ASSOCIATION OF BAY AREA GOVERNMENTS
Representing City and County Governments of the San Francisco Bay Area

ABAG

Date: March 10, 2016

To: ABAG Executive Board

From: Duane Bay
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Subject: **Draft Housing Action Agenda**

Background

One of the most significant impediments to achieving Plan Bay Area's sustainability and equity goals is the lack of housing affordability, and simply the lack of housing. The shortfall of new homes relative to demand over the past several decades has contributed to high housing costs. The chronic lack of affordable housing options has become most acute in areas of the region with the greatest access to jobs and amenities, but is now experienced by renters and buyers almost everywhere. Accelerated by a booming tech economy, the attractiveness of the Bay Area housing market to foreign capital, and the emergence of the disruptive short-term rental sector, the pervasive and sustained rise in housing costs also translates to displacement of both lower income and middle class households from home neighborhoods and job centers.

What is to be done? Conferences, summits, and hearings have been held at every level—local, county, subregional, regional, and state. The recent forum *Calling the Bay Area Home: Tackling the Housing Affordability and Displacement Challenge* (http://mtc.ca.gov/tags/calling-bay-area-home) is a good example. Stakeholders have issued papers. For example, ABAG's *People, Places and Prosperity* and *Displacement in the Bay Area*. The outline of a consensus for action has emerged: we need to build more housing, primarily in already-built areas, especially in Priority Development Areas; we need to promote and enable more "housing affordability" using strategies that fit the variety of local contexts; we need to assure economic inclusion in new developments and resident protection from displacement.

But specifically what is to be done? Various well-informed policy makers and practitioners have proffered over 100 specific "housing solutions," each addressing some critical part of the challenge, and all included in the background material from the recent *Calling the Bay Area Home* forum. From these, staff has sifted those particular housing solutions best matched to ABAG's strongest capacities: research, consensus building, policy leadership, and technical assistance for implementation. As another tool to filter for tasks most appropriate for ABAG initiative, staff employed the following set of principles, which ABAG had suggested for consideration at the Housing Forum as a basis for finding common ground among regional stakeholders.

- Every community can do something, and should; and all of it should count.
- Proposed projects that conform to local, regional and state policy should get permits and get built.
- Communities that want to protect residents from displacement or raise funds to preserve housing that's already affordable, or create more, should be enabled to do so.
- Making "Safer Homes in Stronger Communities"—by upgrading vulnerable older structures to conserve resources, survive floods and earthquakes and remain affordable—makes sense.
- Together, we need to make a compelling case for what we know—that a too-tight housing supply and too-high housing costs directly impact community safety, health, education, economic prosperity and GHG —to anyone and everyone who can help invent, install and invest in workable, high-consensus housing solutions region-wide.
- Pooling our resources, with return-to-source protections, makes sense.

Based on these and other inputs, including previous discussions at the Executive Board and Regional Planning Committee over several years, staff is proposing an ABAG Housing Action Agenda, the major tasks of which are outlined in the section immediately following. The outline of major tasks also frames a more detailed breakout of strategies and implementation projects, included as Attachment 8.1. This section is followed by a highlight of three key activity areas that are instrumental to advancing the agenda—formation of a regional housing trust fund; facilitating affordability through housing renovation; and facilitating best practices through research and technical assistance.

Major Tasks

1. Build new homes: help conforming projects get permits and get built.

The region's chronic inability to produce enough new homes to meet the demand has contributed to high housing costs, and has been compounded by the continuing diminution of funding for development of homes that are affordable to moderate-, low-, and very low-income households. Although it is not the only answer to the Bay Area's housing affordability challenge, building new homes, both market and affordable, is critical. We must make it easier to build new housing when it aligns with local land use plans, provide new funding sources to increase housing affordability, and expand the tools that jurisdictions can use to build mixed-income neighborhoods and raise funds for affordability solutions.

2. Unlock and preserve affordability inherent in existing homes.

Almost all of the housing that will be in the Bay Area in 2040 is here today. Some existing homes provide affordability and place-security for homeowners with long-held mortgages. Others, typically older apartment buildings, feature lower market rents or, in some cities, rent stability. We need to preserve homes that are affordable, and unlock affordability potential in our existing housing stock.

Preserving existing housing of all kinds just makes sense. Each year a few thousand deed-restricted rental units are at risk of reverting to market as their affordability contracts and subsidies expire. Thousands of units of housing are removed from our existing supply by conversion to short-term rentals. Many or most mobile home parks, comprising about 60,000 homes, are at risk of closure and redevelopment.

Housing renovations, rehabs, and retrofits can preserve affordability while providing many other benefits. Modern seismic code upgrades can save lives and will reduce the Bay Area's current risk of 250,000 instantly displaced households in a major quake. Energy and water retrofits can halve current consumption. Accessary dwelling units (ADUs) can accommodate homeowners' changing family size and activities of daily living while also giving or retaining ADU residents' access to neighborhoods with jobs, services, and amenities. Public funding can accelerate renovations that make residents safer and communities stronger.

3. Empower jurisdictions to act to assure their residents' place-security.

Across the region renters face unprecedented price pressures. Adding new homes will relieve some pressure, except where it accelerates displacement because of rapidly escalating land values. Building more units with long-term affordability will relieve some pressure, but the waiting lists are long and new units cannot be targeted to a neighborhood's existing residents. Acquisition/rehab/conversion of older affordable apartment houses to long-term affordability will give those residents rent stability and place security when they move back in, but these projects take time and money. ADUs will help, especially in high-rent neighborhoods. But helping today's renters today is harder. State law limits local discretion to adopt rent stabilization, just cause eviction, and condominium conversion ordinances.

To enable jurisdictions to act to assure their residents' place-security, we need to: increase the region's housing supply at all income levels, especially affordable homes through new construction, including ADUs; develop funding to preserve existing homes; and support jurisdictions that choose to adopt policies to protect existing residents from economic displacement.

Key Activity Areas

The *Draft ABAG Housing Solution Strategies and Implementation Projects* (Attachment 8.1) presents strategies and associated implementation projects to advance the major tasks outlined above. Most of the implementation projects under consideration employ multiple strategies and serve multiple high-level goals. Based on input from ABAG Executive Board, Regional Planning Committee and stakeholders staff has identified three key activity areas, highlighted below, that will be instrumental in making progress toward substantial and lasting housing solutions: a) formation of a regional housing trust fund; b) facilitating affordability through housing renovation; and c) facilitating best practices through research, education, convening, technical assistance and resource development.

a) ***Regional Housing Trust Fund*.** We cannot meet the housing challenges that threaten our regional well-being without a dramatic increase in public funding. Achieving our high-level housing goals will require additional funding for efforts such as increasing affordable housing production; acquisition, rehabilitation, conversion of older rental housing to long-term affordability; integrated residential retrofits that secure seismic safety, water and energy conservation and long-term affordability; mobilehome park preservation or Acquisition/Rehabilitation/Conversion (ARC); conversion to resident coop or non-profit ownership; silent-second shared-appreciation homebuyer assistance loans for work-proximity housing and housing in PDAs; and landbanking of sites identified in Housing Elements which are suitable for affordable housing development.

Recent trends indicate we cannot rely on federal or state sources for additional funding for affordable housing. Therefore, we must have substantial new local and regional sources. In response to interest from ABAG Board members, staff will explore the creation of a regional housing trust fund as a way to expand the resources available for affordable housing while complementing and maximizing the effectiveness of existing local housing funds. Developing a regional funding source will require cultivation of a broad-based regional political constituency for affordable housing. Constituency development will require regional institutional leadership and capacity—a role that ABAG is well positioned to play, given its relationship with local governments and housing stakeholders throughout the region. ABAG's strengths in research, stakeholder negotiation, technical assistance and advocacy at the state level will also be critical for the organizational and program development of a regional housing trust fund. Attachment 8.2 is a brief paper that identifies key issues, including potential funding sources, uses, and overall structure and proposes next steps toward formation of a regional housing trust fund.

b) ***Affordability through housing renovation*.** To unlock and preserve affordability inherent in existing homes through renovation, we will advance enabling legislation to remove barriers and gain RHNA credit for ARC and ADUs, and we will work to develop substantial funding through a regional housing trust fund with subfunds for ARC and integrated seismic/conservation retrofits. We will also start by interviewing the experienced practitioners who currently operate the several dozen existing city or county housing renovation programs in the Bay Area to understand at a deep and pragmatic level what combination of technical assistance and funding program guidelines would leverage and accelerate their work. We will look for ways to expedite replication in jurisdictions that are currently less well served.

c) ***ABAG's Collaboration Platform*.** Solid data, sharp tools and timely technical assistance from ABAG are instrumental to advancing the major housing tasks. ABAG works with cities, counties, MTC, and other partner agencies; in PDAs and corridors; through the Regional Planning Committee, the Bay Area Planning Directors Association, on Plan Bay Area implementation. The housing and economic data that ABAG collects and shares (e.g., the annual housing production reports by affordability level, RHNA sites inventory, and *State of the Region)* provide local governments and other stakeholders with the information they need to make solid policy decisions. ABAG builds on this information by convening peer cohorts for best-practice implementation (e.g., East Bay Corridor Initiative, Local Hazard Mitigation Plan updates) and providing technical assistance (e.g., to catalyze multi-jurisdiction RHNA subregions and impact fee nexus studies, to develop seismic safety ordinances, to develop financing sources for multi-benefit housing retrofits). Finally, ABAG participates in policy leadership (e.g., advocating for RHNA revisions through the state Housing Element Advisory Committee, inserting the *priority development area* and *corridor* concepts into Strategic Growth Council's funding allocation guidelines).

Discussion

Staff solicits feedback on the proposed housing action agenda and Regional Housing Trust Fund proposal.

Question: Do the "principles presented above (on page one) reflect a core perspective that can be a useful in filtering and shaping how ABAG engages with member agencies, partner agencies and stakeholders to find common ground solutions to housing inaffordability and place insecurity?

Question: Do the key enabling projects presented above, in the words of President Pierce, "show potential for **significant positive impact** on the current Bay Area housing situation, and **leverage ABAG's unique capacity to lead collaborative innovation**"?

Question: Are there other concerns or information that Executive Board members would like staff to take into account in setting priorities and formulating the 2016-2017 housing workplan?

Attachments:

Attachment 8.1*, ABAG Housing Solution Strategies and Implementation Projects*
Attachment 8.2*, Draft Proposal for Formation of Regional Housing Trust Fund*