

San Francisco Bay Area's housing crisis continues to put significant gentrification and displacement pressures on families and communities across the region.

According to the Urban Displacement Project at the University of California, Berkeley, 62% of low-income Bay Area households live in neighborhoods at risk of or already experiencing displacement¹.

To help stabilize communities and keep families in their neighborhoods, the Metropolitan Transportation Commission (MTC) has committed \$10 million to launch the Bay Area Preservation Pilot (BAPP). BAPP will provide financing for affordable housing in communities served by public transit that are affected by significant gentrification pressures.

Quality, affordable housing in the Bay Area is increasingly scarce, making it especially difficult for the region's most vulnerable residents to stay in their homes and communities. Affordable housing preservation is a strategy that emerged through partnerships among local governments, affordable housing developers, and advocates seeking to ensure housing remains affordable to low-income residents. The strategy seeks to acquire and protect homes on the market that are affordable to low-income households but not subject to affordability restrictions and therefore are at risk to speculative investors.



BAY AREA LOSING AFFORDABILITY

The majority of low-income Bay Area families live in unsubsidized rental properties subject to rising rent prices and the possibility of a no-fault eviction. Meanwhile, the housing stock affordable to low and middle-income renters continues to fall short of the need, especially in hot real estate markets such as the Bay Area.² In 2016, the 9-county region was home to around 600,000 low-income households, but only 385,000 unsubsidized housing units were affordable and available to them.³

This represents a decline of over 80,000 such units since 2013, a period in which the affordability of roughly 27,000 unsubsidized units was lost annually due to rent increases and a variety of other factors. The region is losing more of these "market rate affordable" units than it is currently able to replace through new subsidized housing production.

1. <http://www.urbandisplacement.org/map/sf>

2. The Gap: A Shortage of Affordable Homes, March 2017. Accessible at: http://nlihc.org/sites/default/files/Gap-Report_2017.pdf

3. These numbers refer to units where rents are affordable to households earning 80% of their respective county's median income and the current occupants earn no more than 80% of the median income, the conventional threshold for "low income." This estimate is found by taking the total number of such units in the 9-county Bay Area according to the National Low-Income Housing Coalition's analysis of Census PUMS data, then subtracting all units subsidized by LIHTC, HUD, and USDA funding. Households receiving Housing Choice Vouchers are not included.



MTC'S INVESTMENTS IN HOUSING

MTC has a strong track record of contributing to meaningful housing solutions. In 2008, MTC provided seed funding to create the groundbreaking Transit Oriented Affordable Housing (TOAH) Fund to build or improve affordable housing near transit in the Bay Area.

Capitalized at \$50 million, TOAH is projected to help create approximately 1,100 housing units to date, of which about 900 will be affordable. Similarly, BAPP responds to advocacy efforts from cities and community-based organizations to address gentrification pressures and the acute housing crisis in the region. As initially approved by MTC in July 2016, MTC's \$10 must be leveraged 5 to 1 and deployed in Transit Priority Areas and Priority Development Areas.

PRESERVATION PILOT

Administered through community development financial institutions (CDFI) Enterprise Community Loan Fund (ECLF) and the Low Income Investment Fund (LIIF), BAPP will address a specific financing gap in the affordable housing market by offering 10-year term loans and a quick execution allowing mission-driven developers to compete for market-rate properties that currently offer affordable rents.

Once a property is acquired using a BAPP loan, developers will have up to 10 years to stabilize the property making sure residents are not displaced and also determine a financial plan to ensure the long-term affordability of the property. The loan will play the critical role of providing the financing needed to quickly acquire a property, financing acquisition costs, as well as carrying costs such as life and safety repairs and reserves.

Beyond 10 years, developers will secure Low-Income Housing Tax Credits and/or other existing sources of affordable housing financing at the local, state, and federal level to ensure long-term affordability.

IMPACT

As a result of BAPP, LIIF and ECLF estimate between 200-400 homes will be taken off the speculative market and positioned to maintain permanent affordability through the 10-year pilot. The initiative's aim is to demonstrate that public sector investments can help stabilize communities and mitigate displacement pressure for the region's most vulnerable residents. If expectations are met, BAPP could be scaled for greater impact.



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