



Date: February 27, 2014  
To: ABAG Administrative Committee  
From: Miriam Chion, Planning & Research Director  
Subject: **Regional Housing Program**

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## **The Affordable Housing Challenge**

The need for affordable housing is one of the most significant challenges to implementing Plan Bay Area's proposed land use pattern and equity goals. Over the past several decades, housing production in the Bay Area has not kept pace with demand, contributing to high housing costs. The recent economic recovery has highlighted the lack of affordable housing options, as housing costs have increased sharply in many of the areas of the region with the greatest access to jobs and amenities, leading to the potential displacement of lower income households.

In the past, the region has struggled to meet its goals for providing housing that is affordable to moderate-, low-, and very-low income households, and this task is likely to be even more challenging in the future. According to Plan Bay Area, the number of people in very low- and low-income households is projected to increase from 40 percent to 43 percent of all households by 2040. ABAG has estimated that the average amount of subsidy needed in the Bay Area to fill the gap between current resources and the additional funds needed to build the housing needed by these households to be \$4.1 billion per year.<sup>1</sup>

The difficulty of meeting the need for affordable housing has increased dramatically in recent years with the steady reduction of federal and state subsidies for affordable housing development; the elimination of redevelopment agencies and their requirements for dedicated local housing trust funds and for construction of new and replacement housing; and the legal challenges to the use of local inclusionary housing policies.

## **ABAG Housing Program**

ABAG is working with regional and state agencies, legislators, housing and business advocacy organizations, and others to identify and promote policy changes and new funding sources dedicated to providing local jurisdictions with the flexibility and resources needed to meet unique local housing needs in each community. The three primary focus areas of the housing work program are to (1) facilitate development of new sources of funding to finance creation and preservation of affordable housing; (2) encourage coordination among agencies that impact housing planning, production and affordability; and (3) promote legislation that supports the Bay Area's housing goals.

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<sup>1</sup> *Affordable Housing Funding Gap Analysis, Draft Report, February 19, 2014.*

These areas of emphasis are consistent with the legislative priorities for the 2014 legislative session that were identified by ABAG's Legislation and Governmental Organizations Committee:

1. Supporting measures that reduce the voter threshold for infrastructure taxes and bonds statewide and locally; and
2. Pursuing increased funding as well as policy and legislative changes to support Plan Bay Area implementation, including Housing Element reform and funds for affordable housing .

### **Increased Funding for Affordable Housing**

ABAG staff is engaged in discussions about several legislative initiatives under consideration that have the potential to expand the resources available for affordable housing. Of particular interest are the California Homes and Jobs Act (SB 391) and the Governor's Infrastructure Finance District Trailer Bill.

The California Homes and Jobs Act, SB 391 (DeSaulnier), introduced February 20, 2013, would generate an estimated \$500 million annually for affordable housing programs through a \$75 recordation fee on real estate transactions other than home sales. ABAG is supportive of the bill in concept and has been conveying to the sponsors and supporters of SB 391 the importance of incorporating language to specify that funds will be returned to the place where they were generated. More detail about SB391 is available in *Attachment 1, Assembly Committee on Appropriations Bill Analysis*.

One of the most compelling potential tools to support Plan Bay Area implementation, including production of affordable housing, is the creation of Infrastructure Financing Districts (IFDs). Governor Brown's proposed budget expressed support for expanding the types of projects that can be funded through an IFD to include urban infill, transit priority projects, and affordable housing. ABAG staff is currently reviewing proposed legislative changes to IFDs to ensure that the revisions would adequately support affordable housing production and preservation. More detail about the Governor's proposal for IFDs is available in *Attachment 2, Trailer Bill Language for the Local Economic Development Proposal from the California Department of Finance (DOF)*.

Another potential source of funding for affordable housing is the state's cap and trade auction. Governor Brown's proposed budget included \$100 million for local assistance funding to support regions as they implement their Sustainable Communities Strategies. ABAG staff will contribute to discussions about how these funds are targeted to ensure they support Plan Bay Area.

Given the uncertainty about the potential for adoption of these funding mechanisms at the state level, ABAG staff is also exploring options for how best to ensure that the affordable housing resources available at the regional level—including the Transit-Oriented Affordable Housing Fund (TOAH) and the ABAG Finance Authority's Multifamily Housing Finance Program—are supporting the goals of Plan Bay Area. In particular, staff has emphasized the importance of promoting the acquisition and rehabilitation of existing properties as an affordable housing and anti-displacement strategy. This strategy is described in more detail in *Attachment 3, Acquisition/Rehab as a Plan Bay Area Implementation Strategy*.

At the local level, the ruling in 2009 in *Palmer v. City of Los Angeles* that prohibited the imposition of inclusionary requirements on rental units and the loss of redevelopment agencies has led many jurisdictions to rely on impact fees as a primary source of funds for affordable housing. To implement a housing impact fee or commercial linkage fees, a jurisdiction must first conduct a nexus study to show the relationship between new housing or jobs and the need for affordable housing in the community. ABAG is exploring ways to support local jurisdictions that want to conduct the nexus studies necessary to implement these fees, similar to the approach that is currently being undertaken by 21 Elements in San Mateo County. A synopsis of this approach is presented in *Attachment 4, San Mateo County Multicity Affordable Housing Impact Fee Nexus Study and Feasibility Report*.

### **Policies to Provide Affordable Housing and Prevent Displacement**

In addition to trying to identify new sources of funding for affordable housing development and preservation, ABAG staff is also promoting policies that increase housing supply and affordability and prevent displacement. At the state level, ABAG has convened a series of meetings with staff from the California Department of Housing and Community Development (HCD), the California Housing Finance Agency (CalHFA), and DOF to discuss potential changes to state policies and requirements that would support better implementation of the redevelopment agency dissolution process, local Housing Elements, and Plan Bay Area.

At the local level, ABAG is working on several initiatives that will inform local Housing Elements, the Priority Development Area Investment and Growth Strategies prepared by county Congestion Management Agencies (CMAs), and the next Sustainable Communities Strategy. Staff has been working with the Housing Leadership Council of San Mateo County and other housing advocacy organizations to develop a toolkit of best practices for local government staff to consider as they update their Housing Elements for the 2014-2022 period. Through the HUD Sustainable Communities Grant, ABAG staff is currently developing a “Development Dashboard” that will facilitate the collection and reporting of details about housing developments as they move through the entitlement process. The HUD Grant is also supporting ABAG’s work to help research and promote best-practices that local jurisdictions may employ to mitigate displacement of businesses and residents by targeted growth in PDAs.

### **Discussion Questions**

Which of the following examples of housing-related implementation activities use ABAG’s comparative advantages most effectively?

#### *Building support for affordable housing*

- Provide data, fact sheets and/or talking points that make the case for affordable housing development and displacement mitigation tailored to local needs
- Convene meetings among local elected officials, staff, and other stakeholders to discuss the need to address local affordable housing and displacement issues

#### *Addressing affordable housing funding and displacement mitigation at the local level*

- Develop annual progress report on affordable housing development

- Develop annual progress report on local adoption of policies and programs that address displacement
- Provide technical assistance to local jurisdictions to support local adoption of housing and commercial linkage impact fees when invited to do so
- Promote and facilitate local adoption of housing and commercial linkage impact fees as needed

*Facilitating sub-regional (e.g., within counties and/or along transportation corridors) communication and cooperation related to housing issues*

- Share best practices related to affordable housing and displacement mitigation with jurisdictions and CMAs
- Establish county or corridor working groups to address housing issues

*Working with appropriate State agencies (HCD, DOF, Governor's Office of Planning and Research) to explore changes in state regulations that facilitate creation of affordable housing*

- Count congregate housing (e.g., senior assisted living facilities) toward Regional Housing Need Allocation goals and make Housing Element provisions related to acquisition/ rehabilitation easier to use
- Expedite DOF procedures for transferring former redevelopment agency land