with limited access to jobs, transportation, health care, or educational opportunities.

While there are equity concerns with the current methodology for setting housing allocations, the reality is that without enforcement, the goal-setting for a city’s affordable housing stock is limited. Currently, localities can get away with not building their fair share without consequences. The new regional housing entity we propose must be authorized to strengthen and expand its role in advancing fair and equitable housing development outcomes across the region through greater enforcement mechanisms and by distributing resources that build local capacity to meet goals. For this to happen, jurisdictions will need support and capacity to accelerate the development of affordable housing.

How a regional housing entity could do this
The complexity of the region’s housing market requires a coordinated and facilitated process to support local communities and to intervene directly when needed. The new regional housing entity can provide resources and expertise focused on building capacity to accelerate local preservation, protection, and production. Dedicated staff is required with the skills to provide technical assistance to local communities on housing finance, public-private partnership, project delivery, and community engagement.
In addition to internal staff capacity, a regional housing entity also needs the authority to engage with private sector partners and facilitate coordination across public and private partners to support development.

Other regions have created a regional coordinating entity or authorized existing regional agencies to play a leadership role in the planning, capacity-building, and funding to support local affordable housing systems. This goes well beyond allocating regional housing goals; it involves engaging local jurisdictions more directly to support local success, to hold them accountable, and perhaps to intervene when they fail to act.

**Local Example: El Cerrito Linking the Affordable Housing Pieces**

Last year, El Cerrito issued a request for qualifications (RFQ) on a former redevelopment site with an affordability suggestion: “Prior to the dissolution of the Redevelopment Agency... Redevelopment Law [required] that at least 15 percent of all units built in the project area be affordable. The City encourages developers to consider the inclusion of affordable housing units as a part of their proposal.” This one sentence created a race to the top. It signaled to the development community that density and affordability are priorities for El Cerrito. Eleven responses were submitted and the City selected a collaboration between Holliday Development and BRIDGE Housing to provide 223 total units — including 67 affordable at three different below-market rate income levels, and a unique plan for inclusive community space. The number of affordable units is 100% higher than what would have been required under the Redevelopment Law.

MTC also provided El Cerrito with a Priority Development Area (PDA) grant to create an Affordable Housing Strategy, a comprehensive suite of strategies to preserve affordability, from tenant protections to new affordable housing development. A new regional housing entity could go even further and help El Cerrito implement these strategies with targeted support and resources.

1 “El Cerrito Mayfair Site: A Case Study in Cities Leveraging their Land and the Market for Affordable Housing” (Great Communities Collaborative, March 2017), Pg. 2

**How it can be implemented**

Over the past decade, many localities have developed plans to increase the density and diversity of their housing, especially around transit corridors and stations, and in Priority Development Areas (PDAs). Implementation support is critical to moving these plans forward, and to jumpstarting efforts in smaller communities that lack resources. Specialized expertise is particularly important given the market complexity and variation that exists across the region. A regional housing entity can monitor and track housing developments occurring across the region and assist in monitoring key displacement and preservation indicators. It can establish effective accountability and enforcement mechanisms, and staff regional coordination between jurisdictions to share best practices in developing affordable housing and stemming residential displacement. These duties can be administered by the proposed new regional housing entity and provided in coordination with other elements of Bay Area Metro that
have responsibility for land use and infrastructure investments. A regional housing entity can create a secure framework from which finance programs could experiment with key projects of regional significance. An individual project’s risk would be partially mitigated by being part of a larger portfolio of other resources being co-invested. A set of capacity-building and community engagement grants would be provided to local communities to accelerate adoption of new land use, building and zoning codes to support mixed-income neighborhoods and local community engagement. A development expert could be funded for a three-year period and embedded within smaller cities to supplement their real estate acquisition and finance skills. Significant data and analytical capacity exists within Bay Area Metro, and can be enhanced to build upon past fair housing assessments, available public lands data, development pipelines, and other ready sources of information on subsidized and unsubsidized affordable housing located across the region. In the start-up phase, philanthropy could be tapped to fund staffing such as the development expert or other technical assistance resources.

**Approaches for Enhanced Coordination from Massachusetts and the Twin Cities**

In other parts of the country, efforts to coordinate across jurisdictions, synchronize a range of institutional actors, and build local capacity to support affordable housing development have taken a variety of forms. We highlight two examples that, while differing in how they distribute responsibilities and resources, both strategically guide expertise, dollars, and personnel to create a more efficient, balanced, and equitable housing delivery system.

**Capacity Deployment: Massachusetts**

**Transformative Development Initiative (TDI)**

In Massachusetts, the statewide agency “MassDevelopment” has both finance and strategic real estate development functions and is known as an ‘implementer’ of policy. It facilitates several state-funded programs and self-initiated efforts. The TDI program was established in 2014 to concentrate development efforts, resources, and investments in 26 communities where weaker markets and limited technical capacity limited housing and economic development.  

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This place-based development program includes a strong focus on enhancing public, private, and community engagement in weaker market communities defined as “Gateway Cities.”

TDI launched with a limited budget and staffing. Billed as a pilot program, it utilizes a toolbox model of delivery, instead of a singular program. This approach allows TDI to be tailored to the specific needs of local districts, as defined by local collaboratives, and consistent with locally-developed plans and ongoing community engagement.

After a state Redevelopment Fund was created as an act of legislation, new finance tools were created for the Gateway Cities. TDI used these funds to meet overarching challenges cities face, and to ensure more effective cross-agency coordination. Under TDI, each district receives increased attention from MassDevelopment and related partner agencies. In seven of the 10 districts initially selected for engagement, the program has deployed a TDI Fellow called a “community organizer for economic development,” intended to provide the additional capacity a locality needs to be focused on implementation. The speed of program development and its implementation were critical to the early successes and survival of TDI through a governor transition and full Board turnover.

From its inception, TDI was designed as an “implementation” program rather than a “policy delivery” framework. Every aspect of the program is considered through this lens, from technical assistance to small grants for forward momentum. The TDI program recognizes that:

- One deal cannot alone transform a block, one use (housing, institutional) cannot transform a market, and one actor cannot alone drive the redevelopment process.
- Success will come from a variety of interventions working together to create change.
- Dedicated new capacity to advance implementation is critical.
- Local partnerships are critical to leveraging physical redevelopment efforts across broader networks.
- By increasing engagement with communities, through working efforts and small early wins, the program can change the mindset and confidence of places faster, build momentum, and accelerate desired change.

In just three years, TDI has refined a core implementation methodology of urban regeneration, established economic and community development tools, and tracked ongoing process despite limited funding and institutional and political challenges. The program has influenced almost $39 million in investment in the 10 initial communities selected for engagement.
Affordable Housing Ecosystem: Twin Cities Regional Coordination

The greater Minneapolis-Saint Paul metropolitan region (commonly referred to as the Twin Cities) boasts an extensive network of affordable housing funders and advocates, innovative community development organizations, and affordable housing developers. The State is a close partner through the Minnesota Housing Finance Agency, which in 2015 revamped its criteria and process for allocating LIHTC to facilitate projects in suburban communities with access to key employment and transportation opportunities.

Regional Public-Sector Partner. State legislation passed in 1967, and amended in the 1970s, creates a strong role for the regional planning, policy-making and service provider, the Metropolitan Council, to engage in housing and land use issues. State legislation requires all local governments to adopt their own comprehensive plans consistent with the regional plan, and to share their plans with neighboring communities to facilitate regional cooperation. In the past 40 years, over 2,200 local plans and plan amendments have been reviewed by the Metropolitan Council. In 2015, the council adopted a new Housing Policy Plan to further assist local communities in identifying affordable housing need and housing policy options. The State also authorized the council to administer the rent subsidy program for smaller suburban communities. Metro Housing and Redevelopment Authority (HRA) administers over 6,500 vouchers today in 96 communities. The HRA administers several affordable housing programs including the Family Affordable Housing Program, which is designed to increase the supply of housing available to low-income families in suburban communities. Metro HRA owns over 150 single-family homes and town-homes through this program in scattered sites located in suburban Anoka, Hennepin, and Ramsey Counties.

Regional Non-Profit Partner. The Twin Cities affordable housing ecosystem is further bolstered by non-governmental organizations. Housing Link is a 501(c)3 organization that serves as an affordable housing information clearinghouse to ensure that low-to-moderate income families have access on renter protections, available units, housing assistance, and other key information. HousingLink is the region’s primary source for affordable housing-related openings, data, information, and resources. This includes specific outreach to landlords and property managers to advertise their rental housing openings for free. Its online “Housing Hub” portal is being redesigned to provide centralized information to renters on Project-Based Section 8 opportunities. Currently, there are over 700 project-based properties in the Twin Cities owned and managed by individual companies, each with its own waiting
The TDI Toolbox includes enhanced technical assistance, real estate investment and finance support, and grants for placemaking, community engagement, and small business development. 
Source: Image provided by Anne Haynes, Director of the Transformative Development Initiative at MassDevelopment. For more information, see: http://bit.ly/2Bd3oma

list. Navigating this labyrinth can take months with little information regarding an individual’s status. Housing Hub will transform this into a one-step process.\textsuperscript{31}

**Regional Housing Intermediary Partner.** The Family Housing Fund (FHF) is a housing intermediary created in 1980 through a $17 million grant and program-related investment by the McKnight Foundation and with support by Minneapolis and Saint Paul. Over the years, FHF has evolved to spearhead several innovative financing and funding tools supporting a myriad of affordable housing needs, including construction, preservation and rehab, and research and policy advocacy, including tenant protection supports.\textsuperscript{32} Among its many contributions is providing seed funding to establish regional housing intermediaries such as a local Low-Income Support Corporation office. In partnership with the Saint Paul Public Housing Agency, the FHF established the Home Ownership Made Easy Program in 1990 to provide education, counseling, and financial assistance to families living in public housing.
or receiving Section 8 assistance so they can become homeowners. In 2009, FHF formed the Twin Cities Community Land Bank to spur land acquisition and site control. FHF recently unveiled a Mixed Income Housing Calculator that allows users to estimate the feasibility between various local incentives and the development of a mixed-income housing project.33

Application to the Bay Area
In Massachusetts, the State stepped forward to create a technical capacity role with an emphasis on supporting a specific set of communities facing long-term struggles with weaker markets and unmet community needs. The program includes a focus on walkable, transit-accessible places with a mix of technical assistance, small grants, and equity investments. This type of approach could be adapted for the Bay Area and structured within the new regional housing entity. Plan Bay Area 2040 identifies a set of high-priority communities that can be the focus of this type of capacity-building and technical assistance program. A regional approach must also incorporate affirmatively furthering fair housing and addressing the region’s fair share inequities. By ensuring that technical capacity and other assistance in building new and preserving existing affordable housing targets both communities needing revitalization and localities that have historically under-produced affordable housing options and/or excluded low-income people of color, the new regional housing entity can meaningfully address segregated housing patterns and advance fair and equitable housing distribution throughout the region.

A Range Of Functions For The Twin Cities’ Fund

Source: Family Housing Fund. www.fhfund.org/who-we-are
In contrast to our current fragmented approach, the Twin Cities example shows the impact of having a variety of interventions created across a set of actors with a strong role for philanthropy in filling critical funding and policy gaps. Its Metropolitan Council, through specific state authority, engages local communities in affordable housing planning to ensure consistency with regional goals and to administer rental subsidies. A parallel non-governmental approach was created through the FHF to provide financial, capacity, and policy support across communities and to engage across housing production, preservation, and protection interventions.

Both case studies illustrate structures and roles that need to be filled at a regional level – some by public agencies and others by non-governmental actors to advance a regional pipeline of affordable projects and policies. Our regional funders also must consider playing a more direct and strategic role, including in the use of their investment funds.
Action Two: Establish, Capitalize, and Manage Regional Land Coordination

Why this needs to be done
Across the Bay Area, skyrocketing land costs prohibit or out-price development even in well-resourced areas. At the same time, we see a pattern of uneven development and a growing roster of underutilized, abandoned and tax-defaulted land. Alameda and Contra Costa Counties, for instance, continue to struggle with large swaths of vacant properties and their negative spillover effects. Largely concentrated in low-income communities of color, vacant and neglected properties drag down nearby home values, create safety concerns, and cost local jurisdictions hundreds of thousands of dollars in maintenance, emergency service provision, and lost tax revenue. Over the years, various local programs have launched to proactively address such properties, but they generally suffered from a lack of intergovernmental cooperation, minimal funding, and limitations imposed by state law. Acquisition timing is risky as it often requires land to be held for long periods of time. Even when acquisition is possible, non-profit developers are limited in their capacity to afford holding costs as they pull together development financing and entitlements. One analysis of 46 recent Bay Area affordable housing pro formas found that land alone accounts for 13% of total development costs, on average.\

How a regional housing entity could do this
Local efforts to catalyze the use of tax-defaulted land by leveraging Chapter 8 of California’s Revenue and Taxation Code have stalled due to insufficient funding, hiccups in county-city coordination, and limitations imposed by state statutes. At the regional level, targeted investments to support land acquisition for community-serving uses near transit, such as TOAH, have been helpful, but limited in impact because they lack a proactive entity that coordinates land acquisition. It’s apparent that such disparate efforts would benefit from a regional housing entity that could draw on in-house real estate and community revitalization expertise to lead a land assembly strategy. Such an entity could perform predevelopment tasks, create a public-facing database of land inventory and developable sites across the region, and, if authorized through the appropriate enabling legislation, hold and dispose of land.
How it can be implemented

Enabling state legislation is required to move forward with any land banking scenario. Legislation must empower the creation of an entity with the ability to borrow funds, issue bonds, create revenue streams through fees and rent collection, acquire property through various means, engage in intergovernmental cooperation, and dispose of properties in accordance with established bylaws and processes.³⁶

In the near-term, absent such legislation, a regional entity could provide the space for jurisdictions to collaborate on land acquisition and disposition strategies, share best practices, and access an inventory of opportunity sites, as well as provide technical assistance and funding. Some of the groundwork for this has already been laid. In addition to programs like TOAH and Oakland’s Tax-Defaulted Properties Pilot momentum can be seen in Plan Bay Area 2040’s “Action Plan,” which calls for creating an “accessible database of major development and publicly owned sites”³⁷ and analyzing “data about housing opportunity sites and vacant lands.”³⁸ In a similar vein, results from Bay Area Metro’s ongoing exploration of development opportunities on public parcels indicate that there are approximately 350 acres of land suitable for housing development held by a variety of public entities (this study includes all 9 counties except San Francisco).³⁹ What is missing right now is a concerted effort to stitch together these disparate pieces and incorporate a strong push for affordable housing development. Bringing these functions into a regional housing entity, along with the seed capital necessary to fund land acquisition and management, would fill key gaps in our affordable housing ecosystem.

Patchwork of Public Land Policies

A patchwork of public land policies exists throughout the region while many cities wait for the local application of the State Surplus Land Act to be settled in court. Cities and counties have been slow to endorse policies that address “Power to Sell Properties”, i.e. those that have been tax-defaulted for at least 5 years. Alameda County, for instance, has over 400 such properties, of which roughly half are in Oakland.¹

Public land policies need to be updated to activate land for housing and to use proceeds from land leases or sales to fund the preservation and production of affordable homes in other locations.

Some public agencies are stepping up. Valley Transportation Authority (VTA) and Bay Area Rapid Transit (BART) both passed groundbreaking policies that make clear the importance of building affordable and market-rate housing on their properties. Several advocates and public agencies are now working to develop a regional public lands strategy to provide sites for affordable housing and other community-serving needs.

¹ Internal analysis of a listing of 5-year tax-defaulted properties provided by Alameda County.
Land Coordination Models from Allegheny County and New York City

Many states and communities have established land banks to streamline and standardize the disposition and development of underutilized and public land. Because land banks arise out of a wide range of political climates and in response to varying market and geographic conditions, their form and function can take on distinctly different flavors. The following existing and proposed land banks have features that provide a model for the Bay Area.

Regional Cooperation: Tri-COG Land Bank in Allegheny County

The Tri-COG Collaborative (TCC) of Allegheny County in Western Pennsylvania takes a cross-jurisdictional approach to land banking. The TCC Land Bank spans three Councils of Governments and 40 members that include municipalities, school districts, and the county. As a regional project from the outset, the TCC spent months consulting member jurisdictions on their challenges and capacities before creating a detailed implementation plan. The TCC Land Bank’s structure includes a Board of Directors comprised of members selected by each type of entity represented, in addition to four experts selected by the group.

Aimed at blight mitigation and economic development, the TCC Land Bank outlines virtually every aspect of its acquisition and disposition strategy with an eye towards inter-jurisdictional cooperation, respect for local control, and responsiveness to community priorities. Diversifying the land bank’s real estate portfolio across political boundaries also allows for individual jurisdictions to benefit from scale economies in administration while mitigating against market risk. The region’s largest city, Pittsburgh, also has its own land bank, demonstrating that there need not be a one-size-fits-all approach. In fact, given the distinctions between the region’s major urban center and other smaller communities in Allegheny County, a regional approach has proven useful to working across different types of market conditions and utilizing tools at different scales. The graphic on the next page demonstrates the cross-jurisdiction collaboration embodied in its comprehensive land use implementation strategy.
An effective land acquisition and disposition strategy requires cross-jurisdiction and cross-sector alignment to achieve the greatest impact.

Hot Market with Affordable Housing Shortage: New York City

Like the Bay Area, New York City has seen a significant decline in affordably-priced rental units over the last two decades alongside a rise in cost-burdened households and homelessness. Against this backdrop, the City Comptroller is advocating to leverage all the City’s assets, including close to 1,500 vacant, city-owned lots, to create more affordable housing units. The City is proposing to establish a land bank that would maintain title to public land and work directly with non-profit developers to create permanent and deeply affordable housing. Like other land banks, the proposal includes acquiring persistently “tax-delinquent and underutilized properties” and ensuring that they are used for affordable housing development instead of going through the usual revenue-generating lien sale process.

The New York City proposal is notable for its ambitious aims within a hot real estate market. Unlike other land banks that have sprouted out of economic decline, the Comptroller’s report cites rising land prices and the barrier this presents to affordable housing construction as its primary motivation. In recognition of this urgency, the proposal calls for the direct transition of vacant, city-owned properties, as well as redirecting outstanding tax liens, to seed the land bank. The land bank would be empowered to manage the future foreclosure of tax-delinquent vacant or underutilized properties to maintain a pipeline for affordable housing development. Finally, the Comptroller proposes packaging leased land bank parcels with local subsidies to non-profit developer partners, including community land trusts, to serve as stewards of newly developed, permanently affordable homes.

Application to the Bay Area

Our region would benefit from a dual strategy to address our region’s spectrum of market conditions. The dual strategy would leverage many of the land bank tools typically deployed for areas where properties have been abandoned by the market, paired with the dedicated financing and site stewardship functions necessary for areas where land costs are prohibitive for affordable housing development. This dual strategy requires that the land coordinating entity be adequately capitalized, and that the ability to waive state and local taxes during holding periods be established.

A sensible starting point for a regional housing entity is a partnership between Alameda and Contra Costa Counties, where vacant and tax-defaulted properties exist in significant numbers and various stakeholders are already thinking proactively about utilizing such properties. A joint
venture supported by an external regional actor such as Bay Area Metro could accelerate their progress. The revenue generated through land sales, fees (such as real estate transfer or mortgage recording fees), and property tax recapture on conveyed parcels could then be matched with proceeds from bond sales and public grants to finance acquisition in higher cost areas. Additional jurisdictions could join at-will as the land bank gains traction and demonstrates the benefits of streamlined disposition, blight abatement, and the emergence of a patient development partner.

**Oakland’s Tax-Defaulted Properties Pilot**

The Community Buying Program is a partnership between the City of Oakland, the Alameda County Treasurer-Tax Collector, and non-profit developer Hello Housing, designed to facilitate the development of 26 tax-defaulted parcels into affordable housing.

The County and City discharged tax and code enforcement liens, respectively, with the County agreeing to sell the parcels to Hello Housing at prices below market value. Hello Housing, as the program administrator, then sells these parcels to other developers and provides ongoing technical assistance to ensure the new units satisfy State affordability requirements under Chapter 8, which stipulates that such units are affordable to households earning up to 120% area median income (AMI). Design and permitting for the 24 homeownership units and the two multifamily rental properties are underway with an occupancy goal of late 2018.

Action Three: Develop and Implement New Regional Finance Tools

Why this needs to be done
The Bay Area has a deep bench of affordable housing developers that produce high-quality affordable homes financed through various fragmented local, state, and federal sources. The capacity for developers to build and preserve affordable housing is primarily limited by the total available subsidies and the lack of adequate financing tools. The two types of housing generally being produced in the Bay Area include market-rate housing (with limited affordable units through inclusionary policies) and 100% stand-alone affordable housing that utilize 9% LIHTC or 4% LIHTC combined with tax exempt bonds. Both 9% and 4% LIHTC deals require additional subsidy and typically serve households at 60% area median income (AMI) and below.

How a regional housing entity could do this
Our region needs a more robust set of funding and financing interventions to increase housing production and serve incomes beyond the typical range of 60% of AMI and below. This requires creating below-market financing that will enable more production. In acknowledging the breadth of the housing crisis, we must also pursue mixed-income models that do not depend on over-subscribed LIHTC funds (see next page). Developments known as “50/30/20s” (50% market-rate units, 30% moderate-/above-moderate-income units, and 20% low-income units) and “50/50s” (50% moderate-/above-moderate-income units, and 50% low-income units) can, if structured well, use the higher rents from market-rate units to support the lower-income units while also serving people in the middle who are currently without any assistance.

To enable these financing structures, the Bay Area needs to create a dedicated source of gap or “soft” funding at the regional level that will, when combined with below-market loans, market-rate cross-subsidies, and readily available additional funding sources such as the 4% tax credit, significantly address the Bay Area’s housing crisis. A critical component to the feasibility of these finance tools is the need to pursue the extension of property tax reductions to moderate-income affordable housing so a greater breadth of incomes can be served while not at the expense of low-income households.
The Challenge of the LIHTC Bottleneck

The limited number of 9% LIHTC available results in a bottleneck on affordable housing production throughout the region and the state. According to the California Tax Credit Allocation Committee (TCAC), 9% LIHTC are oversubscribed at a rate of over two-to-one. While the 4% LIHTC are not fully subscribed, the ability to utilize 4% LIHTC relies on other highly competitive and limited subsidy sources such as the AHSC program. Furthermore, the potential changes in federal tax policy are already undermining the value of tax credits, creating financing gaps that will need to be filled by other sources. This will ultimately reduce the number of projects that can be developed. In addition, some localities can provide significant subsidies from their own general funds and/or exaction programs, but this has resulted in very uneven affordable housing funding and production programs across the region.

1Internal analysis based on TCAC data.
How it can be implemented

A long-term regional housing finance structure is needed that retains the ability to leverage lower-cost capital in the future and invest in housing both as a financing source and as a subsidy. Bay Area Metro can begin to lay the groundwork to create a suite of financing tools that provide a combination of low-cost, tax-exempt debt, gap funding contributions, and a comprehensive package of property tax mitigation for very low- to moderate-income units that could result in thousands of new affordable housing units. Bay Area Metro is best situated to implement this housing finance model given that it already has bonding authority and is engaged in sophisticated financial markets.

Bay Area Metro should create a housing finance function akin to BATA or the Service Authority for Freeways and Expressways (SAFE). While there are State housing entities that serve this purpose, creating this capacity at the regional level will allow for tailored approaches that address the unique challenges and opportunities of the Bay Area regional housing market. A regional housing finance function requires the following components:

**Bonding Authority.** Bay Area Metro already has tax-exempt bonding authority that can be put to work in the form of low-cost construction and permanent loans to housing developers. Cash flow from the housing would repay the bonds over time. Supporting this repayment source with its other funding streams as collateral, Bay Area Metro could leverage its strong financial position to secure very low interest rates (1-3%), which could be a game-changer for the region.

**Subsidy.** The Bay Area’s high construction costs demand a pairing of low-interest loans and deferred, “soft” loans and grants. Only with this type of additional subsidy can developers fully utilize 4% LIHTCs and thus break the 9% LIHTC bottleneck. Bay Area residents have already demonstrated unprecedented support for this type of subsidy by passing housing bond measures.

At the state level, we look towards a permanent source of funding for affordable housing and the $4 billion state bond initiative on the ballot in 2018. Voter approval of the bond will provide critically needed resources but not obviate the need for a dedicated regional source of funding, because state bond funds are disbursed through state-wide competitions. Bay Area projects would not be guaranteed an award of these funds, and projects would have to modify their programs, affordability levels, and designs to meet state-defined criteria. This process often excludes otherwise good projects that Bay Area localities need, and does not allow for creativity to meet Bay Area-specific conditions. Bay Area Metro,
CASA, and Bay Area leaders should explore the best way to secure a regional funding reserve from which soft loans are drawn along with construction and permanent loans.

**Property Tax Reduction.** For financial feasibility, the regional housing entity would need to be authorized to extend property tax reductions to moderate-income affordable housing. California’s Revenue and Taxation Code provides an exemption from paying property taxes on non-profit-owned, deed-restricted housing serving households earning up to 80% of AMI. This, in conjunction with subsidies and below-market loans, makes developing and operating affordable housing possible, since affordable rents cannot cover both normal operating expenses and property taxes. This section of the State tax code also explains why so few developers build housing to serve households earning between 81% and 120% AMI, despite a tremendous need at this affordability level. An amendment to the relevant Revenue and Taxation Code sections that expands the exemption for “units serving lower income households” to “units serving low- or moderate-income households” could help a population sector that can in no way compete in the marketplace and for which there are virtually no programs or assistance. This would require state legislation, and it may make sense to explore a pilot for the Bay Area before expanding statewide.

Each of these components relies upon a predictable, long-term annual revenue stream that can be leveraged and recycled to grow the region’s overall financing capacity.

**Innovative Finance and Funding Models from New York City and Seattle**

Other regions in the country have found ways to address barriers to production by creating innovative financing tools and capacity. New York City offers a great example of how to create a range of housing, from preservation to new construction, from extremely low- to moderate-income, and from small- to large-scale. Another example is Seattle’s Housing and Livability Agenda (HALA). HALA provides the platform for a comprehensive city-wide approach to address the most pressing issues in housing. These examples are highlighted because both Seattle and New York City are high-cost, coastal regions that face similar affordable housing needs, funding challenges, and a comparable political climate.
Suite of Funding and Financing Tools: New York City

Responding to a severe need for stabilizing the City’s affordable housing stock, the state legislature created the New York City Housing Development Corporation (NYCHDC) in 1971. NYCHDC is a supplementary and alternative means of supplying financing for affordable housing independent from the City’s capital budget. Initially the NYCHDC primarily financed large-scale rental development, but now it issues bonds and provides subsidy and low-cost loans to develop and preserve a variety of housing types and scales, including home-ownership. Its authorizing statute includes flexibility for NYCHDC to amend its programs and goals in response to changing economic climates. Over the past fifty years this has happened at numerous points, with several subsidiaries and new bond programs created. NYCHDC has become the leading local finance agency in the nation, outperforming many of the country’s largest banks in terms of volume and dollar amount of bonds issued.43

NYCHDC’s Multi-Family Housing Revenue Bond Resolution (“MRHRB” or “Open Resolution”) was established in 1993 and, as of 2014, has over $4 billion of bonds outstanding and more than $6.2 billion in multi-family loans, reserves, and other assets. With a growing balance sheet, 120% over-collateralization, and flexible funding that can be used to provide deeper affordable housing subsidy, this has created a substantial amount of new funding and has tapped federal and private sector resources to bring new financial tools to the table. NYCHDC has provided over $1.4 billion in 1% subordinate loans funded from its corporate reserves since 2003.44

The existence of an independent finance entity like NYCHDC has allowed New York City to launch ambitious affordable housing programs. The De Blasio administration’s ten-year, 200,000-unit housing plan, known as Housing New York, represents the most recent example. As part of this comprehensive approach, in June of 2015 NYCHDC partnered with the New York City Department of Housing Preservation and Development to launch the Sustainable Neighborhood Bonds (SNB) program. SNB capitalizes on the growing “green bond” trend in other bond markets and broadens NYCHDC’s investor base by attracting buyers interested in investments that serve social goals. To date, more than $2 billion of the roughly $4.5 billion in bonds NYCHDC has issued to support Housing New York were SNBs. SNB-funded projects provide affordable housing, but also prioritize other benefits, like energy efficiencies, retail amenities, and community services.45
Consistent Revenue Generation: Seattle
HALA is a place where financing is carefully considered as part of a system of solutions. HALA is a comprehensive and multi-prong approach to create an affordable and livable city. Convened in 2014 by the Mayor’s Office and City Council, HALA is composed of community leaders and was tasked with developing a bold agenda for increasing affordability and availability of housing in Seattle. HALA identified monetary and capacity implementation needs and then stepped forward with a bold and comprehensive plan.

HALA engages in a broad set of housing strategies led by working groups tasked with issues including financing, new affordable housing resources, zoning and housing types, construction costs and timelines, tenant access/protections, housing preservation, and sustainable home ownership. Each group determines measurable implementation actions, including strategies such as incentive zoning (density bonuses) and increasing the housing levy (tax) on properties. The HALA plan includes legislative and administrative levers needed to meet the needs of Seattle’s growing population, and includes the infrastructure to implement those levers.

Seattle Voters Demonstrate An Increased Commitment to Affordable Housing

Recognizing that the need for affordable housing has increased, Seattle voters have consistently voted every seven years to tax property owners, creating a steady source of resources for their affordable housing trust fund. The last time the levy passed in 2016, it increased by 59%.
Source: City of Seattle, “Under One Roof.” www.underoneroofseattle.com
Since 1981, Seattle voters have approved one bond and five levies of increasing value on property taxes to create affordable housing, as demonstrated by the graphic on the previous page. These funds supported over 13,000 new affordable apartments for seniors, low- and moderate-wage workers, and formerly homeless individuals and families. Funds also provided homeownership assistance to more than 900 first-time, low-income home buyers, and emergency rental assistance to more than 6,500 households.

Application to the Bay Area
Both examples illustrate how Bay Area Metro could provide subsidized loans; however, a regional housing entity that is well capitalized could engage in many finance tools beyond providing subsidized loans. For example, it could take an equity position (deeply subordinated), write letters of credit, and so forth, all of which are currently lacking in our region. Going forward, any finance innovations would require in-depth study by experts at Bay Area Metro, Bay Area jurisdictions and others from around the country with expertise in public financing.

The challenges of establishing a regional funding source should not be deemed too daunting – there is successful precedent. In 2016, Bay Area voters passed, with 70% approval Measure AA, the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure, which is a $12 parcel tax projected to raise approximately $25 million annually – or $500 million over twenty years – to fund shoreline restoration projects along the Bay. State enabling legislation established the San Francisco Bay Restoration Authority to implement this new funding measures.
Checklist for Advancing a Bold Regional Housing Agenda

Action One: Build and Resource Regional Housing Capacity with a Focus on Local Implementation

Agency Formation
- **Structure**: Choose structure and define relationship to MTC/ABAG governing boards.
- **Authority**: Pursue State enabling legislation as appropriate.
- **Communications**: Create an information-rich website where a clear purpose, mission, and strategies of the entity are communicated. Communicate housing development, preservation, and protection metrics to the public.
- **Budget**: Develop a 3-5 year budget and strategic plan that includes staffing and resources. Structure to ensure sufficient expertise and robust operations to successfully execute real estate, financing, funding, and land acquisition strategies.

Staffing and Capacity
- **Leadership**: Hire executive staff that reports to the Executive Director of Bay Area Metro to lead delivery on the overall vision to building strong external partnerships, coordinating internal partnerships to leverage Bay Area Metro resources, and overseeing operations.
- **Expertise**: Hire staff with real estate development expertise, municipal bond knowledge, and experience in financing and delivering affordable and mixed-income housing developments. Positions may include housing developers, real estate and financial analysts, community development experts, and administrative support.
- **Support**: Assign additional staff within Bay Area Metro to align efforts on research, forecasting, and grantmaking.
- **High-Touch Technical Assistance**: Deploy housing real estate expertise to jurisdictions with the task of accelerating development. Provide high-touch technical assistance on predevelopment activities like feasibility and market studies, land assembly, and finance.
- **Community Development Expert**: Place community development experts at the local level. Provide a set of capacity-building and engagement tools to communities.
- **Innovation Lab**: Create an “Innovation Lab” to support strong research and development function and to support partnerships (universities, local governments, state and federal agencies) for research, design, and piloting of approaches to such issues as moderate-income financing, permit approval streamlining, financing ADUs, anti-displacement policies, and integrating mobility and resilience.

Partnerships
- **Advisory Committee**: Create an Advisory Committee to advise and support the entity’s regional housing solutions, including CASA’s recommendations. Include visionary and strategic thinkers, and have diverse representation across sectors, including community-based networks.
- **Network**: Cultivate a network for collective impact beyond the Advisory Committee, including philanthropic partners and implementation-oriented partners.
- **Forums**: Convene forums to share best practices across jurisdictions.

Analysis
- **Tools**: Develop mapping and other analytic tools that track, real estate market trends, displacement trends, and other critical trends. Use this analysis to direct attention and strategic resources to areas with highest risk of displacement.
Action Two: Establish, Capitalize, and Manage Regional Land Coordination

Land Activation
- Database: Create a comprehensive database of all public land, vacant land, and underutilized land in the region.
- Assembly Authority: Explore creation of regional land assembly authority. Potential functions include: acquisition and assembly of properties through purchase, foreclosure, intergovernmental transfer, public or private donation and land holding and preparation, clearing titles, discharging tax liens and other penalties. Issue RFPs to sell properties and transfer development rights to developers.
- Development Opportunities: Work with local governments, community organizations, and other stakeholders to assess housing development opportunities on surplus public land.

Action Three: Develop and Implement New Regional Finance Tools

Align and Expand Financing
- Finance Authority: Explore utilizing Bay Area Metro’s authority and resources in innovative ways such as a providing low-interest, patient loans; a line of credit for acquisitions of new or existing affordable housing; or having Bay Area Metro function as an equity partner.
- New Source of Funding: Create a dedicated source of regional housing funding using new and/or existing sources to deploy innovative finance tools.
- Finance Support: Identify and track system-wide trends, finance opportunities, and gaps.
- Condition Funding: Establish funding incentives for jurisdictions to meet their RHNA goals, and funding disincentives for jurisdictions who fail to take available steps to meet RHNA goals.

Manage Pipeline and Development
- New Construction: Track the region’s pipeline of new housing by units, affordability levels, and tenure.
- Preservation: Track existing unrestricted affordable rental units on the market with a high potential for displacement of low-income tenants due to no-fault evictions or steeply rising rents.
- TCAC Coordination: Coordinate with TCAC to implement a more rational and equitable process for allocating 9% LIHTC resources, using Bay Area Metro-packaged funding as residual receipts and leverage.
- Development Support: Coordinate and issue regional Notices of Funding Availability (NOFAs) to select development teams, deploy enhanced funding stream, and leverage tax credits and debt, as appropriate.
- Broker Engagement: Work with real estate brokers to finance acquisition and deed-restricted affordability protection of existing rental units to combat displacement of low-income residents.
**Conclusion**

The San Francisco Bay Area’s many natural and economic resources, in addition to its culture of innovation and openness, have created unprecedented economic success. However, this booming success is not shared equitably, and fuels our region’s economic disparities. As a region with unparalleled prosperity and talent, we can do much better. We must create and manage bold solutions that can be scaled and applied across a wide set of communities and integrated across related sectors. We’ve seen in transportation the power of regional coordination and of working across sectors. Similar coordination is needed now to advance affordable housing strategies.

The housing crisis will not be solved by individual jurisdictions working alone, or by current financing tools and traditional approaches to land use. Government cannot do it alone; all sectors and stakeholders have a role to play. A regional housing entity to help coordinate the many pieces and players is long overdue for the Bay Area. The creation of Bay Area Metro provides our region with a unique and transformative moment to not just make this new entity the sum of MTC and ABAG parts, but also to create a new regional housing entity that brings together much-needed staffing expertise, financial tools, data resources, and regional leadership on affordable housing. In other words, our inability to implement Bay Area-wide housing strategies no longer needs to be an elephant in the region.

To advance *Plan Bay Area*, Bay Area Metro must become a powerful regional housing force that works with local communities, philanthropy, advocates, the private sector, land owners, and developers to finally meet our regional housing needs. The Bay Area needs a regional housing entity that includes the chops to:

- **Action One: Build and Resource Regional Housing Capacity with a Focus on Local Implementation.** Cultivate the real estate, housing production, preservation, and tenant protection expertise necessary to ensure regional housing affordability and to develop a regional pipeline of affordable housing projects by deploying high-touch technical assistance to jurisdictions.

- **Action Two: Establish, Capitalize, and Manage Regional Land Coordination.** Develop a comprehensive real estate strategy and create viable housing opportunities by working across sectors to activate public, surplus, and private land.

- **Action Three: Develop and Implement New Regional Finance Tools.** Create new finance tools to complement existing tools with a focus on a new dedicated source of regional housing funding.

Let us seize on this unique moment in time to overcome one of the greatest threats ever to our region. Bay Area Metro, and all of us who care about expanding affordable housing opportunities, ending homelessness, and fighting displacement in the Bay Area, must be focused on actions that build upon research and proven best practices. Within ten years, we envision a regional system delivering more housing options for all Bay Area residents, linking people earning all incomes to opportunity and healthy life options. Let us bring our internationally-recognized spirit of innovation and sustainability to create the next chapter of San Francisco Bay Area success.
Endnotes


2. See: [https://www.hudexchange.info/programs/affh/](https://www.hudexchange.info/programs/affh/).

3. Mandated by State law, the RHNA process begins with the California Department of Housing and Community Development (HCD) taking a variety of demographic factors into account to determine the quantity of new housing by income level needed for each region. Regional Councils of Government (COGs) then determine how to allocate these housing goals across localities.


5. Ibid.


22. Convened by Bay Area Metro, CASA brings together leaders from across the Bay Area to build an actionable political consensus around increasing housing production at all levels of affordability, preserving existing affordable housing, and protecting vulnerable populations from housing instability and displacement.


26. Ibid.


28. Ibid.


31. For more information, see: [https://www.housinglink.org/AboutUs/housing-hub](https://www.housinglink.org/AboutUs/housing-hub).

32. A complete history of the organization and its programs is available at [http://www.fhfund.org/history/](http://www.fhfund.org/history/).


35. Information gathered from interviews with developer and public agency staff.


38. Ibid.

39. From forthcoming study on Public Lands by Bay Area Metro, to be released.


42. For more information, see: [http://www.seattle.gov/hala](http://www.seattle.gov/hala).

43. Information gathered from an interview with Elizabeth Strojan, Director of Government Affairs, NYC Housing Development Corporation on September 5, 2017, in addition to: [http://nychdc.com/HDC_%20A_%20Brief_History](http://nychdc.com/HDC_%20A_%20Brief_History).

44. Ibid.

